A GUIDE FOR ANTI-CORRUPTION RISK ASSESSMENT

THE GLOBAL COMPACT

About the United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate sustainability initiative in the world, with over 12,000 signatories based in 145 countries.

Acknowledgements

The Global Compact Working Group on the 10th Principle appointed a Task Force on Anti-Corruption Risk Assessment to create a guidance document for small, medium and large companies on how to understand and conduct anti-corruption risk assessments as a key element of their compliance programmes.

This guide was created by the Anti-Corruption Risk Assessment Taskforce, which included anti-corruption experts, non-governmental organizations and business practitioners:

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Welcome Message from Georg Kell

New and tougher anti-corruption regulations — along with vigorous enforcement by regulators — continue to emerge worldwide. Yet, there is no shortage of scandals and unethical practices resulting in the erosion of trust and confidence in business.

More than ever before, investors are acknowledging that corruption can negatively impact value and pose financial, operational and reputational risks to their investments. It is, therefore, of critical importance for enterprises to arm themselves with robust anti-corruption measures and practices as part of their corporate sustainability strategy. Assessing risks is a crucial step to implement corporate sustainability successfully, decrease the exposure to various risks and avoid costly damages. It is clear that good compliance starts with a comprehensive understanding of a company's corruption risks.

The Global Corporate Sustainability Report 2013 shows that only 25% of UN Global Compact business participants conduct anti-corruption risk assessments, and there are substantial differences in implementation levels among large and small companies. A Guide for Anti-Corruption Risk Assessment aims to help companies of all sizes. The UN Global Compact has developed this Guide to help companies of all sizes address this implementation gap and to provide them with the knowledge to assess their exposure to corruption risks through a systematic, comprehensive and practical step-by-step process.

Enterprises that are proactive, well-equipped, knowledgeable and take action on anti-corruption can strengthen their brand while doing business with integrity.

I urge all businesses to take the necessary steps to strengthen their compliance programmes and improve their efforts to deter corruption. A Guide for Anti-Corruption Risk Assessment helps lead the way.

Georg Kell
Executive Director
United Nations Global Compact Office

Foreword by Barry Salzberg

Corruption impacts all aspects of society, often resulting in tremendous inefficiencies and creating obstacles to growth. Organizations increasingly want to better understand and manage their exposure to corruption as they work to navigate regulatory challenges and grow their operations. This "how to" guide highlights principles that organizations can use to identify, evaluate, and mitigate the corruption risks they face.

Anti-corruption efforts are important to the Deloitte[1] global network of member firms, and our organization continues to be committed to promoting stronger governance, compliance, and risk management globally. I'm pleased to congratulate the United Nations Global Compact on the publication of this valuable resource, and I'm proud Deloitte has been part of such an important initiative. I'm confident the valuable insights in this guide will help organizations around the world continue to fight against corruption— and win.

Barry Salzberg
Global CEO
Deloitte Touche Tohmatsu Limited

1. "Deloitte" refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries

A. About this Anti-Corruption Risk Assessment Guidance

The promulgation of regulatory guidance on the importance of an effective anti-corruption compliance programme has been steady and significant over the last few years, and has garnered media attention given the size of the fines some enterprises have paid. That media attention has, in turn, led to increased focus from management, board members and investors alike on corruption-related risk's impact on stock value, company reputation, employee morale, and the people of the impacted countries. Effective assessment and mitigation of an enterprise's corruption risk has been an element of many recent settlements with regulatory agencies. It is highlighted in both the OECD's Good Practice Guidance on Internal Controls, Ethics and Compliance[2], and the Guidance issued to accompany the UK Bribery Act. It is also a critical element of the UN Convention against Corruption, including the 10th Principle of the UN Global Compact.

The need for risk assessment and the approach outlined in this document is consistent with the "assess" step of the UN Global Compact Management Model framework[3]. This step allows an enterprise to identify risks that can affect its performance and reputation from nonalignment with the 10 Principles of the Global Compact.

Increasingly, companies across the world receive more lenient treatment in bribery prosecutions as an affirmative defense for the quality of their anti-corruption programmes in the event of employee misconduct. One key component of an effective programme is the assessment of the anti-corruption risk facing a given enterprise. Though much of the available regulatory guidance is instructive and highlights the importance of effective risk assessment, it fails to provide a "how-to" of such an assessment.

This document provides information on that "how-to". This is challenging as the proper scope of a risk assessment will change from enterprise to enterprise depending on a variety of factors, including industry, size, geographic reach and scope, etc. Thus, this document seeks to provide a practical, step-by- step guidance on how to conduct an anti-corruption risk assessment without being prescriptive, and while remaining industry neutral and location agnostic.

The following sections include background on anti-corruption efforts, the importance of effective risk assessment and the potential uses of an assessment's results. These sections can help guide internal discussions that takes place before a risk assessment is conducted. Along those lines, the reader will find a series of principles that can be adopted. We have also organized a six-step process that can be followed to establish a risk assessment: establish the process, identify the risks, rate the risks, identify mitigating controls, calculate remaining residual risk, and develop an action plan.

Not every principle will apply equally to all enterprises. There may be some that are not suited to your enterprise, particularly if you are a small or medium sized enterprise; if so, move on to the next principle discussed. Also included are appendices, which may be used as a guide in internal discussions over the conduct of an assessment; they are not intended to be all-encompassing, and each risk assessment must be tailored to each enterprise. We have endeavored to identify where and when the size of an organization impacts the principle discussed. One of the key principles of conducting such an undertaking is that the level of effort dedicated to the risk assessment process should be commensurate with the size, nature of operations and locations of your enterprise.

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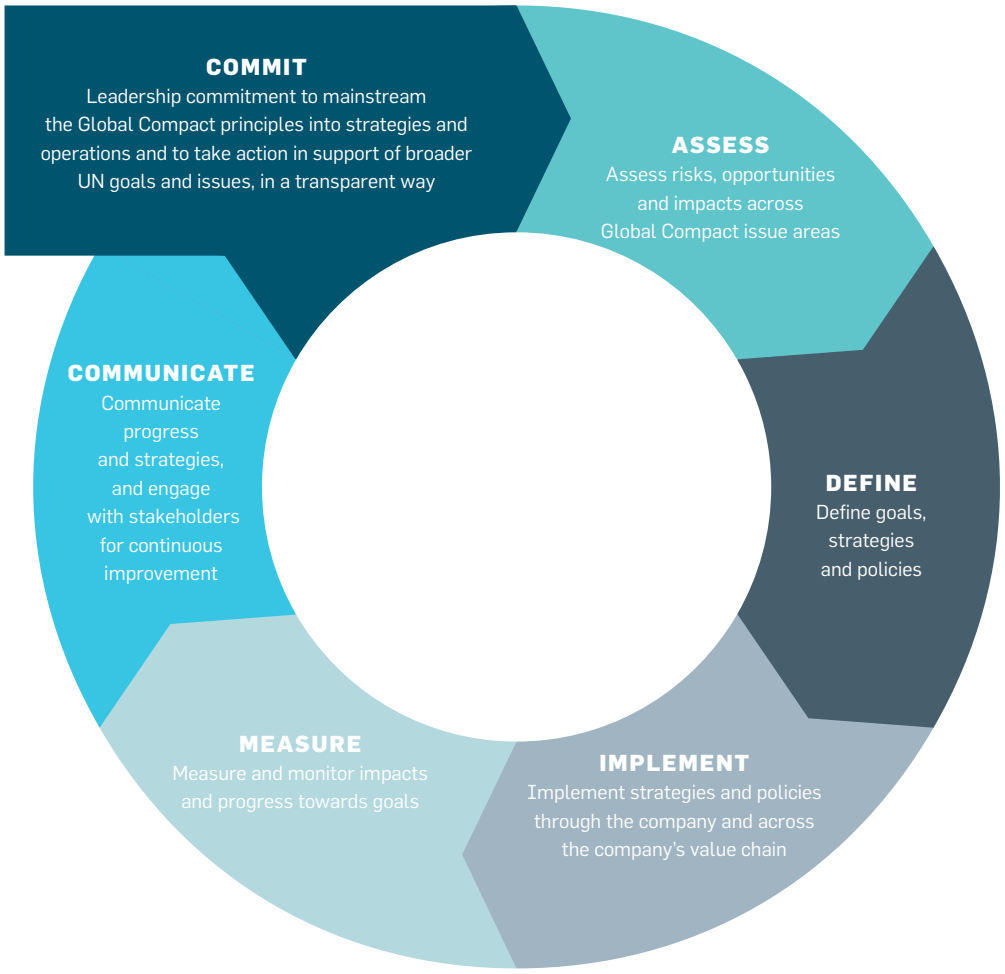
2. http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm
3. UN Global Compact Management Model: Framework for Implementation, issued by UN Global Compact
http://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2010_06_17/UN_Global_Compact_Management_Model.pdf

Lastly, in the interest of providing readers with practical, user-friendly material, we have provided checklists in the appendices of this document. Please note that these appendices should be used as a guide and nothing more — the checklists are not intended to be all-encompassing and do not cover nuances for different industries; each risk assessment ought to be tailored to your enterprise.

THE GLOBAL COMPACT MANAGEMENT MODEL



B. Introduction and Background

Corruption—defined broadly as the abuse of entrusted power for private gain[4] —is an insidious problem affecting the lives of millions around the world. Not surprisingly, corruption has been an increasing focus of national governments, international institutions, and the private sector. Enforcement of anti-corruption laws has risen sharply, including the imposition of huge fines against enterprises, and prison sentences for offending corporate executives. In addition, international financial institutions and export credit agencies increasingly are setting anti-bribery requirements and barring or penalizing enterprises that participate in corruption.

To avoid the costs of corruption, and to preclude participation in this destructive conduct, enterprises need to have effective anti-corruption programmes. Such programmes will include key elements such as: an explicit and public anti-corruption commitment that generally arises from the leadership of the enterprise; relevant policies and procedures, controls, training and communication, and reporting mechanisms; and regular auditing and monitoring.[5] In many jurisdictions, the existence of an effective anti-corruption compliance programme serves as a mitigating factor, if not a complete defense, in prosecution and other law enforcement decisions.[6] These programmes, while of benefit to the enterprise, can be costly in both time and money. The key for those charged with promoting ethics and compliance is to direct resources to the specific threats faced by that enterprise and where they are likely to have the greatest effect in reducing corruption. This will be different for every enterprise because every enterprise has a different risk profile and resources. Each enterprise also needs at least some version of its own anti-corruption programme.[7]

B.1 Anti-Corruption Risk Assessment

Preventing and fighting corruption effectively and proportionately means understanding the risks an enterprise may face. Enterprises selling large infrastructure projects to governments have a very different risk profile than those selling consulting services to other businesses, and different still than an enterprise that runs retail operations. Those that have most of their operations in Latin America may not see the same forms of corruption as those building a business in Southeast Asia. Large enterprises with significant global presence face risks not confronted by smaller enterprises just entering a market. These risk profiles are all highly relevant to establishing an effective anti-corruption programme; an effective programme may not be possible without conducting a periodic and meaningful anti-corruption risk assessment.

Anti-corruption risk assessment, broadly defined, encompasses the variety of mechanisms that enterprises use to estimate the likelihood of particular forms of corruption within the enterprise and in external interactions, and the effect such corruption might have. Effective risk assessment means understanding the enterprise. It means asking questions broadly, understanding the environments in which it operates, and understanding who the enterprise is dealing with, in both the public and private sector. It also means understanding how various anti-corruption programmes and controls are working in the enterprise, and their effect on risks. Only then can the enterprise direct compliance resources to their best use.

Effective anti-corruption risk assessment should not be an isolated, one-time event. Continually deploying resources in the most effective manner requires a current and accurate understanding of the risks. For many enterprises, this will mean annual

4. UNODC's An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide
5. See generally UN Global Compact 10th Principle Reporting Guidance; Transparency International Business Principles for Countering Bribery.
6. See, e.g., UK Bribery Act, section 7(2); U.S. Federal Sentencing Guidelines Manual §8B2.1.
7. The UK Ministry of Justice's first principle for "adequate procedures" to prevent bribery is that "A commercial organization's procedures to prevent bribery [should be] proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organization's activities". Ministry of Justice, Bribery Act 2010 Guidance, p.21 (emphasis added).

risk assessments. Others may complete the reviews less frequently, depending on their risk profiles and resources. There also may be triggering events such as entry into new markets, significant reorganizations, mergers, and acquisitions that will create opportunities and incentives for refreshing the risk assessment. While it may not be necessary to conduct a comprehensive risk assessment more often than annually or even biannually, it is imperative to monitor continuously the riskier aspects of the enterprise and to remain vigilant for those events, relationships, and interactions that may increase or create new risks.

It is the business of every enterprise to understand and respond to the myriad risks it faces, including not only the variety of compliance and regulatory risks, but also the operational, competitive, and financial challenges that management confronts every day. For many enterprises, it will make sense to coordinate these risk assessment efforts. Whether this means aligning various assessments to the relevant regulatory environment, or aligning all risk assessment though a broader Enterprise Risk Management effort, the enterprise will benefit from some level of risk assessment coordination. Coordinated risk assessments save time and money and avoid "risk assessment fatigue". For example, it should be possible to use consistent definitions and methodologies to estimate inherent and residual risk across different risk assessments.

Nonetheless, while anti-corruption risk assessment may be aligned with other risk assessment efforts, it will be beneficial for many enterprises to maintain anti-corruption risk assessment as a stand-alone endeavor, given the particular objectives and focus of such an assessment.

Risk assessment is not referenced specifically in the international anti-corruption conventions or national anti-corruption legislation, though it is a requirement in certain stock exchange and corporate governance regulations and is discussed in some important guidance documents. One anti-corruption convention with related risk assessment guidance is the Organization for Economic Cooperation and Development (OECD)

Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("OECD Anti-Bribery Convention"). In 2010, the OECD adopted the Good Practice Guidance on Internal Controls, Ethics, and Compliance.[8] The Guidance is intended to serve as non-legally binding guidance on establishing effective internal controls, ethics and compliance measures to prevent and detect foreign bribery. It recommends that these measures be developed on the basis of a risk assessment addressing the individual circumstances of an enterprise and that risks should be regularly monitored, re-assessed, and adapted as necessary.[9]

The US Foreign Corrupt Practices Act of 1977 ("FCPA") and the UK Bribery Act of 2010 are considered to be the most prominent national laws on bribery. Guidance has been issued related to both laws that include reference to risk assessment. The US Department of Justice ("DOJ") and US Securities and Exchange Commission ("SEC") published A Resource Guide to the Foreign Corrupt Practices Act in 2012, which notes risk assessments are a fundamental part of the compliance programme and that the SEC and DOJ will evaluate an enterprise's risk assessment when assessing an enterprise's compliance programme. This guidance suggests enterprises should avoid a one-size-fits-all approach to an anti-corruption risk assessment since the level of effort should be proportionate to an enterprise's risk profile and that identifying risks by level (e.g., high, medium or low) is key to determining the resources to allocate to different anti-corruption compliance programme elements. The guidance also suggests that factors to consider when assessing corruption risk include industry, country, size, nature of transactions and amount of third party compensation.

When the UK Bribery Act was passed in 2010, enterprises were concerned by some of the potential uncertainties in the Act and requested that the government provide clarification. In response, the UK Ministry of Justice published Guidance to the Bribery Act in April 2011. The Guidance set out six principles, including one for Risk Assess-

8. Adopted as an integral part of the Recommendation of the OECD Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions of 26 November 2009 http://www.oecd.org/dataoecd/5/51/44884389.pdf OECD Principles of Corporate Governance OECD Guidelines on Corporate Governance of State-Owned Enterprises

9. Section A, Good practice Guidance

ment, which the government considered should inform the procedures to be put in place by commercial enterprises wishing to prevent bribery. Principle 3, Risk Assessment, states: "The commercial organization assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented". The full text for Principle 3 is given in Appendix 1. Also in the UK, the British Standard 10500, Specification for an Antibribery Management Systems (ABMS), states that an enterprise should implement procedures to enable it to assess the risk of bribery in relation to its activities and also whether its policies, procedures and controls are adequate to reduce those risks to an acceptable level.

While other global codes and regulations do not address anti-corruption risk assessment specifically, they do emphasize the importance of performing risk assessments as an enterprise. For example, the South Africa Stock Exchange issued the "King III" report, emphasizing that risk management should be seen as an integral part of the enterprise's strategic and business processes. The Australian Standard 8001-2008 on Fraud and Corruption Control stresses the need to control the risks of fraud and corruption and assigns this governance obligation to an enterprise's controllers. Similarly, the principles put forth by the UK Corporate Governance Code published by the Financial Reporting Council (FRC) includes the following: "The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems".[10]

B.2 Forms of Corruption

In designing an anti-corruption programme, the enterprise should define what it understands to be corruption and its various forms, as this will provide the reference for the risk assessment process. Transparency International defines corruption broadly as the abuse of entrusted power for private gain, but corruption can show itself in many ways. Some of the main forms are described below.

- **Bribery:** This is the offering, promising, giving, accepting, or soliciting of an advantage as an inducement for an action, which is illegal, unethical, or a breach of trust or to refrain from acting.[11] Bribery can be a financial or in-kind undue advantage that can be paid directly or through intermediaries. The enterprise should consider the most prevalent forms of bribery in its risk assessment, including kickbacks, facilitation payments, gifts, hospitality, expenses, political and charitable contributions, sponsorships, and promotional expenses. Brief descriptions of some of these risks are given below:
  - **Kickbacks:** These are bribes fulfilled after an enterprise has awarded a contract to a customer. They take place in purchasing, contracting, or other departments responsible for decisions to award contracts. The supplier provides the bribe by kicking part of the contract fee back to the buyer, either directly or through an intermediary.
  - **Facilitation payments:** These are typically small payments made to secure or expedite the performance of a routine or necessary action to which the payer is entitled, legally or otherwise. They present concerns for entities as often payments are extorted in circumstances such as obtaining release of perishable goods from customs or seeking entry at the immigration desk.
  - **Charitable and political donations, sponsorship, travel, and promotional expenses:** These are legitimate activities for entities but can be abused by being used as a subterfuge for bribery. It should be noted that under the foreign bribery offences of many countries (in particular countries that are Party to the OECD Anti-Bribery Convention), there are risks attached to such transactions where it could be judged that an advantage has been given to a Foreign Public Official to obtain or retain business.

10. UK Corporate Governance Code (FRC June 2009), Section C Accountability
11. Business Principles for Countering Bribery (Transparency International 2009), OECD Anti-Bribery Convention, Art. 1; UN Convention against Corruption, Art. 15-16

- **Conflict of interest:** A conflict of interest occurs where a person or entity with a duty to the enterprise has a conflicting interest, duty, or commitment. Having a conflict of interest is not in itself corrupt, but corruption can arise where a director, employee, or contracted third party breaches the duty due to the entity by acting in regard to another interest.[12]
- **Collusion:** This can take various forms, of which the most common include bid-rigging, cartels, and price-fixing:
  - **Bid rigging:** The way that conspiring competitors effectively raise prices in situations where purchasers acquire goods or services by soliciting competing bids. Essentially, competitors agree in advance who will submit the winning bid on a contract let through the competitive bidding process. As with price fixing (see below), it is not necessary that all bidders participate in the conspiracy.[13]
  - **Cartels:** A secret agreement or collusion between enterprises to commit illicit actions or fraud. Typically this will involve price fixing, information sharing, or market rigging by setting quotas for production and supply.
  - **Price fixing:** An agreement among competitors to raise, fix, or otherwise maintain the price at which their goods or services are sold. It is not necessary that the competitors agree to charge exactly the same price, or that every competitor in a given industry join the conspiracy. Price fixing can take many forms, and any agreement that restricts price competition may violate applicable competition laws.

- **Revolving door:** This is corruption linked to the movement of high-level employees from public sector jobs to private sector jobs and vice versa. The main concerns relate to how the practice by an enterprise can compromise the impartiality and integrity of public office. For enterprises, there may be risks in discussing or promising future employment to public officials or using former public officials as board members, employees, or consultants.
- **Patronage:** Favouritism in which a person is selected, regardless of qualifications, merit, or entitlement, for a job or benefit because of affiliations or connections.
- **Illegal information brokering:** The brokering of corporate confidential information obtained by illegal methods.
- **Insider trading:** Any securities transaction made when the person behind the trade is aware of non-public material information, and is hence violating his or her duty to maintain confidentiality of such knowledge.[14]
- **Tax evasion:** The illegal non-payment of tax to the government of a jurisdiction to which it is owed by a person, enterprise, or trust who should be a taxpayer in that place.[15]

B.3 Influence on the Overall Anti-Corruption Compliance Programme

As discussed earlier, a good anti-corruption risk assessment serves as the base upon which a robust programme is built or maintained. This section will highlight key questions a good risk assessment will ask about critical programme components. Repeat risk assessments should be used to measure the progress of initiatives like enhanced training programmes or communication efforts and to further develop and refine the overall programme.

Written standards and policies

Key questions for an effective risk assessment regarding an enterprise's written standards include:

- Do our policies accurately reflect our risks and provide the necessary guidance for our employees?
- Do we have the right policies in place? Do we need to translate our policies into additional languages as a result of the country-risk identified in our assessment?

An enterprise's written standards should, first and foremost, be tailored to meet the needs of the enterprise. The standards should also be accessible to the target population,

12. UNCAC Article 12, clause 2 (e)
13. http://www.justice.gov/atr/public/guidelines/211578.htm
14. US Securities Exchange Commission, 2000, Rule 10b5-1
15. The Tax Justice Network, http://www.tackletaxhavens.com/Cost_of_Tax_Abuse_TJN_Research_23rd_Nov_2011.pdf

both literally and linguistically. The risk assessment process can help those companies that may not have formal policies in place determine where best to formalize guidance; for those companies that have policies in place, the results of the anti-corruption risk assessment may point to key action items. For example, if the assessment reveals that the policy is not translated into all the applicable local languages, is difficult to locate, and is written at an elevated grade level, an obvious immediate action item should be to revise the policy to make it easier to read, translate it into all the high-risk languages (at least), and properly communicate how to locate the policy.

Training plans and communication efforts

Training, like almost every other aspect of an effective anti-corruption compliance programme, must be targeted, and based on the risk profile of the company. Key questions answered by an effective risk assessment about an enterprise's training plan include:

- Are there particular subsections of our employee base (e.g., mid-level managers) that need additional training? What about mid-level managers—do they need additional training?
- Have we measured the quality and thoroughness of the training materials or tested employee retention of the subject matter?
- What will the frequency and timing of these trainings be?

Risk assessment results can assist enterprises in improving the quality of existing training, and for those smaller enterprises, they can help identify the at-risk populations that are in critical need of training. In addition, effective communication efforts have a significant role to play in the overall success of an anti-corruption programme, as noted in much of the available regulatory guidance. The results of the anti-corruption risk assessment could be used to plan out the next 18 months of communication efforts, with a particular emphasis on utilizing those mechanisms likely to reach the highest risk audiences. Particular attention should be paid to the timing of these efforts, utilizing the information gathered in the assessment regarding key risk periods.

Monitoring and auditing activities

Key questions answered by an effective risk assessment about an enterprise's monitoring and auditing activities include:

- As part of the follow-up on key identified risks, are there changes that need to be made to our monitoring and auditing activities?
- Do we need additional technologies or processes to make this stage of our programme more robust?

The information gathered during the risk assessment should play a role in advancing the enterprise's ongoing monitoring efforts. For example, a weakness in travel and expense reporting controls revealed by the risk assessment might lead to the need for an online travel and expense reporting system with more robust functionality, including manager reminders or "pop outs" regarding the enterprise's travel and expense policy. The prioritization of risks resulting from the risk assessment can be used to determine which controls to test and with what frequency.

Third party communication, contract terms and provisions and due diligence

Finally, key questions answered by an effective risk assessment about an enterprise's third party controls include:

- Has our assessment identified key third party risks that are not addressed by our current due diligence process?
- Is our contract language adequate to protect our enterprise? How are we currently communicating with our third parties?

Each aspect of the enterprise's interactions with its third parties could be evaluated in light of the risk assessment's results, particularly how a third party is chosen, what representations and warranties are placed in the contract, and how the enterprise's expectations of behaviour are communicated to the third party. The risk assessment will also often allow an enterprise to "risk rank" its third parties, concentrating its diligence efforts on the highest risk entities and maximizing the mitigation effect for the expenditure associated with diligence.

B.4 Personnel Typically Involved

Before embarking on an anti-corruption risk assessment, it is important to determine who would be involved and what their roles would be. A well-planned anti-corruption risk assessment would have clearly delineated roles and responsibilities that are clearly articulated and understood.

A critical feature to the success of an anti-corruption risk assessment is usually the buy-in of senior executives and others charged with governance such as the board of directors regarding the roles and responsibilities for the different stakeholders in the anti-corruption risk assessment. Without such high-level support, risk assessments can lose momentum, avoid or inadequately deal with certain issues, or have their quality impaired by other executives and managers choosing not to participate.

B.5 Overall Responsibility and Leadership

The overall responsibility for the anti-corruption risk assessment should be that of those charged with governance at an enterprise, such as the board of directors or equivalent oversight body (including trustees, advisors, overseers, etc.), or a board committee designated with this role (including an audit committee, governance committee, or risk management committee). For the anti-corruption risk assessment, the board of directors should understand the corruption risks impacting the enterprise and also the enterprise's plan to mitigate and remediate such risks. The board has an important role in driving the risk assessment and could challenge and stimulate management's process. Non-executive directors can also contribute to ensuring that the enterprise gives adequate attention to corruption related risks and has appropriate measures in place including risk assessment. The audit or ethics committee should obtain periodic updates from management on the anti-corruption risk assessment process and also review and approve, if appropriate, the final results of the risk assessment. Once the risk assessment process has been completed, the audit committee should assign the internal audit department (or other designated personnel/external party) to monitor and test the key controls identified to mitigate corruption risks. For enterprises that do not have a board of directors or a committee charged with governance, the overall responsibility could be given to individual(s) from the senior executive leadership team.

Management should be responsible for performing the risk assessment, reporting periodically to those charged with governance on the status and results of the anti-corruption risk assessment and on the implementation of any resulting risk mitigation action plans. Qualified individuals should carry out the risk assessment process and management should consider whether involvement of external experienced professionals is necessary. Historically, in certain enterprises, internal audit functions have often led the performance of anti-corruption risk assessments, but it is increasingly accepted that performing an anti-corruption risk assessment should be a management function and that the internal audit function should remain sufficiently independent to be able to perform objectively its role of evaluating key internal controls. Functions that might appropriately have responsibility for leading the anti-corruption risk assessment include compliance, legal, ethics, or risk management. However, the input from those involved in operations play a key role, and for larger enterprises it is desirable to have operating units or regions take ownership of performing anti-corruption risk assessment activities for their local unit and region. The key is for the leading function to be most vested and have appropriate influence across the enterprise. Another successful strategy might be to have a committee of functions/individuals share leadership responsibilities. For enterprises that do not have dedicated functions for these areas, the leadership could be given to individual(s) from the senior management team such as those responsible for compliance, ethics risk management, or legal.

B.6 Participants

The designated anti-corruption risk assessment owner(s) will typically engage with a wide range of stakeholders. A successful anti-corruption risk assessment would include

participation and input from personnel with knowledge of the enterprise's operations that have exposure to corruption risks. In addition to members of senior management, these might include personnel in functions such as compliance, ethics, legal, internal audit, risk management, sales and marketing, procurement, shipping, accounting and finance, and human resources. It can be valuable to involve individuals at different levels within the enterprise, such as senior management and junior staff. Senior personnel often know how functions are supposed to operate while more junior personnel may know that they operate in practice. It is also recommended to involve individuals from different locations and operating units if applicable. In certain industries, geographies, or organizational structures, other functions may also be important, such as a development function responsible for building new facilities in locations with a high risk of bribery to obtain required government permits and approvals.

A good strategy is to have operating unit/regional location ownership of the anti-corruption risk assessment. In this approach, each operating unit/regional location will be responsible for performing the risk assessment related to its segment. This allows for individuals with specific local, business and industry knowledge compiling the risk assessment for each relevant segment based on parameter and guidelines provided by a centralized owner (e.g., from headquarters). Once input from each of the designated segments is received, it would be consolidated by the centralized owner to provide an overall enterprise view together with segment specific view of corruption risks.

Where favorable relationships exist, enterprises may solicit information about corruption risks from third parties, potentially including key suppliers or customers. Internal audit personnel from those third parties may be a valuable source of information relating to potential corruption risks in transactions between their entity and the enterprise that is the subject of the risk assessment. In any case, legal counsel should be consulted before attempting to establish such communications to manage legal risks.

Below there is more specific information of potential roles and responsibilities of some common participants in the anti-corruption risk assessment process; there may be other functions relevant to your enterprise depending on size, industry and location. The below assumes the broadest of governance, operational, and control functions. However, it is recognized that certain enterprises will have much fewer of these functions—or the functions may be imbedded in another function.

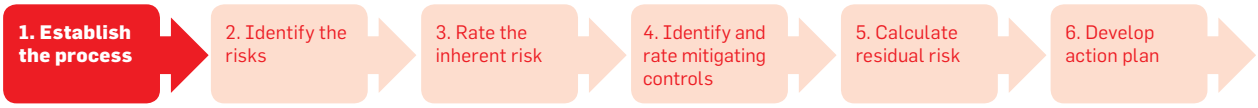
- **Compliance Function**
  The compliance and ethics function can contribute to the identification of risks by highlighting violations of anti-corruption laws that have occurred in the past in the enterprise or at other enterprises in the same industry or operating in the same geographical risk areas. The compliance function may also assist in the identification of existing anti-corruption compliance controls and programmes in place to mitigate corruption risks.
- **Risk Management Function**
  Even if it is not the lead/owner, the risk management department can ensure consistency in approach between the anti-corruption risk assessment and other risk assessment initiatives at the enterprise, such as enterprise risk management. The risk management department can also draw from the results of other risk assessment initiatives, which may be leveraged in the anti-corruption risk assessment process.
- **Legal Function**
  The legal function can support the process by identifying the anti-corruption laws in the relevant geographical areas and highlighting how such laws may be violated. The legal function can also provide information about interactions with government departments and officials to obtain permits and other approvals plus the policy for including anti-corruption representations and clauses in contracts. While an anti-corruption risk assessment is typically not something that needs to be done under attorney-client privilege, there could be instances where an enterprise may choose to use such privilege. In such cases the legal department would need to be involved in designing the anti-corruption

risk assessment protocols. Lastly, protocols around handling and communicating any new revelations of actual violations of anti-corruption law discovered during the risk assessment process should be discussed and cleared with the legal department prior to commencing the exercise.

- **Internal Audit Function**
  The internal audit function can aid management by facilitating the anti-corruption risk assessment process, such as by conducting interviews or surveys, researching risk and control information sources, or facilitating management's self-assessment meetings. The internal audit function could evaluate the effectiveness of management's anti-corruption risk assessment process and also incorporate the results of the risk assessment into its auditing and monitoring plan. The internal audit function can draw from its experience, any past history of corruption at the enterprise or other similar enterprises, and from any relevant results of previous internal audits to identify appropriate risks and controls to be considered.
- **Accounting and Finance Function**
  The accounting and finance function can provide valuable information risks relating to account reconciliation process for high risk general ledger accounts, miscellaneous suspense accounts, petty cash, calculation of commissions and travel, interactions with government officials for areas such as income tax, and entertainment expenses. The accounting and finance function can be particularly helpful in identifying financial controls that mitigate corruption risks.
- **Procurement Function**
  The procurement function can provide relevant information about the procurement process, including risk areas such as bid-rigging and selecting third parties that are not at arm's length, and can also provide the relevant policies and controls as well as insight into any past incidents involving kickbacks or bribery. In addition, the procurement function can provide information about new vendors in the past year and financially large contracts executed during the year.
- **Sales and Marketing Function**
  The sales and marketing function can provide information about relevant topics such as gifts and entertainment expenses, sales commissions, interactions with custom officials for export of goods, past incidents of offers of kickbacks or bribery by sales staff, side agreements, and the use of third parties and agents for sales.
- **Supply Chain**
  The supply chain group can provide valuable information relating to approaches of bribery or kickbacks from potential suppliers and the nature of the enterprise's relationship with any third parties involved in the supply chain. For certain enterprises, the supply chain group could be integrated into the overall risk assessment management process.
- **Human Resources Function**
  The human resources function can provide information about tone at the top, any disciplinary matters for anti-corruption related violations and the employee background checks process.
- **Corporate Affairs Function (Public Relations)**
  The corporate affairs or public relations function is taking on an increasingly important role in view of the reputational risks and market damage that can come from corruption incidents.

The remainder of this Guide will present practical guidance and a series of tools to aid business leaders and compliance practitioners in conducting the most efficient and effective anti-corruption risk assessments within their enterprise.

C. Establish the Process



C.1 Introduction

In this chapter, the different elements of an anti-corruption risk assessment are described together with an approach for conducting an assessment. The objective of this section is to provide a structured approach to conducting an anti-corruption risk assessment at an enterprise by following the steps outlined above.

Since every enterprise has a different exposure to corruption risks, the steps outline a generic approach, using common corruption risks and schemes as illustrations, and suggest different ways to identify and evaluate risks.

C.2 Understanding the Issue

A firm understanding of corruption risks, schemes, and potential legal consequences is a prerequisite for a sensible risk assessment. Therefore it is useful to raise awareness with key stakeholders involved in the process.

A kick-off workshop prepared by the legal, risk management, compliance, or internal audit department—either facilitated by external anti-corruption specialists or not—might be considered to explore the corruption risks in more detail.

The objective of the meeting is to address the topic of corruption, acknowledge that the enterprise might be exposed to corruption risks and identify the steps to explore the corruption risk exposure.

SAMPLE AGENDA KICK-OFF WORKSHOP

10'	Introduction: welcome, introduction participants, meeting objective
30'	Exploring the topic: facts and figures on corruption in presentation including corruption cases in industry or countries the enterprise is active in, changes in the legal environment.
40'	Discussion on specific topics / risks: Could it happen to our enterprise? • Facilitation payments • Working with Agents • Gifts and entertainment • Etc.
10'	Brainstorm on additional enterprise specific risks
30'	Next steps: identify follow-up actions, responsibilities and timeline

TIP: *Via the UNGC website http://thefightagainstcorruption.unglobalcompact.org links http://www.unglobalcompact.org/ and http://www.unodc.org/ you can find examples of realistic corruption situations. The eLearning clips can be used in the kick-off session to address topics related to gifts and entertainment, facilitation payments, mysterious middlemen, and insider information.*

C.3 Planning

A one or two hour brainstorm is a good practice for a corruption risk assessment, but a robust assessment typically involves multiple activities to identify its risk exposure, including questions like:

- Who owns the process and needs to be involved?
- How much time will be invested in the process (planning including milestones, deliverables, decision dates)?
- How is data going to be collected?
- What internal and external resources are needed?
- What additional analysis should be made?
- What methodology is going to be used?

Objectives, stakeholders, and resources

A corruption risk assessment could be carried out for a number of reasons. These should be considered in the planning stage to assist in designing an assessment that can achieve the underlying objectives. In general, the primary objective is to better understand the corruption risk exposure of the enterprise so that informed risk management decisions may be taken. Other objectives might include:

- Setting the agenda or priorities for the anti-corruption activities;
- Defining an action plan or Key Performance Indicators (KPIs) for anti-corruption initiatives;
- Measure progress or effectiveness of previous anti-corruption initiatives;
- Raising awareness for corruption risks with key stakeholders involved in the process; and
- Monitor the development of corruption risks, analyse trends.

Establishing risk tolerance

It is valuable to determine the risk tolerance level early in the anti-corruption risk assessment process, involving either the Board of Directors or those charged with governance (such as the Audit Committee). A number of major incidents of corruption in the past have involved situations where, with hindsight, management was taking on more corruption risk than those charged with governance knew and would have considered tolerable. Establishing the risk tolerance up front can help to make the evaluation of residual risks a relatively straightforward and objective exercise. If risk tolerance is not explicitly determined up front, there is the potential that management will rationalize existing levels of corruption risks as acceptable, thereby undermining the purpose and value of the anti-corruption risk assessment.

Participants may raise difficult questions relating to risk tolerance, for example: How is it possible for management to say that it has a certain tolerance or appetite for corruption risk, when management may also be claiming to have zero tolerance for corruption? A simple answer to this is that corruption prevention is an imperfect art, so some level of corruption risk is unavoidable, even though management may be completely committed to avoiding corruption and to standing by its claim to have zero tolerance for acts of corruption. In evaluating corruption risks, management considers whether the level of risk for each corruption scheme is within management's risk tolerance or risk appetite for corruption risks.

In addition to larger enterprises, the concept of risk tolerance is very important for small- or medium-sized enterprises since such enterprises typically have limited resources and are not able to invest in all the "best in class" anti-corruption practices and controls. Establishing a risk tolerance will allow such enterprises to have a means to identify which risks are most critical and important for them to focus on and allocate scarce resources.

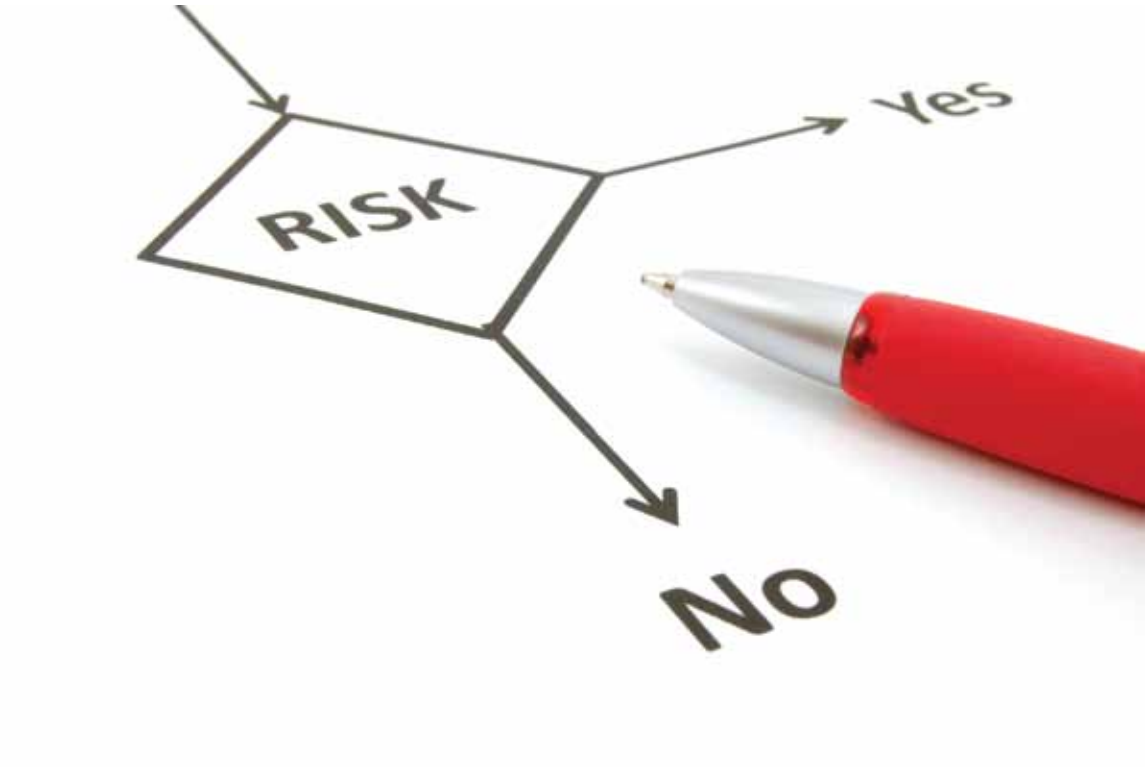
Risk registers

During the planning stage of the anti-corruption risk assessment, it is important to determine how the risk assessment will be documented. A common and practical approach is to identify and document each risk factor, risk, and scheme individually and include in a spreadsheet or word document as part of a "risk register". This risk register would also be used to document the ratings for each risk and scheme as well as the programmes and controls that mitigate each risk. During the risk identification stage of a corruption risk assessment, there are benefits to identifying detailed information for each scheme, such as potential parties who may perpetrate the scheme (both from within the enterprise or by third parties). In addition, if there is more than one programme/control mitigating a scheme, the risk register would capture the different programmes and controls that mitigate the scheme.

For *larger enterprises*, the risk register can be compiled by location and/or operating unit. The advantage of doing it by location and/or operating unit is that the ratings and controls can be tailored, as the same risk may have different level of exposure for an enterprise depending on the country/region it is being perpetrated and on the operating unit. This way, local management in a region or operating unit can get a view of their corruption risk exposure tailored for their location or operating unit. If the risk register is done by location and/or operating unit, an enterprise-wide view can still be achieved by consolidating the results of the individual location/operating unit risk assessments and summarizing an enterprise-wide view of the corruption risks impacting the enterprise. When consolidating the results, enterprises that have different ratings for the same schemes can average the ratings from each location or operating unit to come up with one consolidating rating enterprise-wide for each scheme.

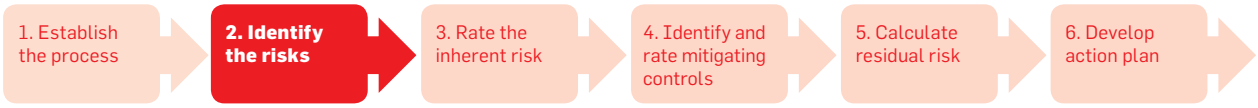
The detailed information included in the risk register can assist the enterprise as it prepares heat maps of its potential corruption exposure areas and summary results of the risk assessment—see section D for more details on summarizing and reporting the results of an anti-corruption risk assessment.

An illustration of a sample risk register template is below:



Location/ Region: Country A **Business Unit: Unit XYZ**			
Corruption Risk Factor	Local business climate		
Corruption Risk	Bribery of a government official to secure, retain or influence an improper business decision		
Corruption Scheme	a) Potential improper payments to customs officials to facilitate processes related to importation of goods or to clear the import of goods that are illegal	b) Potential improper payments to tax authorities to secure the reduction or elimination of tax liabilities	c) Potential improper payments to government officials to secure a desired piece of property or favourable lease terms
Probability	Medium	Medium	Medium
Potential Impact	High	High	High
Inherent Risk	High	High	High
Anti-Corruption Controls	• Global Anti-Corruption Policy and Procedures including specific content on payments to customs • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to custom officials in select regions/ countries	• Global Anti-Corruption Policy and Procedures including specific content on payments to tax authorities • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to tax authorities	• Global Anti-Corruption Policy and Procedures including specific content on payments to government officials for property leases • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on interaction/transactions with government officials to secure property lease
Control Risk Rating	Effective	Effective	Effective
Residual Risk Rating	Low	Low	Low

D. Identifying Risk Factors, Risks, and Schemes



When planning an enterprise-wide corruption risk assessment, careful consideration should be given to the stakeholders involved in the process. As outlined in "Personnel Typically Involved" in Section B, a variety of stakeholders could contribute to this exercise. As involving more people will involve more resources and time, this also leads to the question how the process can be set up in an efficient way. This section explores the principles, techniques, and practices that can help an enterprise identify risk factors (i.e., why would corruption occur at your enterprise?) and risks and schemes (i.e., how would corruption be perpetrated at your enterprise?).

D.1 Data Collection

There are different ways to collect data and information on why and how corruption risks may occur at an enterprise. In this section, we introduce these methods and discuss their pros and cons.

Desktop research

Desktop research offers a great starting point for an anti-corruption risk assessment. Both external and internal resources should be considered. Internal reports from the Internal Audit department on compliance risks, non-compliance cases, and common corruption risks can be used for this purpose. Another internal source is analysing a log of past corruption cases and the allegations from the whistleblower hotline, which could identify types of risks. In addition, background checks of third parties (for example, suppliers and agents), due diligence reports of acquisitions, and evaluations of tendering reports, all offer a head start. External sources offering country profiles on corruption or industry- specific corruption cases are worth considering as well.

In addition to readily available reports, an enterprise can utilize additional analyses using financial data that provides sales figures and commissions paid to agents to compile a country/location sensitivity analysis tool. See Appendix 2 for a sample sensitivity analysis tool.

Also, an analysis of the spending on entertainment, gifts, and hospitality by the country or operating unit could be considered. Internal audit functions often download data relating to a particular operating unit from enterprise-wide accounting and IT systems for analysis. This can identify areas of heightened risk that may be subjected to deeper scrutiny using other methods. The same process can be applied to gathering data related to potential corruption risks.

Lastly, analyzing the key third parties (such as agents, JV partners, and contractors) in high-risk countries or regions, plus areas where an enterprise has interactions with governments or government officials, can also help to identify where corruption risks may exist.

Interviews

Interviewing key stakeholders can be an effective method to get an overview of the corruption risks at an enterprise. First, various corporate staff functions (such as compliance, legal, risk management, internal audit, human resources, procurement, security, and any investigations unit) may offer valuable insights at a high level. Line management (country, regional, or local), who are dealing with operational risks on a day-to-day basis, can often provide additional insights arising from geographic and operational experience. The owners of certain processes may be able to identify process-specific issues. For example, the head of sales can be requested to outline the sales process and practices in different countries or the head of

procurement can present a walk-through of the tendering process. The views of external stakeholders (such as Board of Directors, suppliers, clients, external auditors, investigators, local authorities, major shareholders or institutional investors, and even journalists) could also be considered.

Interviews may allow for more detail than surveys or desktop review and offer the opportunity to ask additional questions, exploring risks in more detail. Interviews may be conducted one-on-one or in small groups as long as individual insights will not be excluded due to dominant personalities or group dynamics.

Refer to Appendix 3 for sample interview topics and questions.

Surveys and self assessments

A survey can be an efficient tool to collect views on corruption risks from both employees and external parties, particularly if logistics allow it to be conducted online. Surveys are a valuable tool when collecting views from managers and employees in different countries and functions. Next to identification of the risks, the survey methodology also helps to raise awareness for the topic of corruption. Surveys as a tool on their own pose significant advantages, including:

- Insignificant deployment cost: Depending on the mode of delivery, surveys can be relatively inexpensive to administer.
- Ease of deployment: The enterprise has flexibility during the development phase to decide how the survey should be administered, i.e., online, in-person, via e-mail, etc.
- Standardization: The questions can be standardized to allow for uniformity, which aids measurement and interpretation of results.

A self-assessment tool is an additional resource for risk identification, particularly in enterprises with different locations and operating units. It requires that risks be identified and compiled by relevant individuals within the enterprise (in larger enterprises, this could be done by the operating units with oversight from the corporate office) in order to create a risk register from the information received. One of the many benefits of a self-assessment tool is that it provides a customized set of corruption risks driven largely by knowledge, attitude, and processes of the local business' operating environment. This ensures that the operating environments of an enterprise's key segments (such as operating units) are considered rather than developing a set of generic and standardized risks at the corporate level and pushing them down to the operating units.

A survey can be utilized as a self-assessment for (divisional or regional) management as well by asking where they see corruption risks in their operations. When considering a survey, good preparation is key, as there are some potential conflicts:

- Knowledge: The term "corruption" is interpreted differently around the globe. In some countries, a business gift can be an act of corruption under applicable criminal laws whereas in some countries such a gift may not be understood as an act of corruption.
- Data quality: Asking a country manager for his or her top five corruption risks might be perceived by a country manager as a corporate fishing expedition that may lead to an undesirable request for more controls and reporting lines. This perception may impact the country manager's responses.
- Analysis: Open questions could be valuable in some situations, but often lead to increased work in the analysis, potentially in many different languages.

In Appendix 3 you will find an example of topics and questions that could be addressed in a survey or self-assessment.

Workshops, brainstorm sessions, or focus groups

Using workshops or brainstorm sessions to explore corruption risks can be an effective and efficient way to collect views from different stakeholders. Discussing the different views on risks helps to build understanding. A workshop could cover multiple steps in the anti-corruption risk assessment process. It could begin, for instance, in a "risk room" format, taking the participants through the stage of defining and discussing risks, evaluating probability and potential impact, and resulting in an agreed upon risk profile tailored to the enterprise. It could continue further and develop an action plan to mitigate risks. One way of identifying potential corruption risks could be by asking each participant the question: If you would try to be corrupt, which method would you use and how would you do so?

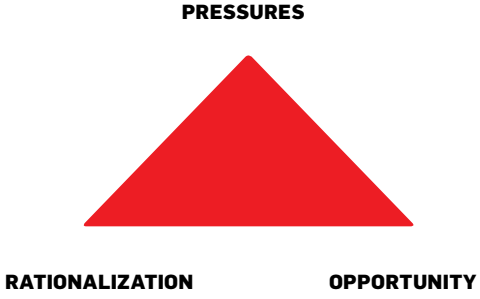
Another way to explore the enterprise's corruption risk exposure at the level of an individual process is to first map the processes (e.g., procurement or sales) in detail, then walk through them with a team of experts and look for opportunities to breach the process. In doing so, participants may identify red flags, potential corruption risks or schemes, and controls to mitigate them.

D.2 Identify the Risks

Below we define and provide examples of risk factors and corruption risks in specific processes.

Risk factors are reasons why corruption may occur at an enterprise based on its environment, including the nature of its operations and locations. One way to illustrate risk factors is to look at Donald Cressey's Fraud Triangle[16], which defines three elements and conditions (risk factors) that allow for fraud to occur: Pressure, Opportunity, and Rationalization. Although this triangle was developed in relation to fraud risks, it can also be utilized in identifying corruption risk factors. When applying the Fraud Triangle to assessing the risk of corruption, the following elements should be taken into account:

- A perceived financial pressure, or incentives (e.g., pressure to meet client expectations, financial targets, sales targets);
- A perceived opportunity to commit an act of corruption with a low likelihood of detection (e.g., monitoring/controls that are perceived to be ineffective, or very complex corporate structure);
- Rationalization or Attitudes (e.g., history of illegal practices at the enterprise, such as, competitors pay bribes, no one will find out, if I don't do this I'll lose the contract and my job, low staff morale)



Once an enterprise understands its risk factors, it can then identify what type of risks and schemes may exist given those factors. These risks and schemes would represent examples of where and how corruption may occur at the enterprise. In order to conduct a thorough corruption risk assessment it is helpful to distinguish between corruption risk factors, corruption risks, and corruption schemes.

Example:
One corruption risk factor might be the political climate in a country. This might lead to several corruption risks, such as the customs authority requesting a bribe. This corruption risk then might lead to different corruption schemes, including cash payments, gifts, or other gratuities.

Another corruption risk factor might be the practices of competitors to illegally gain market share, whereby an enterprise may feel that the only way to compete in a country or region is to do the same as its competitors in bribing government officials to gain business advantage. Refer to Appendix 4 for a list of corruption red flags and http://www.acfe.com/fraud-resources.aspx for the Association of Certified Fraud Examiners (ACFE) 2012 "Report to the Nations on Occupational Fraud and Abuse" for a list of behavioural red flags.

In the next paragraphs, selected common corruption risks related to specific processes, countries, and industries are identified. Refer to Appendix 5 for examples of specific corruption risk areas.

D.3 Corruption Risks in Specific Processes

In this section, we show some examples of specific processes that are vulnerable to corruption and deserve extra attention when performing an anti-corruption risk assessment for your enterprise.

D.3A PROCUREMENT

For most enterprises, the procurement or sourcing function is crucial to their business.

16. The Fraud Triangle was developed on hypothesis originated by Donald Cressey, an American penologis, sociologist, and criminologist who made innovative contributions to the study of organized crime and white-collar crime. Source: http://www.acfe.com/fraud-triangle.aspx"

When buying products or services from vendors—especially when the vendor depends heavily on the contract—there are some common corruption risks to look out for:

Bribes and kickbacks

Individual employees in the procurement function (or their managers) might be offered a bribe or kickback by the vendor in exchange for obtaining business. This bribe can either be in cash, or could involve anything of value, such as: gifts, travel, non-standard meals and entertainment, use of credit cards, or cash transfers disguised as "loans". But procurement employees could also solicit for a bribe, for example by offering to agree to pay a premium price for goods or services in return (refer to "overbilling schemes").

Overbilling schemes

Overbilling is a financial fraud scheme whereby an enterprise receives higher than normal invoice prices that will be paid because the person approving the invoices is involved in the scheme. The invoice approver may have already been paid a bribe or it may be that the vendor is just being used as a vehicle to transfer cash that will be eventually paid back to the procurement officers.

Bid-rigging and price-fixing

During tender/proposal/bidding situations, several vendors might join forces and compromise the tendering process by agreeing on who will offer the lowest price in order to win the project. In return, the other vendors participating in the bid-rigging scheme will offer the lowest price in tendering situations for other projects.

This risk increases when there are only a few suppliers that are able to deliver the service (i.e., an oligopoly in highly specialized sector) or when the project is expensive and the vendor must make a sizeable investment to win the project (e.g., for large infrastructure projects).

D.3B SALES

The schemes mentioned under the "Procurement" section above could also apply to the sales processes. In addition, some of the following corruption risks should be considered:

Use of agents

When entering new markets, enterprises often rely on agents or consultants to familiarize the enterprise with the new country or region and local business practices, or to introduce the enterprise to potential customers. Usually the agent works on a commission basis, receiving a percentage of the sales as a fee. Sometimes agents secure contracts by sharing their fee with personnel at the client side. Under anti-corruption legislation like the FCPA and UK Bribery Act, the enterprise hiring the agent might be held responsible for this practice and be subject to fines or penalties.

TIP: *View "The Mystery Middleman" http://thefightagainstcorruption.unglobalcompact.org and http://www.unodc.org/ on the UNGC website.*

Gifts and lavish entertainment

Customary gifts, meals and entertainment are considered acceptable in many countries. Cultural differences make it sometimes difficult to decide what is the right thing to do. Sales managers might be expected to bring exclusive personal gifts that may be costly, or pay for business dinners and late night entertainment. This situation can easily become a slippery slope, making it difficult to prevent payments that cross the line between permissible practices and bribery. When the enterprise is not aware about local customs, the competition is fierce, or significant business opportunities are involved, the enterprise might feel pressure to accept the situation and participate in practices that violate laws or regulations in one or more jurisdictions.

TIP: *View "The Unwelcome Gift" or "The Arrangement" http://thefightagainstcorruption.unglobalcompact.org and http://www.unodc.org/ on the UNGC website.*

D.3C IMPORT AND EXPORT OF GOODS

Payments for customs clearance or transporting goods

When importing or exporting goods, government officials at the customs office might solicit for a bribe (or help customers that offer bribes first). Especially when there is time pressure to speed up the clearance (perishable goods, fines for late delivery, etc.) the customs clearance official might exploit the situation.

When transporting goods in certain geographies, local officials or militias may demand a fee to permit vehicles carrying the enterprise's goods or personnel to use a particular route or to pass a checkpoint, even if all official visas or permits are in order.

Such payments are common in many countries, although they may be prohibited by law or regulation for the payer to offer or make or for the payee to request or receive.

TIP: *View "To Pay or not to Pay" http://thefightagainstcorruption.unglobalcompact.org and http://www.unodc.org/ on the UNGC website.*

D.3D GOVERNMENT INTERACTION

Doing business often involves government interaction. Examples of interactions with government entities or officials include having a government-owned client and a government-owned partner, dealing with customs officials, and obtaining permits, visas, or licences (e.g., to form a legal entity; to conduct business; to produce, import, transport, or deliver certain goods and services; to build a production facility or other premises; to own or operate a vehicle; to hire local or foreign staff; or to have the enterprise's foreign staff reside and work in-country, etc.).

When the permit, visa, or license is critical and an enterprise does not have alternatives, the risk of bribery, kickbacks, or extortion is common in certain locations.

D.3E POLITICAL SUPPORT

In some countries, national or local government officials might ask for a "voluntary" contribution to a political party once a permit is given or a construction project is granted. Although not necessarily illegal under local laws, this could be interpreted as an improper payment in violation of many countries' foreign bribery laws.

D.3F SECURITY PROTOCOLS

In certain countries, an enterprise might be required to have in-country security for its employees in response to security risks posed in certain countries. The local police force or government affiliated third party security companies, which are mandated by law to provide such a service, may request bribes over the regular government stipulated fee. In addition, private third party security companies may put an entity at risk if that security company acts unethically or violates corruption laws while acting on behalf of an enterprise.

D.3G SOCIAL PROGRAMS

Other situations may arise where government officials pressure companies/contractors to assist with local infrastructure projects or social programs, which are directly affiliated with certain politicians, political parties, or their interests.

D.3H CHARITABLE CONTRIBUTIONS AND SPONSORSHIPS

Charitable contributions and sponsorship of events and conferences may also pose risks for funding bribes. Often times the enterprise does not realize the bribe. Contributions to charities that are actually linked to corrupt activities or are clandestine money laundering vehicles may potentially expose an enterprise to violations of corruption laws in certain countries. Sponsorship of conferences organized or attended by government entities or officials may also potentially expose an enterprise to violations of corruption laws in certain countries.

TIP: *View "The Strange Letter" http://thefightagainstcorruption.unglobalcompact.org and http://www.unodc.org/ on the UNGC website.*

Below, we provide some principles, techniques, and practices that an enterprise can use to identify risk factors, risks, and schemes:

D.4 Corruption Risks in Specific Countries

When an enterprise is operating in numerous regions, its risk exposure could grow. Some countries are known or perceived to be more corrupt than others, and as a consequence, the risk exposure varies. The Corruption Perception Index (CPI) compiled by Transparency International offers a good

starting point (see http://www.transparency.org/research/cpi/overview) to assess an enterprise's risk exposure.

The table in Appendix 6 includes several sources for analysing the risk of corruption by country.

The sources in the appendix identify the corruption risk the enterprise faces across the globe. If the enterprise conducts business in countries with a low CPI score, this is a reason for extra care. By mapping the significance of the operations (e.g., in terms of revenues, employees, or offices) and the CPI (or BPI) score, one could identify the most vulnerable operations.

SAMPLE SUMMARY OF COUNTRY RISK FACTORS FOR A HYPOTHETICAL ENTERPRISE

Country	CPI Score	Revenues (% of total)	# Offices	# Staff	Overall Risk Exposure
Country A	95	2%	1	5	Low
Country B	94	10%	3	50	Low
Country C	88	5%	1	10	Low
Country D	78	30%	10	400	Low
Country E	71	20%	3	70	Low
Country F	43	10%	2	50	Medium
Country G	39	5%	1	10	Medium
Country H	36	10%	1	300	Very High
Country I	24	5%	1	1	High
Country J	19	3%	-	-	High

The table shows the enterprise operates in different countries with different exposures to corruption risk. Given the size of the revenues in country H and the low CPI score, the corruption risk is higher. Both country J and country A have a rather small contribution to the overall revenues (2 and 3% respectively), yet the distinction between the CPI scores is notable: Country J has a poor track record when it comes to corruption. Note that the enterprise does not have an office or people in Country J, perhaps because it works with agents or distributors there.

Bribe Payers Index

Since 1999, Transparency International has been monitoring and ranking the world's wealthiest countries by the propensity of their firms to bribe abroad, and looking at which industrial sectors are the worst offenders. The Bribe Payers Index is based on the views of thousands of senior business executives from developed and developing countries. Of the 28 wealthiest countries, the enterprises with their headquarters in country A and country C are perceived to bribe the least, whereas enterprises from country H and country I are most likely to offer bribes. See http://bpi.transparency.org/bpi2011/ for the table on the Bribe Payers Index.

D.5 Industry Risks

While some corruption risks may apply across many or all industries, others may be more industry-specific. As discussed in "Anti-Corruption Risk Assessment" in section B, depending on the industry sectors in which or with which the enterprise conducts business, the likelihood of corruption risks becoming actual incidents of corruption may vary considerably.

The breakdown by industry of corruption cases as a percentage of all cases can be found in the ACFE's 2012 "Report to the Nations on Occupational Fraud and Abuse" http://www.acfe.com/fraud-resources.aspx. While this study is not intended to be a statistically reliable survey and corruption

cases will typically form a smaller proportion of total fraud cases in the population of all fraud cases, the variation in results between industries for the same measure is broadly consistent with the experience of anti-corruption specialists.

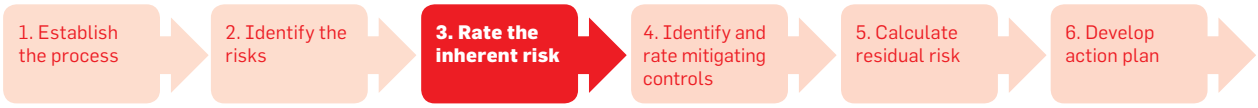
TIP: *When identifying industry specific corruption risks for your sector (or the sectors your business partners are active in), an analysis of media reports could be considered. What major corruption schemes have been discovered in the recent past in the sector? Which parties were involved? Does your enterprise or business partner have ties here as well? Etc.*

D.6 Items to Include in a Risk Register

Each risk factor, risk, and scheme could be documented individually in a risk register. See below an example of documenting one corruption risk that has three schemes associated with it in the risk register.

Location/ Region: Country A **Business Unit: Unit XYZ**			
Corruption Risk Factor	Local business climate		
Corruption Risk	Bribery of a government official to secure, retain or influence an improper business decision		
Corruption Scheme	a) Potential improper payments to customs officials to facilitate process related to importation of goods or to clear the import of goods that are illegal	b) Potential improper payments to tax authorities to secure the reduction or elimination of tax liabilities	c) Potential improper payments to government officials to secure a desired piece of property or favourable lease terms
Probability			
Potential Impact			
Inherent Risk			
Anti-Corruption Controls			
Control Risk Rating			
Residual Risk Rating			

E. Rating the Probability and Potential Impact of Each Corruption Scheme



In order to allocate resources efficiently and effectively to an enterprise's identified corruption risks and the associated schemes, one good practice is to rate both the probability that each scheme might occur and the corresponding potential impact of that occurrence. The aim is to prioritize the responses to these corruption risks in a logical format based on a combination of their probability of occurrence and their potential impact.

There is some subjectivity to the assessment of probability and potential impact and the ratings will be influenced by the experience and backgrounds of the assessment team members. On occasion, the assessment may reflect a dominant viewpoint or a level of bias, conscious or unconscious, which renders the results not credible to an objective third party or anti-corruption specialist. Intervention and remediation may then be necessary. An objective facilitator can help to avoid investing substantial time and effort in an assessment without achieving valid results.

E.1 Rating Probability of Occurrence

The probability of each identified corruption scheme should be assessed without consideration of the controls in place at the enterprise. In other words, picture the enterprise where opportunities for perpetrating the corruption scheme are plentiful because of the absence of a sufficient control environment. With this backdrop, how likely is it that the corruption scheme would be carried out? Management should consider the probability of the corruption scheme being perpetrated by an individual or group of individuals acting collusively. Under this framework, it is recommended that the assessment of probability be couched as the probability of the event occurring within the next 12 months. This timeframe should be adjusted as necessary to fit the characteristics of the enterprise's corruption risk management objectives.

Some of the factors to consider when estimating the probability of each corruption scheme include:

- The nature of the transaction or process to which the scheme relates (e.g., whether there is any interaction with government officials);
- Incidents of the corruption scheme occurring in the past at the enterprise;
- Incidents of the corruption scheme in the enterprise's industry;
- The local corruption culture and environment in the region where the scheme would be perpetrated;
- The number of individual transactions related to the scheme;
- The complexity of the scheme and the level of knowledge and skill required for execution;
- The number of individuals needed to perpetrate the scheme; and
- The number of individuals involved in approving or reviewing the process or transaction related to the scheme.

For enterprises with multiple locations and operating units, the probability of each corruption scheme may vary among different locations and operating units. For example, bribery of a government official for customs clearance may be more likely in certain countries and less likely in others.

E.2 Rating Potential Impact of Occurrence

The process of assessing the potential impact of a corruption scheme is carried out in a similar manner to the process for probability. The assessment team should evaluate the magnitude of the potential impact for each particular corruption scheme. Typically, this consideration of potential impact covers a wide range including financial, legal, regulatory, operational, and reputational damage.

Some of the factors to consider when estimating the potential impact of each risk or scheme include:

- Impact of past incidents of the corruption scheme at the enterprise, if any;
- Impact of incidents of the corruption scheme at other enterprises;
- Potential amounts of fines or penalties;
- The opportunity cost arising from regulatory restrictions on the enterprise's ability to operate or expand;
- Impact on operations such as interruption in the enterprise's ability to transport goods or obtain permits or other required approvals;
- Potential impact on financial statements;
- Impact on recruitment and retention of employees;
- Impact on retention of customers and future revenues;

For enterprises with multiple locations or operating units, the potential impact of each scheme may vary among different locations and business units. For example, some operating units at a commercial enterprise may sell small value goods to individual consumers that are bought from retail stores, while another business unit may sell mostly or entirely large value goods to institutions, including governments.

E.3 Rating Methods

There are many different ways to rate and communicate the probability or potential impact of each corruption risk or scheme. A simple qualitative scale could be used to judiciously classify each scheme's probability or potential impact as either (i) high, medium, or low, or (ii) very high, high, medium, low, and very low. Alternatively, a quantitative scale, with scores applied judiciously to each scheme, could be used. Examples of both three-point and a five-point scoring matrices are illustrated in Appendices 7 and 8.

Particularly in rating potential impact, some enterprises prefer to define each category as a range of potential values; others may use a set of definitions from standards or guidance commonly used to quantify other types of risk.

Certain enterprises, particularly those that are larger and are able to allocate appropriate resources for this exercise, may prefer to include more criteria for their scoring matrices. As an alternative to the above matrix, another option may be to include definitions of certain factors in order to provide more structure to those assessing the ratings. In rating probability, these could include percent chance of occurrence, status of actual case(s) of the scheme, and complexity of the scheme; in rating potential impact, they could include reputational impact, financial impact, regulatory impact, impact on customers, and impact on employees. See Appendices 9 and 10 for examples of these approaches.

As an additional option for larger enterprises, which may seek a more advanced rating method, an enterprise can weigh certain of these factors more than others when determining the overall score, such as in the example in Appendix 11.

E.4 Calculation of Inherent Risk

Combining the probability and potential impact assessments for each corruption scheme results in an assessment of inherent corruption risk. The inherent risk represents the overall risk level of each scheme without consideration to existing controls. It is these areas where mitigating controls will likely be most important in mitigating corruption schemes.

There are many different ways to determine the inherent risk of each corruption scheme. The inherent risk can be determined qualitatively as a factor of the probability and potential impact assessments. For example, a probability of high and potential impact of low may result in an overall inherent risk of medium. An example of a qualitative scale for determining inherent risk is included in Appendix 12.

A quantitative scale can also be used. As an example of a simple quantitative scale, refer to the scoring formats in Appendices 7 and 8, where each identified corruption risk has a numeric probability score and numeric potential impact score. The sum of these two scores can be used to calculate an inherent corruption risk score.

Corruption Risk Probability Score	A
+ Potential Corruption Risk Impact Score	B
Inherent Corruption Risk Score	C

Using the 1—5 quantitative scale in Appendices 7 and 8, an example of how inherent risk can be determined quantitatively is included in Appendix 13.

E.5 Who Should Be Involved in Inherent Risk Calculations?

One of the keys to an effective risk assessment process is to have the right individuals scoring the probability and potential impact of each corruption scheme. It is important to involve only those individuals who are familiar with the transaction or process impacted by each scheme, including process owners. In cases where the views of more than one individual are sought, an average of the score could be taken. Involving multiple people (each responsible for areas relevant to them) can help to reduce the effect of individual biases that could otherwise skew the results.

One of the roles of an anti-corruption risk assessment owner or project manager could be to assess the reasonableness of the raw scores designated by the relevant parties and make suggestions for questioning or re-evaluating any ratings that appear questionable. Protocols for estimating the ratings (including who should be involved) and questioning or proposing any re-evaluation of ratings should preferably be determined up front as part of the overall anti-corruption risk assessment policy and procedure. This can help to avoid one or more individuals inappropriately overriding the judgments of people closest to the risks in an attempt to produce a result that is convenient rather than accurate.

E.6 When and How to Perform Inherent Risk Calculations

The process to determine the level of inherent risk can be done at the same time as the identification of risks and schemes discussed in the previous section, or as a separate step. Regardless, inherent risk ratings should be discussed after all the risks and schemes have been identified, so they will not hamper the risk identification process.

There are several organizational approaches for assessing inherent risks. One is to have workshops or group meetings, either for the relevant functions or for individuals who will be responsible for the preliminary ratings of probability and potential impact for a group of risks and schemes. During these sessions, participants can be asked to rate each corruption scheme either anonymously or openly. This may be done by discussing each scheme to arrive at a consensus rating, or by having each participant individually rate each scheme (either openly or anonymously) and then calculating the group's average score for each scheme. Another approach is to use online surveys, where participants are asked to provide a rating for each risk via intranet or email. For this option, a designated person should be assigned to coordinate the survey and collate the results. A third option is for the person responsible for coordinating the risk assessment to meet with each participant, obtain their scores and then calculate an average inherent risk score for each scheme. A fourth option is for the person responsible for the risk assessment to make a preliminary assessment of the risk ratings themselves, and then provide it to the relevant process owners and functions to review and amend if necessary. One danger of this last approach is that the initial scores provided may bias the responses of participants and lead to a result that is a reflection of one person's view.

E.7 Including Inherent Risk Ratings in the Risk Register

The overall assigned probability, potential impact, and inherent risk ratings for each risk or scheme can be included in the risk register as follows:

Location/ Region: Country A **Business Unit: Unit XYZ**			
Corruption Risk Factor	Local business climate		
Corruption Risk	Bribery of a government official to secure, retain or influence an improper business decision		
Corruption Scheme	a) Potential improper payments to customs officials to facilitate process related to importation of goods or to clear the import of goods that are illegal	b) Potential improper payments to tax authorities to secure the reduction or elimination of tax liabilities	c) Potential improper payments to government officials to secure a desired piece of property or favourable lease terms
Probability	Medium	Medium	Medium
Potential Impact	High	High	High
Inherent Risk	High	High	High
Anti-Corruption Controls			
Control Risk Rating			
Residual Risk Rating			

F. Identifying Mitigating Actions, Controls, and Processes

Anti-corruption controls are unique, as they go far beyond the typical transaction-level controls that are most frequently designed to prevent financial errors. For purposes of this discussion, all risk mitigating efforts, activities, controls, and processes instituted or taken by the enterprise are referred to as "anti-corruption risk mitigating controls".

Mapping controls and other mitigating activities to each corrupt activity or scheme is important because the controls should be commensurate with the probability and potential outcomes of misconduct. Once the inherent risk is determined for each identified scheme, the risk assessment can proceed with identifying and cataloguing risk mitigating controls and processes that are in place.

For many large, global enterprises, this is often a multi-stakeholder, cross-functional, and cross-border effort. While some controls operate enterprise-wide as part of the overall control environment, many others are embedded in business processes owned by individual functions, including sales, procurement, and logistics, or by the management of operating units associated with a particular geographic area or business segment. Some controls may be of a financial nature or owned by the finance function (e.g., travel expense report approval or vendor invoice payment authorization); others may fall under the legal or compliance domain (e.g., contract language and review processes, whistleblower hotlines), while still others may belong to HR (e.g., employee background checks), or business leaders (e.g., tone from the top.) Therefore, identifying and cataloging controls, just like identifying corruption risk factors and schemes described earlier, is likely to involve a number of people within the enterprise.

For smaller or medium sized enterprises, the identification of controls can typically be centralized to a select few key business process owners. For such enterprises, the programmes and controls may not be documented formally and as such it would be important to identify the individuals and functions knowledgeable about existing controls in this area. Also, certain practices such as segregation of duties and formal written policies and procedures may not exist at such enterprises due to resource constraints. It is even more important for such enterprises to identify mitigation that is currently in practice or practical in nature, even if not documented or "best in class", as part of this exercise. As discussed earlier, for smaller and medium sized enterprises, an established risk tolerance level would be key in determining the cost or benefit of and need for additional investment in anti-corruption procedures and controls.

Information about relevant controls can be obtained through a variety of means. While the review of control and process documentation is the key step, this is often supplemented by interviews and targeted surveys with those stakeholders who can help identify the appropriate controls. In addition, during this step the team or individual leading the anti-corruption risk assessment effort could also verify with the business process owners whether the mitigating controls and programmes identified are indeed functioning as per the policy and process. This verification can sometimes bring to light certain procedures that may be part of a written policy but have not been put into practice.

In developing a list of documents to look at and a list of individuals to interview, as well as specific questions to ask, it may be helpful to understand a number of possible control classifications. Here are the most common:

1. General (entity-level) vs. scheme specific (process-level) controls; and
2. Preventative vs. detective controls.

F.1 Entity-Level vs. Scheme-Specific Controls

In documenting its controls, an enterprise should differentiate between scheme-specific controls and general (entity-level) anti-corruption controls. Identifying controls at the scheme level rather than only at the risk level is important, as different schemes tend to have different mitigating controls. Keep in mind that one scheme can have several mitigating controls, while a single control can work with more than one scheme. Although keeping the controls tightly mapped to the most likely corruption schemes is a practical, common sense approach, experience indicates that this tends to lead the risk assessment down a fairly granular path. To avoid failing to see the proverbial forest for the trees, one should be mindful of the big picture and should not overlook more general controls, or factors that have an overall impact on the risk reduction. Such controls are often high level and may not necessarily be specific to a particular scheme, or may not even appear directly related to the scheme, but their presence is nevertheless an important factor in the overall risk reduction. Therefore, an anti-corruption risk assessment process that only considers scheme-specific controls may not be adequately robust and would likely be more detailed and time-consuming to prepare than one that focused first on entity-level controls and supplemented these with scheme-specific controls where needed to mitigate risk to an acceptable level. There is a degree of overlap between general and scheme-specific controls, with some general controls also appearing within a certain scheme, usually with a variation or specificity. Taking note of those controls that may fall into both categories is important in order to ensure that such controls are evaluated from all relevant angles. For a list of typical entity-level anti-corruption controls, see Appendix 14.

Scheme specific controls may, naturally, vary depending on the specific scheme and other factors, such as geography of operation, the nature of products and/or services, the types of customers and the business model in question, the workforce composition, and the nature of other third parties (such as intermediaries) involved, if any. See Appendix 14 for examples of scheme-specific controls.

F.2 Preventative vs. Detective Controls

While cataloguing the risk mitigating controls, it may be helpful to keep in mind the purpose of such controls. Not all misconduct is intentional. Some can be the result of negligence or the lack of awareness. In such situations, preventative controls, such as clear policies, training, and communication, play a key role in effective mitigation. On the other hand, intentional misconduct is designed to evade detection. Preventative controls are important and generally effective in preventing some potential acts of bribery, particularly those that are of relatively small scale or result from a lack of awareness, such as those that fall into the grey area of excessive hospitality without an explicit corrupt intent. However, preventative controls may not be sufficient to discourage or deter a potential willful perpetrator—and as the name suggests, they are not generally designed to function as detective controls.

While experience shows that the presence of a strong body of preventative controls, including strong ethical culture and compliance environment at the enterprise, are likely to somewhat discourage willful perpetrators from trying, even the most ethical enterprises have the occasional case of a "die-hard rotten apple" who will attempt to evade the system. This is where detective controls come in. The purpose of detective controls is to help detect the wrongdoing, ideally at an early stage. Detective controls and procedures desirably include some that a perpetrator may not be aware of, or may not reasonably expect. To have a good corruption detection system, identification of such controls requires a degree of "strategic reasoning to anticipate the behaviour of a potential perpetrator. Strategic reasoning requires a skeptical mindset and involves asking questions such as:

- How might a perpetrator exploit weaknesses in the system of controls?
- How could a perpetrator override or circumvent controls?
- What could a perpetrator do to conceal… [a corrupt act]?"[17]

Most identified controls can be labeled as either preventative or detective, though some may serve dual purposes. Cataloguing controls from this perspective will not only help determine whether any potential gaps would be better served by preventative or detective

controls, but will also help calibrate the risk mitigation strategy and response plan in line with the nature of actual or potential expected corruption misconduct. See Appendix 14 for examples of preventative and detective anti-corruption controls.

Communicating information on some (but not all) detective controls and communicating select anonymous information on enforcement or disciplinary actions to a broad employee base (for larger enterprises) can enhance their deterrent effect. Detective controls and procedures should desirably include some that a perpetrator may not be aware of or may not reasonably expect, which may increase their effectiveness in detecting corruption. Therefore, some detective controls should be known only to small group of people within the enterprise (e.g., internal audit) to minimize the risk of control evasion by a willful perpetrator.

Small or medium sized enterprises may not have the resources to implement some of the above mentioned controls. For such enterprises, one strategy could be to invest in either a preventative or detective control for its high inherent risk areas. The choice of control would be done on a case by case basis depending on available resources, potential cost and risk level—in some instances, it may be more practical to have only a detective control and no preventative control for a corruption risk and vice versa.

F.3 Anti-Corruption Control Mapping Frameworks

Anti-corruption risk assessment practitioners have a wide choice of frameworks that can be used to catalogue and classify controls and other risk mitigating efforts. The following six are the most commonly used:

1. The twelve elements of an effective anti-corruption compliance programme from the OECD's Good Practice Guidance on Internal Controls, Ethics, and Compliance;
2. The six principles of the UK Ministry of Justice's Guidance on the Bribery Act 2010;
3. The seven "hallmarks for an effective compliance programme", as promulgated by the U.S. Federal Sentencing Guidelines (FSG);
4. Thirteen steps in a corporate compliance programme for FCPA, as set out by the U.S. Department of Justice with regards to multiple deferred prosecution agreement and non-prosecution agreements;
5. The Business Principles for Countering Bribery issued by Transparency International; and
6. UNODC's An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide.

When identifying your anti-corruption risk mitigation controls and processes, it may be useful to start with general controls and then narrow down to specific schemes. Using the framework of the U.S. FSG hallmarks, the inventory of general controls (entity-level controls or control "families") includes:

1. **Programme structure and resources:** a formal anti-corruption compliance programme, with defined structure, ownership, authority, plan of activities, and budget.
2. **Programme oversight:** reporting relationships and programme oversight by relevant internal authorities.
3. **Written standards:** a code of conduct and relevant policies.
4. **Due care processes:** employee background checks and third party initial due diligence, segregation of duties, limits of authority, contract review and approval (vendors, customers), and compliance provisions in third party contracts.
5. **Training and communication:** formal training programs, periodic communication to the employees, availability of guidance and resources to the employing, and visible manager commitment (tone from the top and the middle).
6. **Monitoring and auditing:** a whistleblower system (hotline and other channels), an articulated non-retaliation position, gift and entertainment tracking, expense approval and reimbursement process, risk tier system, third party ongoing monitoring and audit systems, corporate transaction and expenditures audit, employee and vendor performance evaluations, employee exit in-

17. T. Jeffrey Wilks and M.F. Zimbelman, 'Using Game Theory and Strategic Reasoning Concepts to Prevent and Detect Fraud', Accounting Horizons, Volume 18, No. 3 (September 2004). Quoted from 'Managing the Business Risks of Fraud: A Practical Guide', The Institute of Internal Auditors et al.

terviews, culture of ethics and compliance assessment or survey, and anti-corruption programme periodic assessment.

7. **Enforcement**: misconduct investigation and case management process, disciplinary process and communication, and ethics and compliance incentives.

While entity-level controls are most suited for classification according to one of the above frameworks, most of the scheme-specific controls can also be tagged accordingly.

F.4 Including Mitigating Controls in the Risk Register

The mitigating controls for each risk or scheme can be included in the risk register as follows:

Location/ Region: Country A **Business Unit: Unit XYZ**			
Corruption Risk Factor	Local business climate		
Corruption Risk	Bribery of a government official to secure, retain or influence an improper business decision		
Corruption Scheme	a) Potential improper payments to customs officials to facilitate process related to importation of goods or to clear the import of goods that are illegal	b) Potential improper payments to tax authorities to secure the reduction or elimination of tax liabilities	c) Potential improper payments to government officials to secure a desired piece of property or favourable lease terms
Probability	Medium	Medium	Medium
Potential Impact	High	High	High
Inherent Risk	High	High	High
Anti-Corruption Controls	• Global Anti-Corruption Policy and Procedures including specific content on payments to customs • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to custom officials in select regions/countries	• Global Anti-Corruption Policy and Procedures including specific content on payments to tax authorities • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to tax authorities	• Global Anti-Corruption Policy and Procedures including specific content on payments to government officials for property leases • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on interaction/transactions with government officials to secure property lease
Control Risk Rating			
Residual Risk Rating			

Once all the existing controls have been identified, categorized, and appropriately labeled and cross referenced, the risk assessment process is ready to proceed to its next step: the control risk rating.

G. Rating Mitigating Controls and Processes

Rating an enterprise's risk mitigation controls can be instrumental in determining residual risks. Before the control rating can begin, enterprises must think about the desired depth of the exercise, the criteria used, the rating scale, and the data gathering mechanisms available (e.g., surveys, interviews, document evaluation, etc.).

There are many different ways to rate and communicate the effectiveness of mitigating controls. A simple qualitative scale could be used to classify each set of controls that mitigate a risk or scheme judgmentally as either (i) effective/low risk, partially effective/medium risk or ineffective/low risk, or (ii) very effective/very low risk, effective/low risk, partially effective/medium risk, somewhat effective/high risk and ineffective/ very high risk. Alternatively, a quantitative scale with scores applied judgmentally to each scheme could be used. Appendix 15 includes an example of what the ratings criteria may look like.

The end result of the control assessment is typically a scorecard, where each control is shown with a qualitative or numerical "quality" score and underlying commentary. Enterprises can use any rating scale deemed reasonable, but a three-point scale is generally adequate.

The control assessment criteria can vary greatly depending on the controls in questions, the desired level of depth for the assessment, and the experience of the anti-corruption risk assessment personnel. While some controls may have just a few criteria used as a basis for rating, it is not unusual to have as many as several dozen distinct assessment criteria per major control in a sophisticated, in-depth assessment. Higher-level assessments may well scale down the level of detail.

Appendix 16 includes samples of what a very detailed ratings criteria may look like for large, global enterprises in a comprehensive assessment of three areas: employee anti-corruption training and communication; gifts, hospitality, and entertainment tracking; and an anti-corruption policy.

Any type of scoring invites questions of accuracy and objectivity. Detailed, fact-based (rather than merely perception) criteria increases both. Using multiple types of sources of information in the rating process also helps to achieve greater accuracy and objectivity, as well as validating some of the data and scores, particularly those with a qualitative or subjectivity bias. While the control risk rating typically relies on the judgment of individuals involved in the rating, for enterprises that have performed independent testing or auditing of anti-corruption controls, the results would have a strong bearing on the control risk rating assigned (e.g., if the test results reveal that a control is working effectively, it would typically be given an "effective" or "low control risk" rating).

One approach to performing the rating is for process owners to judiciously assign a score based on qualitative considerations (and this is an approach that most small or medium sized enterprises would use). However, a more comprehensive approach could be used in determining the control risk ratings in the interest of adopting more structure, objectivity, and accuracy to the process. Examples of sources and related data collection mechanisms for the more comprehensive approach are listed below.

G.1 Internal Document Review and Evaluation

A great starting point and the source of data for many control rating related questions. For certain controls, the documents may include:

- Forms and business process documentation (e.g., expense report form and approval process, third party due diligence process and related forms);
- Written standards;
- Organizational charts;
- Contract templates and samples;
- Gift and entertainment tracking tool documentation;
- Prior employee survey results;
- Whistleblower statistics and misconduct investigation case files;
- Exit interview notes; and/ or
- Internal, and external audit reports.

G.2 Live Interviews

Often used to supplement and validate data received through documentation review, live interviews can be an effective method of obtaining additional, more detailed qualitative insight where the documents may not provide a complete picture. When an enterprise lacks documentation, or has difficulty obtaining or translating information, the role of interviews will exponentially increase. The interview audience is usually the key business process owners with knowledge of the process and controls for the applicable area. These interviews can be either combined with the interviews to identify risks in step 2 of the process or can be done separately.

G.3 "Compliance and Control Environment" Surveys

If the number of people listed for live interviews is too large to handle and/or includes a number of homogenous individuals (e.g., identical functions or roles in different regions), enabling a degree of uniformity for many questions, targeted online surveys can be an effective alternative to at least some live interviews and a good complement to a mass employee survey ("culture and knowledge assessment") and document evaluation.

This type of survey is usually a "compliance and control environment assessment" given to key stakeholders in the anti-corruption programme, senior management, and third parties. Such surveys are fairly customized for the target audience in question and typically include a mix of multiple choice and open-ended questions. The survey typically asks the respondent's opinion about particular controls, processes, and risk mitigation initiatives, and may or may not be anonymous.

While a mass employee survey (either a culture and knowledge assessment or a dedicated anti-corruption employee survey) for a large enterprise can easily go to thousands or even tens of thousands of respondents, "compliance and control environment" surveys rarely exceed several hundred people even for a large enterprise, and are often targeted to less than a hundred respondents, usually at a fairly senior level or in key positions.

G.4 Focus Groups and Workshops

Focus groups and workshops can be an effective tool for conducting a thorough examination into a particular topic or an issue for a control or process. Often prompted by significant red flags or risk exposure in a given market or region, this method of data collection is often conducted "in-situ" with a small audience of 5—10 people, either from a single function (e.g., sales) or cross functionally in a given market (e.g., a country). Other versions are single function (usually senior level) globally, for example at a global compliance internal conference, or global sales meeting. These focus groups and workshops could be combined with those tasked with performing risk identification and/or inherent risk ratings.

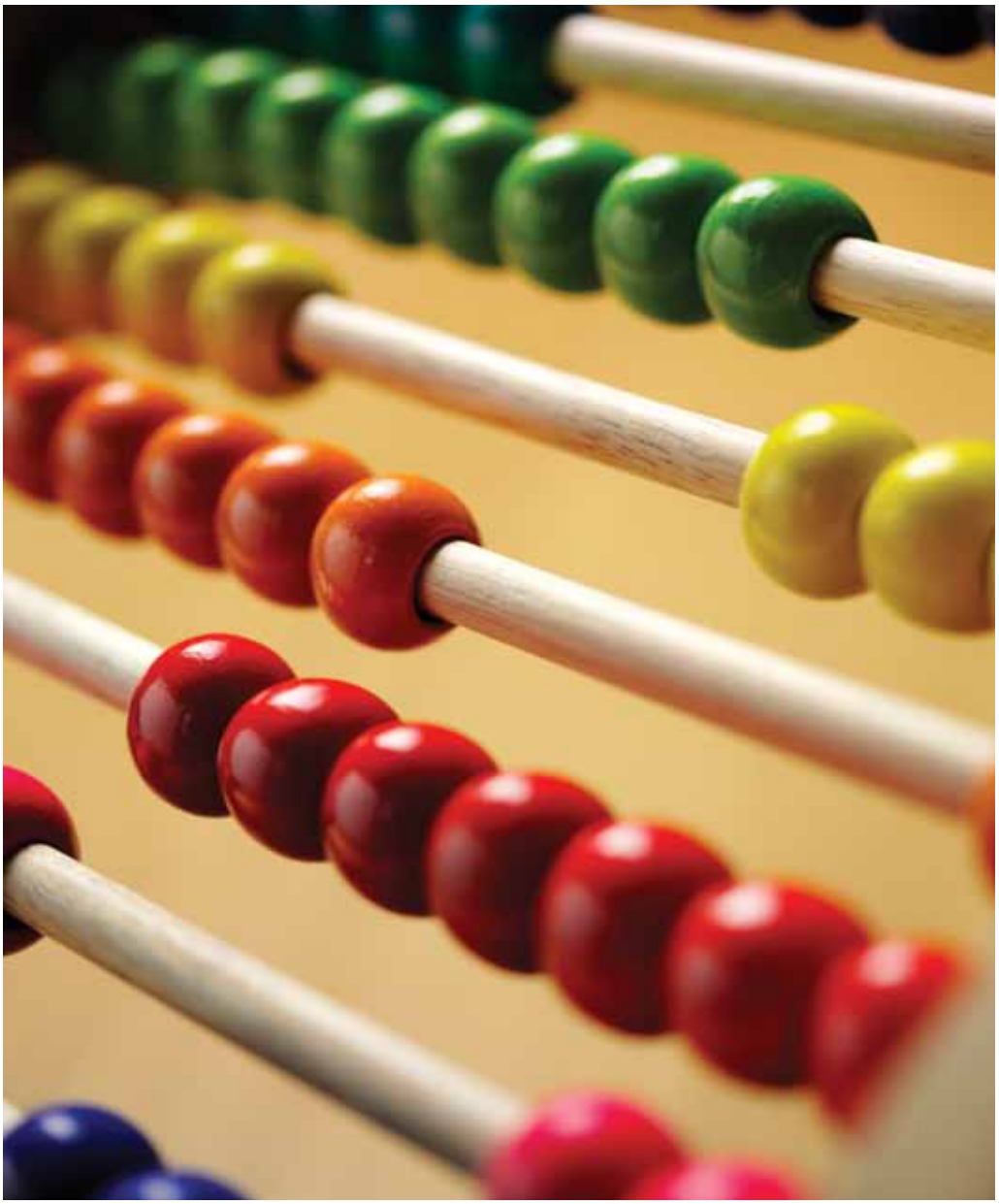
G.5 Who Should Be Involved in Control Risk Rating Calculations?

It is important to involve only those individuals who are familiar with the control or process being rated, including process owners. The views of more than one individual could be sought for certain controls, in which case an average of the score could be taken.

One of the roles of an anti-corruption risk assessment owner or project manager could be to assess whether the raw scores designated by the relevant parties are reasonable and make suggestions for questioning or re-evaluating any ratings that appear questionable. As in calculating the inherent risk, protocols for estimating and questioning the ratings should be determined up front, due to the same concerns for arriving at a result that accurately represents the enterprise.

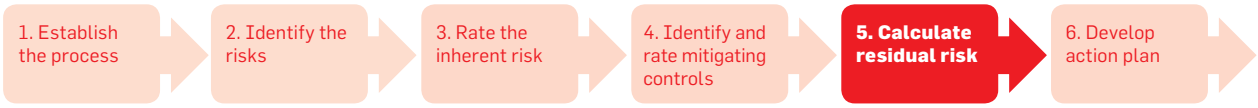
G.6 Inclusion of Control Risk Rating in Risk Register

The overall assigned control risk ratings for each risk or scheme can be included in the risk register as follows:



Location/ Region: Country A **Business Unit: Unit XYZ**			
Corruption Risk Factor	Local business climate		
Corruption Risk	Bribery of a government official to secure, retain or influence an improper business decision		
Corruption Scheme	a) Potential improper payments to customs officials to facilitate process related to importation of goods or to clear the import of goods that are illegal	b) Potential improper payments to tax authorities to secure the reduction or elimination of tax liabilities	c) Potential improper payments to government officials to secure a desired piece of property or favourable lease terms
Probability	Medium	Medium	Medium
Potential Impact	High	High	High
Inherent Risk	High	High	High
Anti-Corruption Controls	• Global Anti-Corruption Policy and Procedures including specific content on payments to customs • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to custom officials in select regions/countries	• Global Anti-Corruption Policy and Procedures including specific content on payments to tax authorities • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to tax authorities	• Global Anti-Corruption Policy and Procedures including specific content on payments to government officials for property leases • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on interaction/transactions with government officials to secure property lease
Control Risk Rating	Effective	Effective	Effective
Residual Risk Rating			

H. Calculating Residual Risk



After rating the internal controls that reduce the risk of each corruption scheme, the next step is to determine the level of residual risk. Residual risk is the extent of risk remaining after considering the risk reduction impact of controls. Residual risk is a factor of the inherent risk and control risk.

In spite of anti-corruption programmes and their internal controls for mitigating the risk of corruption schemes occurring, it is usually still possible for such schemes to occur. As a result, there will normally be some level of residual risk for each corruption scheme. A residual risk of zero is theoretically possible for a particular corruption scheme, but this would normally arise only if that scheme were not relevant to the enterprise's operations, such as because it did not conduct business in a particular country, in a particular industry, or in a particular way. The extent to which the risk of a corruption scheme is mitigated by internal controls depends upon how well the controls are designed, implemented, and operating to effectively reduce the risk of that particular corruption scheme. Controls that are well designed to mitigate risks arising from one or multiple corruption schemes, that have been implemented appropriately, and which are operating effectively in practice, may greatly reduce the risk arising from a particular corruption scheme.

The approach selected to determine the residual risk of each corruption scheme depends on the approach used to determine inherent risk and the controls ratings. If a qualitative scale, such as "high/medium/low", is used for the inherent risk and controls risk ratings, then a similar scale can readily be used for rating residual risk. For example, if a scheme is rated as having a high inherent risk and no effective controls were identified to mitigate the risk arising from the scheme, then the control risk rating would also be high and the residual risk would remain as high. On the other hand, should strong controls be identified to mitigate the high inherent risk scheme, the control risk would be low and the residual risk would likely then be determined to be low. The table in Appendix 17 illustrates one example of such a qualitative scale.

If a quantitative scale is used to determine inherent risk and the control risk ratings, then residual risk could be calculated as inherent risk plus control risk or inherent risk multiplied by control risk. Score ranges would need to be assigned to determine whether the residual risk is low, medium, or high.

The residual risk ratings will provide management with an assessment of where its greatest exposure to corruption risks may exist. A high residual risk rating would mean that a high-rated inherent corruption risk is not substantially mitigated by controls, leaving a residual risk that could seriously impact the enterprise. A medium residual risk would mean that either the corruption scheme is inherently high risk and partially mitigated by controls or inherently medium risk and not substantially or not at all mitigated by controls. A low residual risk would mean that either the corruption scheme is inherently a low rated risk or is substantially mitigated by controls.

Due to resource or cost concerns, certain enterprises may choose not to include the calculation of residual risk explicitly in their anti-corruption risk assessment process. While not the optimum approach, an anti-corruption risk assessment could be performed with only a determination of inherent risk along with identification of

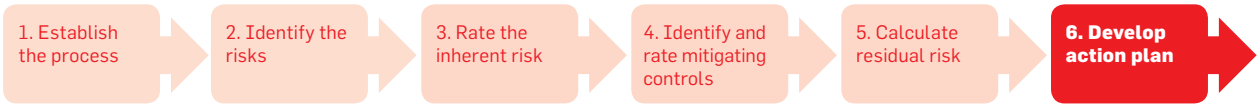
mitigating controls. However, since management would still have to consider whether it believed its corruption risks to have been adequately mitigated, they may still be making implicit judgments about the level of residual risk. An explicit assessment of residual risk is more transparent and provides a working tool that greatly facilitates open and candid discussion between management and other stakeholders such as those charged with governance regarding the enterprise's exposure to corruption risks.

H.1 Including Residual Risk in the Risk Register

The overall assigned residual risk for each risk or scheme can be included in the risk register as follows:

Location/ Region: Country A **Business Unit: Unit XYZ**			
Corruption Risk Factor	Local business climate		
Corruption Risk	Bribery of a government official to secure, retain or influence an improper business decision		
Corruption Scheme	a) Potential improper payments to customs officials to facilitate process related to importation of goods or to clear the import of goods that are illegal	b) Potential improper payments to tax authorities to secure the reduction or elimination of tax liabilities	c) Potential improper payments to government officials to secure a desired piece of property or favourable lease terms
Probability	Medium	Medium	Medium
Potential Impact	High	High	High
Inherent Risk	High	High	High
Anti-Corruption Controls	• Global Anti-Corruption Policy and Procedures including specific content on payments to customs • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to custom officials in select regions/ countries	• Global Anti-Corruption Policy and Procedures including specific content on payments to tax authorities • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on payments to tax authorities	• Global Anti-Corruption Policy and Procedures including specific content on payments to government officials for property leases • Anti-corruption training for employees that is tailored for select regions and key functions • Global whistleblower hotline • Annual anti-corruption audits on interaction/transactions with government officials to secure property lease
Control Risk Rating	Effective	Effective	Effective
Residual Risk Rating	Low	Low	Low

I. Corruption Risk Response Plans



I.1 Comparison of Residual Risk to Risk Tolerance

The residual risk of each corruption scheme can be evaluated by an enterprise to determine whether a corruption risk response is needed and, if so, the desired elements of that plan. A key determinant of the response plan is the enterprise's level of risk tolerance or risk appetite, which will vary depending on the enterprise.

No further risk mitigation is required for any corruption scheme that has a residual risk within the risk tolerance set by management and approved by those charged with governance. Management may choose to implement additional risk mitigation if it believes the cost-benefit can be an advantage, but it is not essential.

For any corruption scheme that has a residual risk greater than the risk tolerance set by management and approved by those charged with governance, action is necessary to reduce the risk until it is within the risk tolerance threshold. For these items, a corruption risk response plan is needed.

I.2 Potential Responses to Residual Risks That Exceed Risk Tolerance

Historically, the most common response to residual corruption risks was to implement enhancements to internal controls to increase corruption risk mitigation. Leading enterprises consider a broader range of potential actions to address residual corruption risk, including:

- Changing the scope of the enterprise's business, such as avoiding or stopping the conducting of business in certain geographies, industry segments or markets because the risk is considered impossible to mitigate sufficiently and reliably.
- Changing business processes or methods so as to reduce or eliminate the area of risk, such as switching from selling goods "CIF" (cost, insurance, and freight) to "Ex Works", meaning that the buyer would take ownership of the goods at the seller's place of business and would be responsible for transportation costs and for customs clearance for international shipments. This arrangement may eliminate the seller's risks relating to potential bribery of foreign government officials to obtain customs clearance at the destination port.
- Transferring risks to a third party through contract terms.
- Enhancing certain anti-corruption controls.
- Proposing to those charged with governance an increase in the enterprise's risk tolerance sufficient to eliminate the need for further action, if the business conditions and enforcement threat could reasonably justify a change.

I.3 Corruption Risk Response Plan

It should be noted that not all enterprises have the same resources and funds at their disposal to invest at an equal level in the anti-corruption compliance programme. Some enterprises may only want to address programmes and controls for what they deem to be the most significant exposure areas, while others may want to address more the interest of maintaining a "best in class" or most robust anti-corruption compliance programme. While the need for a response should be evaluated based on the enterprise's risk tolerance and resource constraints, both of which will vary from one enterprise to an-

other, some approaches are often observed:

- Corruption schemes that have a residual risk of "high" typically exceed the enterprise's tolerance for residual risk and are likely to be earmarked for attention, as this rating indicates a level of risk that may pose a serious or potentially catastrophic threat to the enterprise.
- Schemes that have residual risk of "medium" may or may not exceed the enterprise's tolerance for residual risk so action may or may not be required. Management could analyse the inherent risk rating and control risk rating to assess the sources of risk and consider the feasibility of additional risk mitigation in determining whether to take further action.
- For corruption schemes that have a residual risk of "low", an enterprise would typically take no further action.

Some enterprises may choose to have a response for "high" residual risk areas and decide to take no action for "medium" or "low" residual risk areas as part of the risk tolerance strategy. Others may prioritize actions, with those addressing "high" residual risk areas as the highest priority, followed by "medium" and "low" residual risk areas. In such cases, actions may be taken based on the time and resources available, as well as management's judgment.

For small and medium sized enterprises, the corruption risk response plan is an important tool to determine whether any investment of resources is needed to mitigate corruption risks and if so, then which areas to allocate resources. Such enterprises can use this response plan to determine which of the various anti-corruption programme elements (e.g., dedicated policies, training, monitoring, etc.) do they need to implement or enhance based on the risks. Smaller and medium sized enterprises typically do not have enough risk exposure to warrant robust policies and controls in every anti-corruption programme element and the results of the anti-corruption risk assessment can be a valuable tool for such enterprises to determine which, if any, of these elements they want to implement or enhance.

An example of an approach to determining the corruption risk response plan is illustrated in Appendix 18.

I.4 Content of Response Plan

Input on items proposed for inclusion in the corruption risk response plan should come from across the enterprise, including the opinions of those functions and individuals responsible for implementing the action items and those impacted by the potential action items. It is important for the corruption risk response plan to be pragmatic and selective, as there are endless internal controls that could be put in place at every enterprise. A good corruption risk response plan will be selective and targeted based on a structured, practical approach that efficiently and effectively reduces residual risks to within the enterprise's risk tolerance. Once a risk response plan is drafted, it is typically approved by the management responsible for the anti-corruption risk assessment, with oversight by those charged with governance.

Some of the features of a response plan may include:

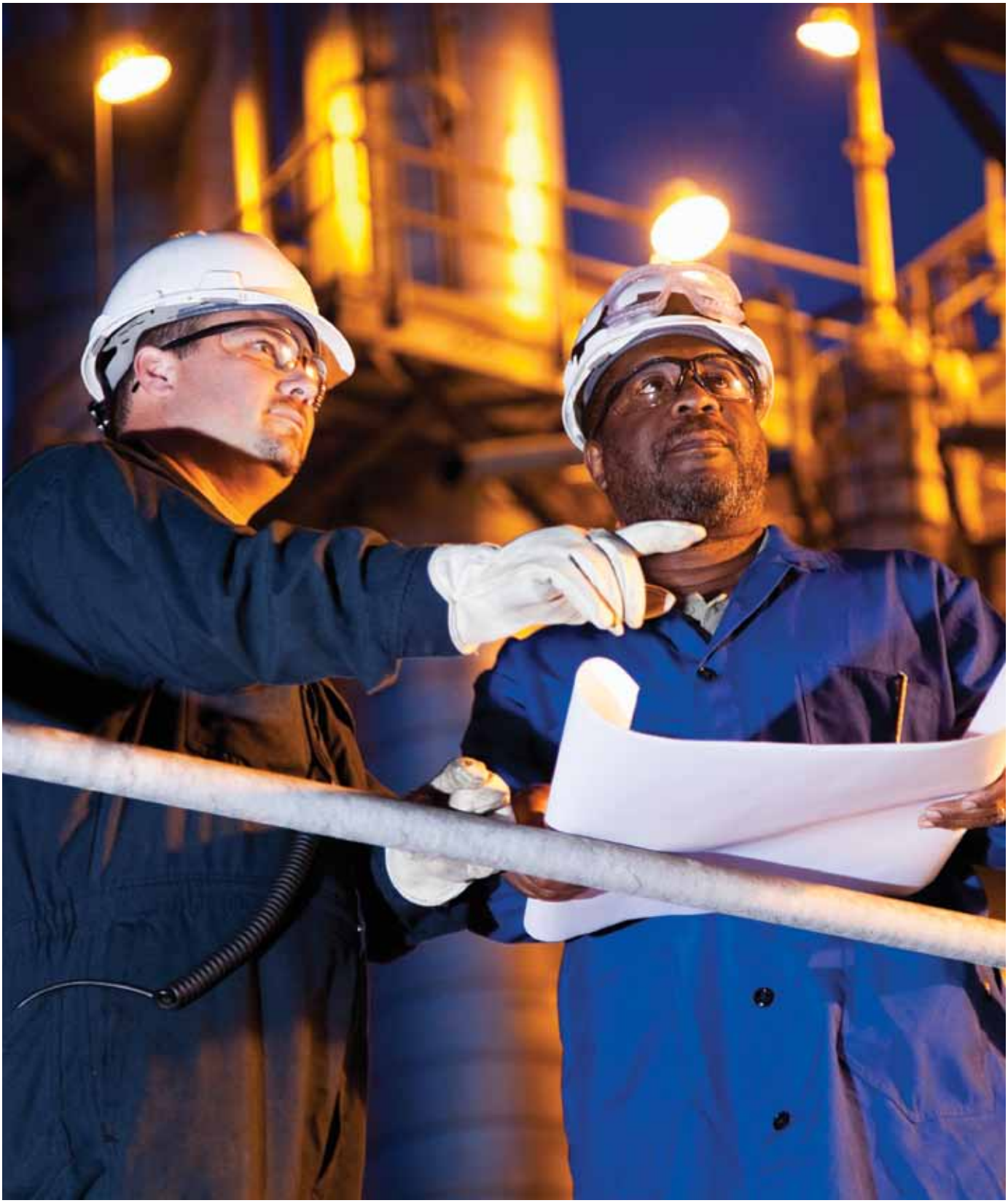
- Description of each action item;
- Implementation responsibility for each action item;
- Implementation timetable. While each item is typically addressed within a twelve month period (and some quite rapidly), there could be situations where an enterprise chooses to implement certain corruption risk response plan items in the first year with the remainder completed subsequently based on a prioritization scale. For medium to longer-term timelines, select milestones can be included in the corruption risk response plan.
- Estimate of resources need to address each action item, such as number of individuals, hours and budget.

It is desirable for one individual to be responsible for coordinating implementation of the corruption risk response plan and for reporting back to management and potentially those charged with governance. Implementation should be regularly monitored by management with any necessary or appropriate amendments made by management and approved by those charged with governance.

I.5 Leadership Buy-In

A critical issue for successful implementation of the corruption risk response plan is usually the buy-in of senior executives, the board of directors, the audit committee, or others charged with governance. Without such high-level support, implementation of the response plan may stagnate as certain functions or individuals may not provide the requisite importance and attention to the items in the response plan.

In addition, it would be beneficial for the owner of the anti-corruption risk assessment to articulate to the various stakeholders involved why implementing the steps in the response plan may benefit them both individually and as a group. One strategy is to link the progress in completing the response plan items with individuals' and functions' goals and performance evaluation. Another strategy is to involve the various stakeholders early in the anti-corruption risk assessment process and not wait until the response plan needs to be implemented.



J. Summarizing and Reporting the Results of an Anti-Corruption Risk Assessment

J.1 Heat Maps

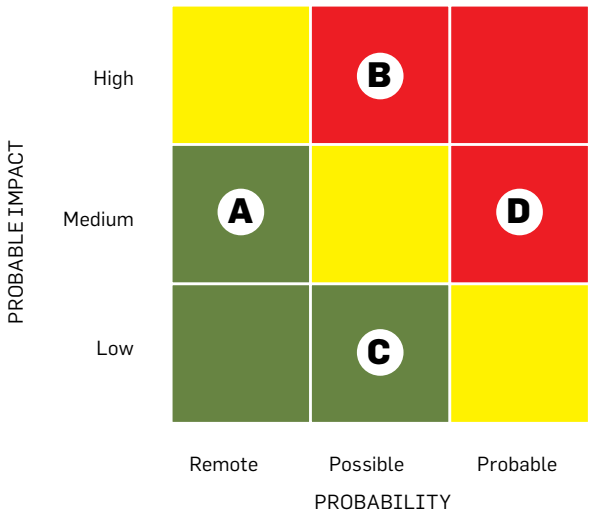
Anti-corruption risk assessments are often documented using detailed spreadsheets or database templates such as a risk register. These are convenient for recording information related to many risks, but their output may be voluminous, very detailed, and in small print—all factors that may make such reports ineffective for communicating summary results to management and those charged with governance. A simpler way is needed to summarize the most important information on one sheet of paper and communicate it in a manner that is quickly and easily understood.

Heat maps can effectively summarize the results of the anti-corruption risk assessment and present them in an impactful manner to management and those charged with governance. A corruption risk heat map shows corruption risks identified by the enterprise, placed according to their probability and potential impact, on a background of multiple colours, which represent different overall levels of risk. Simple heat maps typically have sections that are red, yellow, or green, denoting high-risk, medium-risk, and low-risk, respectively. More complex heat maps use multiple shades of each colour to show subtle variations of overall risk score. These may better represent variations in individual risk scores, but the simpler heat maps may be quicker and easier for executives to comprehend. This may allow executives to spend less time understanding the data and more time in thoughtful discussion of key risk issues.

Heat maps can be used both to illustrate a consolidated enterprise-wide view and to illustrate views by location, business unit, or function.

Figure D shows an example of a simple heat map background before individual corruption risks are added.

Figure D: Simple Heat Map Background



A: Bribery of tax authorities
B: Bribery to obtain retail permits
C: Vendor bid-rigging
D: Kickbacks for sales orders

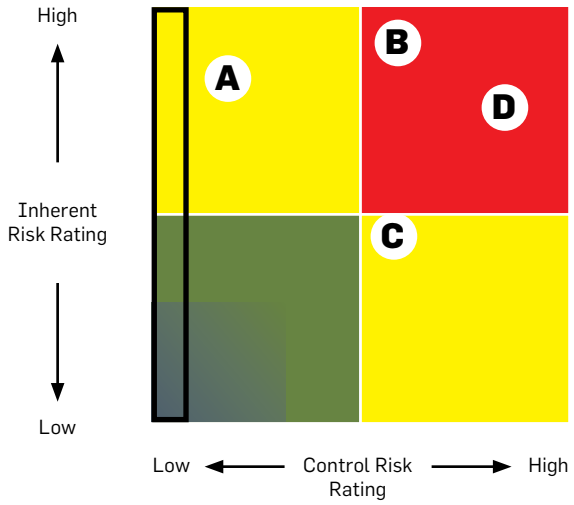
To compile a simple heat map from a larger volume of data, an enterprise can group particular corruption schemes to establish one broad category score or rating for both inherent risk and control risk. For example, one corruption risk area may have several schemes associated with it, and each scheme may have different inherent risk and control risk quantitative scores. In order to arrive at one quantitative score each for inherent risk and control risk, an enterprise can take the average of the inherent risk and residual risk scores of all the schemes for that risk. Alternatively, for a qualitative scale, an enterprise can judiciously assign an overall inherent risk and control risk rating for a risk with several schemes that have different inherent risk and control risk ratings, based on the count of how many of the schemes are rated High, Medium, or Low.

In an alternative and more holistic view, one axis would denote inherent risk ratings and the other axis would denote control risk ratings. Each risk or scheme would be plotted based on its inherent risk and control risk rating or score. This view allows an enterprise to view how each inherent risk is rated with respect to the effectiveness of its mitigating

controls. Under the traditional model discussed previously, management is often biased towards mitigating high-impact, high-likelihood events. However, if a risk is relevant to the enterprise and is extremely high impact, it should be addressed, regardless of probability. It can therefore help highlight unlikely but potentially devastating risks that senior management and those charged with governance should focus on (so-called Black Swan events). See Figure E for a sample of such a heat map.

As with all other aspects of the risk assessment process, the choice and design of heat maps are also more effective if they are built in consultation with different layers of management and relevant stakeholders from different functions, location, and business units as applicable. Another important consideration is that the risks that the enterprise is exposed to changes over time and so it is important to update the heat maps on a periodic basis to understand the most pertinent issues at that time.

Figure E:



A: Bribery of tax authorities
B: Bribery to obtain retail permits
C: Vendor bid-rigging
D: Kickbacks for sales orders

J.2 Preparing a Summary Report

The anti-corruption risk assessment process involves a variety of stakeholders in varying levels of engagement to produce the final assessment. Similarly, users of the final assessment have different Control Risk High Low High Inherent Risk interests and needs for the results. While some personnel may be highly interested in the granular detail of the assessment, senior executives and those charged with governance may benefit from a summary report. The summary would set out concisely the procedures followed, key risks identified, key mitigating controls, control gaps identified, and the responses planned to address residual risks in a prioritized manner. This summary report should stand on its own, but may also aid the reader in navigating to more granular information in other documentation.

To achieve these objectives, one recommended format of the summary report would include the following sections:

- Executive Summary;
- Statement of Purpose and Objectives;
- Summary of the Assessment Scope and Risk Tolerance Level;
- Summary of Approach and Work Steps;
- Summary List of Stakeholders and Participants;
- Key Corruption Risk Areas Identified;
- Key Mitigating Controls;
- Control Gaps Identified;
- Response Plan;
- Acknowledgements (thanking participants, advisors, and other contributors); and
- Appendices.

An executive summary, which should be no longer than 1—2 pages, could include the key risk areas, key controls, and key items from the response plan. In addition, consider including key statistics (e.g., the total percentage of high vs. medium vs. low inherent and residual risks), overall observations, locations and business units covered by the assessment.

Consider including selected summary charts and graphics (such as heat maps) that can be extracted from the detailed anti-corruption risk assessment, such as:

- Highest inherent risk areas;
- Highest residual risk areas;
- High inherent risk areas that have low residual risks;
- Summary of controls that mitigate high inherent risk areas;
- Results illustrated by process, business unit, or location;
- Significance versus likelihood charts;
- Inherent risk versus control risk rating charts;
- Inherent risk versus residual risk rating charts.

Please see sample content of an anti-corruption summary report in Appendix 19.

Appendices — Index

Appendix 1. UK Ministry of Justice Guidance to the Bribery Act

Principle 3, Risk Assessment

The commercial organization assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.

Commentary

3.1 For many commercial organizations, this principle will manifest itself as part of a more general risk assessment carried out in relation to business objectives. For others, its application may produce a more specific stand-alone bribery risk assessment. The purpose of this principle is to promote the adoption of risk assessment procedures that are proportionate to the organization's size and structure and to the nature, scale and location of its activities. But whatever approach is adopted the fuller the understanding of the bribery risks an organization faces the more effective its efforts to prevent bribery are likely to be.

3.2 Some aspects of risk assessment involve procedures that fall within the generally accepted meaning of the term "due diligence". The role of due diligence as a risk mitigation tool is separately dealt with under Principle 4.

Procedures

3.3 Risk assessment procedures that enable the commercial organization accurately to identify and prioritize the risks it faces will, whatever its size, activities, customers or markets, usually reflect a few basic characteristics. These are:

- Oversight of the risk assessment by top-level management.
- Appropriate resourcing—this should reflect the scale of the organization's business and the need to identify and prioritize all relevant risks.
- Identification of the internal and external information sources that will enable risk to be assessed and reviewed.
- Due diligence enquiries (see Principle 4).
- Accurate and appropriate documentation of the risk assessment and its conclusions.

3.4 As a commercial organization's business evolves it is more susceptible to bribery risks and hence it needs to increases its risk assessment. For example, the risk assessment that applies to a commercial organization's domestic operations might not apply when it enters a new market in a part of the world in which it has not done business before (see Principle 6 for more on this).

Commonly encountered risks

3.5 Commonly encountered external risks can be categorized into five broad groups—country, sector, transaction, business opportunity and business partnership:

- **Country risk:** this is evidenced by perceived high levels of corruption, an absence of effectively implemented anti-bribery legislation and a failure of the foreign government, media, local business community and civil society to effectively promote transparent procurement and investment policies.
- **Sector risk:** some sectors are higher risk than others. Higher risk sectors include the extractive industries and the large-scale infrastructure sector.
- **Transaction risk:** certain types of transaction give rise to higher risks, for example, charitable or political contributions, licences and permits, and transactions relating to public procurement.
- **Business opportunity risk:** such risks might arise in high value projects or with projects involving many contractors or intermediaries; or with projects which are not apparently undertaken at market prices, or which do not have a clear legitimate objective.
- **Business partnership risk:** certain relationships may involve higher risk, for example, the use of intermediaries in transactions with foreign public officials; consortia or joint venture partners; and relationships with politically exposed persons where the proposed business relationship involves, or is linked to, a prominent public official.

3.6 An assessment of external bribery risks is intended to help decide how those risks can be mitigated by procedures governing the relevant operations or business relationships; but a bribery risk assessment should also examine the extent to which internal structures or procedures may themselves add to the level of risk. Commonly encountered internal factors may include:

- Deficiencies in employee training, skills, and knowledge;
- Bonus culture that rewards excessive risk taking;
- Lack of clarity in the organization's policies on, and procedures for, hospitality and promotional expenditure, and political or charitable contributions;
- Lack of clear financial controls; and
- Lack of a clear anti-bribery message from the top-level management.

Appendix 2. Sample Sensitive Country Analysis Tool

The table below shows a breakdown of revenue by country. In addition, the percentage of the total sales done by agents or distributors and sales to governmental or state-owned enterprises are given.

Country	CPI score	Total revenues (in USD x 1000)	% Sales via agents / distributors	% Sales to government or state-owned companies	Compliance training provided to third parties	History of corruption cases (enterprise, country, industry)
Country A	95	10,000	20%	50%	No	No
Country B	94	5,000	50%	50%	No	No
Country C	88	3,000	100%	100%	No	No
Country D	78	60,000	10%	50%	No	Yes
Country E	71	30,000	0%	75%	No	No
Country F	43	5,000	60%	100%	Yes	Yes
Country G	39	12,000	60%	50%	No	Yes
Country H	36	9,000	100%	100%	Yes	Yes
Country I	24	25,000	90%	80%	No	Yes
Country J	19	3,000	80%	50%	Yes	Yes

When evaluating the overall exposure to corruption risks by country, the risk in Country I might be higher than in other countries: of the total sales, 90% is sold via agents and 80% of the clients are governmental or state-owned enterprises. Given Country I's poor track record on corruption (CPI score 24 and a history of corruption cases) an additional analysis is worth considering. The table below explores the sales by agent in more detail.

Country Russia	Top 5 agents / distributors (by revenue)	Total sales by agent / distributor (in USD x 1,000)	% of total sales to governmental clients	Total fee paid to agents / distributor (in USD x 1,000')	Third party agents / distributors screened?	Compliance training provided to third parties	Overall risk (H / M / L)
1	Name A	10,000	80%	300	No	No	H
2	Name B	6,000	60%	100	No	No	M
3	Name C	3,000	20%	50	Yes	No	L
4	Name D	2,000	100%	100	Yes	No	H
5	Name E	1,500	10%	30	Yes	No	L

Explanation: Agents A and D are the most critical agents for the enterprise in Country I. A large part of their sales relates to governmental or state-owned enterprises and the fees they receive as a commission for their work are high compared to the other agents. The enterprise pays Agent A 300,000 USD per year for selling predominantly to government officials, although no background screening was made or compliance training was provided.

Appendix 3. Sample Anti-Corruption Risk Assessment Interview and Survey Topics

1. Introduction and Background

This portion of the interview will be used to introduce participants, discuss the purpose of the assessment, and answer any preliminary questions about the assessment.

2. Country/Operating Unit Corruption Risk

a. Discuss any challenges, including allegations of potential corruption, facing the enterprise/operating unit due to a customer's geographical location and/or perceived corruption.
b. Does the enterprise have any government customers? If yes, what percentage of overall sales are these government customers?
c. Are there any countries, governmental customers, or commercial customers that present a higher risk to the enterprise because of the country/government/customer's perception of being corrupt?

3. Interactions with Government Officials and Entities

a. Gain an understanding of the various government entities that the enterprise interacts with.
b. Consider actual or potential improper payments to government officials or commercial customers (i.e., security, customs, facilitating payments).
c. Discuss the type of gifts, meals, entertainment, travel, or any other reimbursements provided to government customers, government officials, or their family members, if any.
d. Understand the challenges faced with securing government approvals, licences and permits.
e. Are facilitating payments (or "grease payments") ever paid?

4. Use of Third Party Agents

a. If third party agents are used in the course of business, discuss roles, responsibilities, contracting terms, and payment mechanisms.
b. Discuss actual or possible corrupt payments made to government officials or commercial customers through a third party.

5. Employees

a. Discuss the interviewee's career path to include positions held with Government Bodies or Political Organizations, if any.
b. Consider the sufficiency of training that is provided to the employees.
c. Discuss the employee's role and interaction with other employees to understand segregation of duties and to prevent the facilitation of improper payments.

6. Supply Chain

a. Discuss the enterprise's overall supply chain strategy including sourcing, logistics, etc.
b. Inquire if the interviewee is aware of any programme or mechanism that is designed to scrutinize and track high corruption risk contracts and contractors.
c. Inquire about the policy and practice around assessing the reputation and integrity of suppliers.
d. Discuss the sufficiency of systems used to track and categorize supplier transactions.

7. Charitable Contributions and Political Donations

a. Discuss any charitable contributions and political donations, if any.

8. Minority and Majority Ownerships, Joint Ventures (JV) and M&A

a. Discuss due diligence procedures performed when entering into JV investments.

9. Other

a. Discuss whether the interviewee is aware of any inappropriate payments or allegations concerning potential violations of anti-corruption laws.
b. Consider any instances where the interviewee may have been asked to perform functions considered unethical or against the enterprise's anti-corruption code.
c. Discuss the policy and practice around including anti-bribery language in contracts with third parties.
d. In closing, the interviewee should be given the opportunity to share anything not previously discussed and permission to follow-up should be sought.

Note: Additional tailored topics would typically be discussed based on the function and area of the interviewee/survey participant as well as the industry and risk profile of enterprise.

Appendix 4. Corruption Red Flags

- Business in countries with a history of corruption;
- Excessive reliance on third-party agents;
- Unusual payment terms for agents;
- Large or numerous cash payments;
- "Upfront" or advance payments;
- Request for payment to someone other than agent or vendor;
- Payments to numbered accounts or to "haven" or other offshore banks;
- Large charitable contributions in foreign countries;
- Association between agent and foreign government;
- Gifts — lavishness, secrecy, inaccurate records; and/ or
- Payments to countries or vendors with which the company has had no previous business dealings.

Appendix 5. RESIST Methodology: Scenarios

1	In a bidding round, the terms of reference (including technical specifications) are biased to favour one supplier or to exclude potential competitors
2	Intermediary offers company to win bidding upon payment of loser's fee during pre-bidding or bidding stage
3	Bribe solicitation for confidential information during pre-bidding or bidding stage
4	"Kickback" scenario: Your sales representative is offered hidden compensation by the customer or by an intermediary
5	A host country may impose or imposes a partnership with a designated local company that may present high corruption risks
6	Client demands a last-minute "closure fee" to close a deal that is now too late to lose
7	A company complaining about an unfair procurement process is threatened with a spurious criminal prosecution that will lead to a heavy fine
8	A local government agency demands a fee for technical approval of equipment
9	Newly-hired employees cannot obtain work permits unless an employment surcharge is paid
10	A local police officer requests a payment to allow an expatriate worker to cross an internal border within a country
11	An employee of the state electricity company demands cash for connection to the grid
12	Long-awaited essential equipment is stuck in customs for clearance and only the payment of a "special" fee can secure its prompt release
13	Perishable goods are held up in customs and will only be released if a cash payment is made
14	A tax inspector asks for a "kickback" in exchange for granting a discharge or accepting a settlement in a tax dispute
15	A union leader demands payment to an employee welfare fund before allowing his/her members to unload a ship
16	A client asks your company to arrange and pay for a check-up at a prestigious hospital while on a visit to your home office
17	A government official requests free product samples for private use
18	A government representative requests sponsorship for an activity linked to the private interests of high-level government officials
19	A financial services intermediary demands incentives over and above the regulated commissions and fees for referral of clients to financial product providers
20	A supplier offers a bribe to a contract manager to overlook "out of spec" or inferior goods or services
21	A customer representative demands a fee that was not previously agreed as a condition to a contract change
22	For a fee, a "businessperson" offers to help reinstate client progress payments that were stopped for no apparent reason

(source: http://www.iccwbo.org/products-and-services/fighting-commercial-crime/resist/)

Appendix 6. Sources for Analysing the Risk of Corruption by Country

Source	Published by	Description	Web Link
Corruption Perceptions Index	Transparency International	An annual survey ranking almost 200 countries by their perceived levels of public corruption, as determined by expert assessments and opinion surveys.	www.transparency.org
Bribe Payers Index	Transparency International	Evaluates the supply side of corruption—the likelihood of firms from the world's industrialized countries to bribe abroad	www.transparency.org
Global Corruption Barometer	Transparency International	A survey that assesses general public attitudes towards and experience of corruption in many countries.	www.transparency.org
National Integrity System (NIS) Surveys	Transparency International	Present the results of NIS assessments in form of a comprehensive analyses of the anti-corruption provisions and capacities in a country, including recommendations for key areas of anti-corruption reform.	www.transparency.org
Corporate Reporting Surveys	Transparency International	Surveys published in 2009 and 2012 of corporate reporting and transparency on anti-corruption; also the report "Promoting Revenue Transparency: 2011 Report on Oil and Gas Companies".	www.transparency.org
Governance Indicators	World Bank	Reports aggregate and individual governance indicators for 213 economies over the period 1996–2010, for six dimensions of governance including control of corruption.	http://info.worldbank.org/governance/wgi/index.asp
Country Profile	United Nations Office on Drugs and Crime	Provides review reports, laws and authorities information for countries.	http://www.unodc.org/unodc/en/treaties/CAC/country-profile/index.html
TRACK	United Nations Office on Drugs and Crime	Central platform of "Tools and Resources for Anti-Corruption Knowledge".	www.track.unodc.org

Appendix 7. Sample Probability Scoring Matrix

Three-point Scoring Matrix for Identified Corruption Schemes	Score
Little probability of corruption activity	1
Some probability of corruption activity	2
High probability of corruption activity	3
Five-point Scoring Matrix for Identified Corruption Schemes	**Score**
Minimal probability of corruption activity	1
Little probability of corruption activity	2
Some probability of corruption activity	3
Considerable probability of corruption activity	4
Very high probability of corruption activity	5

Appendix 8. Sample Potential Impact Scoring Matrix

Sample Three-Point Potential Impact Scoring Matrix for Identified Corruption Schemes	
Narrative categorization of corruption scheme potential impact	**Score**
Insignificant impact	1
Moderate impact	2
High impact	3
Sample Five-Point Potential Impact Scoring Matrix for Identified Corruption Schemes	**Score**
Insignificant Impact	1
Minor Impact	2
Moderate Impact	3
Major Impact	4
Catastrophic Impact	5

Appendix 9. Sample Multi-Factor Probability Scoring Matrix

Probability		Quantitative	Status of Actual Case(s) of the Scheme	Complexity
Very low probability of corruption activity	**1**	< 10% chance	Root cause of incident has been remediated (reducing the chance of repeat occurrence).	Very difficult to perpetrate even without controls place.
Little probability of corruption activity	**2**	10%–25% chance	Root cause of incident is in the process of being remediated.	Difficult to perpetrate even without controls in place.
Some probability of corruption activity	**3**	26%–50% chance	Incident has been contained.	Moderately complex to perpetrate without controls in place.
Considerable probability of corruption activity	**4**	51%–75% chance	Incident is in the process of being contained.	Easy to perpetrate without controls in place.
Very high probability of corruption activity	**5**	> 75% chance	Incident has been reported and is currently under investigation.	Very easy to perpetrate without controls in place.

Appendix 10. Sample Multi-Factor Potential Impact Scoring Matrix

Potential Impact		Reputation	Financial	Legal / Compliance	Stakeholders – Customers	Stakeholders – Employees
Insignificant Impact	**1**	Minimal local media attention quickly contained, short term recoverability.	Financial impact is < 5% of selected budget item (e.g., revenue or income).	Notice of violation/ warnings requiring administrative action and minimal penalties.	Minimal customer complaints and recovery costs.	Insignificant impact on ___ Department's ability to recruit and retain employees.
Minor Impact	**2**	Local market impact on Department's brand and reputation.	Financial impact is between 5% and 10% of selected budget item (e.g., revenue or income).	Routine governing body litigations subject to moderate fines and penalties may be subject to regulatory proceedings and/or hearings.	Minimal decline in customer relationships and some recovery costs.	Some impact on ___Department's ability to recruit and retain employees.
Moderate Impact	**3**	Sustained local press coverage with escalating customer implications.	Financial impact is between 10% and 20% of selected budget item (e.g., revenue or income).	Routine litigation subject to substantial fines or penalties, subject to regulatory proceedings and/or hearings.	Loss or decline of customer relationships and moderate recovery costs.	Significant impact on ___ Department's ability to recruit and retain top performers.
Major Impact	**4**	National or sustained regional press coverage with long-term damage to public image.	Financial impact is between 20% and 30% of selected budget item (e.g., revenue or income).	Potentially a significant governing body scrutiny, investigations subject to substantial fines and penalties, which may include some criminal charges, subject to regulatory proceedings and/or hearings.	Strained key customer relationships and significant recovery costs and threat to future growth.	Major impact on ___Department's ability to recruit top performers.
Catastrophic Impact	**5**	Global Media Coverage.	Financial impact is > 30% of selected budget item (e.g., revenue or income).	Major scrutiny, investigations subject to substantial fines and penalties including criminal charges, and/or cease-and-desist orders, possible regulatory action.	Loss of major customer relationships and serious threat to future growth.	Sustained impact on ___ Department's ability to recruit and retain top performers.

Appendix 11. Sample Weighted Average Potential Impact and Probability Rating Method

Determine the probability rating for each risk or scheme on a scale of 1—5 for each quantitative measure, the status of actual cases and the complexity for that risk or scheme, and then calculate one overall probability rating by taking a weighted average of the three scores as follows:

- 25% of the quantitative score;
- 50% of the status of actual cases of the scheme score;
- 25% of the complexity score.

Determine the potential impact rating for each risk or scheme on a scale of 1—5 for each of reputation, financial, legal/compliance, customer, and employee impact for that risk or scheme and then calculate one overall potential impact rating by taking a weighted average of the five scores as follows:

- 30% of the reputation impact score;
- 30% of the financial impact score;
- 20% of the legal/compliance impact score;
- 10% of the customers impact score; and
- 10% of the employees impact score.

Appendix 12. Sample Qualitative Scale for Determining Inherent Risk

Probability	Potential Impact	Inherent Risk
High	Low	Medium
High	Medium	High or Medium
High	High	High
Medium	Low	Medium or Low
Medium	Medium	Medium
Medium	High	High or Medium
Low	Low	Low
Low	Medium	Medium or Low
Low	High	Medium

Appendix 13. Sample Quantitative Approach to Assessing Inherent Risk

Inherent Risk Level	Sum of Probability and Potential Impact Scores
Low	5 or less
Medium	6–7
High	8–9

While the above is a simple and often-used option to determine the inherent risk rating of each corruption risk/scheme, certain enterprises, particularly those that are larger and able to allocate appropriate resources for this exercise, may want to include additional factors, such as weighted average calculations, in the interest of increasing the accuracy of the scores. In the above example, equal weight is given to both probability and potential impact. An alternative option would be to provide more weight to the potential impact than to probability in calculating inherent risk under the belief that the potential impact on the enterprise is a greater driver of the need for management to mitigate corruption risks. For example in the quantitative scale above, instead of adding the raw score of probability and potential impact, 60% of the potential impact score could be added to 40% of the probability score to arrive at a weighted inherent risk score. The relative weighting of the two factors could be adjusted until the result appropriately reflects management's overall judgment.

Appendix 14. Examples of Anti-Corruption Controls

1. Typical general entity-level anti-corruption controls:[18]

- A formal anti-corruption compliance programme;
- An Anti-Corruption or Compliance Committee mandated to review or receive updates on all high-risk transactions;
- Written standards (i.e., the code of conduct and anti-corruption and other related policies);
- Anti-corruption training and communication for employees;
- Tone from the top and the middle;
- Employee background checks;
- Whistleblower system;
- Gift, entertainment, and hospitality request approval and tracking;
- Conflict of interest certification/disclosure process;
- Third-party contract provision on compliance;
- A competitive bidding/selection process including RFP dissemination to prospective vendors and proposal review;
- Risk tier classification system for third parties;
- Third party due diligence (in line with the designated risk tier);
- Multiple levels of vendor contract approval or internal sign-off (e.g., requiring approval from procurement, the legal and compliance functions, and local management);
- Accounting controls on vendor invoice review, approval, and payment;
- A process for travel and expense report review, approval, and reimbursement;
- An employee culture of ethics and knowledge assessment;
- Exit interviews;
- Mandatory anti-corruption audits on regularly recurring basis; and
- Mandatory rotation of key management level personnel in high risk locations.

18. Small or medium sized enterprises typically would not have some of these items due to resource constraints, non-applicability, and a different risk profile.

2. Scheme-specific controls:[19]

(Including some that may be a scheme-specific version of an entity-level control)

A scheme involving using consultants/fixers as bribery conduits may include the following mitigating controls and processes:

- A process for documenting a business need for hiring a consultant;
- Consultant due diligence/screening with specific aspects such as background check, screening against politically exposed persons ("PEP") lists, a references and credentials check, prior engagements, reputation, and a sample work product review (depending on the risk tier);
- Consultant certification of compliance (initial and at periodic intervals, e.g., annually) such as an anti-corruption policy acknowledgement and certification, a vendor code of conduct, etc.;
- Anti-corruption training and communication activities targeted to the procurement personnel involved as well as to the consultant's hiring/ongoing management and to the consultant him/herself;
- Periodic consultant performance evaluations, actual work product review; and
- Consultant fee/invoice analyses (does the invoice have an adequate level of detail, is the fee reasonable, how does it compare with other similar vendors, is it commensurate with the work product, is there a correlation between a consultant invoice and a particular government action that benefited the enterprise, etc.).

A scheme involving commercial enterprise sales reps providing potentially inappropriate gifts, hospitality, and entertainment to prospects or customers may include the following[20]:

- Periodic gift and entertainment training and communication targeted to sales personnel and their managers;
- Communication to customers about the enterprise's gift, hospitality, and entertainment policy;
- Tone from the middle: communication to sales personnel from supervisors or market leadership;
- Periodic (e.g., annual) anti-corruption policy acknowledgement or certification among sales personnel and supervisors;
- Mandatory use of the enterprise's credit cards for any third party meals or other entertainment by sales personnel;
- Sales representative rotation;
- Customer survey/interviews; and
- Hotline availability for customer personnel.

3. Preventative anti-corruption controls:[21]

- Having a formal anti-corruption programme in place with defined structure, ownership, reporting lines, and planned activities, and periodic measurement for effectiveness;
- Written standards (code, anti-corruption policies);
- Anti-corruption training and communication, including a resource library;
- Tone from the top and the middle: visible senior and mid-level managements setting the expectations;
- A risk classification system for third parties, corporate locations, and business activities (i.e., a tiered system whereby higher risk parties would be subjected to a more robust due diligence and oversight than lower risk parties);
- Due care and due diligence, including personnel background checks, third party initial due diligence, policy certification/acknowledgement;
- Gift, hospitality, and entertainment advance approval;
- Segregation of duties;
- Contract provisions on compliance with the law in general and anti-bribery specifically; and

19. Small or medium sized enterprises typically would not have some of these items due to resource constraints, non-applicability, and a different risk profile.
20. Small or medium sized enterprises typically would not have some of these items due to resource constraints, non-applicability, and a different risk profile.

- Incentives for proper conduct, ethics awards, and (to some extent) performance evaluations with specific ethics and compliance provisions.

For many schemes, preventative controls could be augmented by detective controls, for the purpose of early detection of misconduct (both intentional and unintentional).

4. Detective anti-corruption controls:[22]

- Gift, hospitality, and entertainment tracking (after the fact);
- Expense report audit;
- Periodic third party monitoring (e.g., performance assessment, re-certification);
- Whistleblower system, investigation process and case management;
- Exit interviews;
- Corporate audit, transaction audit, third party audit;
- Employee culture of ethics and compliance assessment, particularly if it includes questions about pressure to commit misconduct, actual policy violations, etc.; and
- Customer, vendor, or third party survey or interview.

Appendix 15. Sample Scoring Matrix for Control Rating

Sample of 3-point scale scoring matrix for control rating		
Qualitative Categorization	**Numerical Categorization**	**Control Risk Rating**
Good/Effective	3	Low
Fair/Partially Effective	2	Medium
Poor/Ineffective	1	High
Sample of 5-point scale scoring matrix for control rating		
Qualitative Categorization	**Numerical Categorization**	**Control Risk Rating**
Excellent/Very Effective	5	Very Low
Good/Effective	4	Low
Fair/Neutral/Partially Effective	3	Medium
Poor/Somewhat Effective	2	High
Very Poor/Ineffective	1	Very High

21. Small or medium sized enterprises typically would not have some of these items due to resource constraints, non-applicability, and a different risk profile.
22. Small or medium sized enterprises typically would not have some of these items due to resource constraints, non-applicability, and a different risk profile.

Appendix 16. Sample Detailed Ratings Criteria for Control Rating

A. Anticorruption Training Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
1	Does the anti-corruption training target relevant audiences?	3	3	All- 3, Some- 2, Few- 1
2	Is it provided in relevant languages?	2	3	All- 3, Some- 2, Few or No- 1
3	Is the anti-corruption training mandatory?	1	2	Yes, for all- 3, Some employees- 2 No- 1
4	Is the training included in the new employee orientation or generally conducted within 3–6 months of employment start?	2	1	Yes, within 3 months- 3 3–6 months- 2, After 6 months- 1
5	Is the training conducted on a sufficiently periodic basis?	2	2	Annual:- 3, Every 2 years- 2, Every 2+ years or No- 1
6	What is the quality of training content?	2	3	Good- 3, Fair- 2, Poor- 1 Note: quality considerations may include: the presence of key relevant topics, tone at the top, interactivity, ease of navigation, visual presentation, language level, clarity of content, etc.; these criteria can either be formally scored separately in order to arrive at the score for content quality or used as a qualitative guide for the assessor, to help him or her assign an accurate score to this content quality criteria.
7	Does the training include a written acknowledgement or policy certification form?	3	1	Yes -3, No- 1
8	Does the training include testing?	3	2	Yes -3, No- 1
9	Are the testing results tracked and maintained?	3	1	Yes -3, No- 1
10	Is the completion of training tracked and are these records maintained?	3	2	Yes -3, No- 1
11	What is the training completion rate for the target audience?	3	3	Over 66%- 3, 33%–66%- 2, less than 33%- 1

A. Anticorruption Training Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
12	Are there disciplinary consequences for non-completion of training?	1	1	Yes -3, No- 1
13	Is the completion of training a part of employee annual performance evaluation?	1	1	Yes -3, Some (e.g., managers only)- 2, No- 1
14	What is the quality of the written training plan?	2	2	Good- 3, Fair- 2, Poor- 1 Note: quality considerations may include multi-year strategic and annual timelines, stated goals/objectives, defined target audiences, detailed curriculum, stated target completion rates, planned frequency, modality of delivery, roll out schedules, key performance indicators (KPIs), whether the plan was developed in consultation with other functions, etc.
15	Is the training programme periodically evaluated for performance effectiveness?	1	2	Yes, at least annually- 3, Every 2–3 years- 2, Every 3+ years or No- 1
16	Are the training programme evaluation results used to modify the training programme scope?	1	1	Yes- 3, No- 1
17	What is the quality of the training programme performance reporting?	2	1	Good- 3, Fair- 2, Poor- 1 Note: quality considerations may include whether the reports are adequately complete/detailed, report KPIs, regularly provided to the appropriate authority within the enterprise
18	What is the quality of communication initiatives that accompany formal training? (e.g., printed materials, emails, videos, podcasts, blogs, intranet resources, etc.)	2	3	Good- 3, Fair- 2, Poor- 1 (Note considerations may include coverage of topics, language availability, frequency, tone from the top/middle, clarity of content, and range of used delivery vehicles)
19	Is the training programme overall adequate in creating good awareness of the subject-matter in question among the relevant employees?	2		Yes- 3, Somewhat- 2, No- 1 (Note: this is a checks and balances question. The score here should be consistent with the average scores above. Considerations may include employee/manager feedback, and/ or assessment by another party)
	TOTAL WEIGHTED SCORE (1–3 scale)			**2.15**

B. Gift, Hospitality, and Entertainment (GHE) Tracking Process Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
1	Does the enterprise track gifts received by its employees?	3	3	All, regardless of value- 3, Some (e.g., above a value threshold)- 2, No- 1
2	Does the enterprise track entertainment/ hospitality provided to its employees?	1	2	All, regardless of value- 3, Some (e.g., above a value threshold)- 2, No- 1
3	Does the enterprise track gifts provided by its employees to third parties?	1	3	All, regardless of value or recipient- 3, Some (e.g., above a value threshold or provided to certain type of recipients such as govt. officials)- 2, No- 1
4	Does the enterprise track entertainment/ hospitality provided by its employees to third parties?	2	2	All, regardless of value or recipient- 3, Some (e.g., above a value threshold or provided to certain type of recipients such as govt. officials)- 2, No- 1
5	Do GHE provided to third parties require advance approval?	2	2	All, regardless of value or recipient- 3, Some (e.g., above a value threshold or provided to certain type of recipients such as govt. officials)- 2, No- 1
6	If YES, to q5, does such approval request require review and approval by compliance or legal function? (i.e., who reviews and approves employee requests for GHE?)	2.5	2	Yes, for all requests; 1–2 approval signatures including compliance or legal are required- 3 Yes, for requests above a certain threshold or for specific types of beneficiary; 1–2 approval signatures needed, including one from compliance; other requests need one approval signature (e.g., from one's supervisor)- 2.5 Yes, for requests above a certain threshold or for specific types of beneficiary; at least two approval signatures needed, including one from compliance; for other requests, no approval needed- 2 1.5: Only above a certain threshold or for certain type of beneficiary, with one approval signature (e.g., one's supervisor)- 1.5 No- 1
7	In the absence of formal advance approval for GHE provided to third parties, does the tracking process require "retroactive" disclosure?	3	2	All, regardless of value -3, Some (e.g., above a value threshold)- 2, No- 1

B. Gift, Hospitality, and Entertainment (GHE) Tracking Process Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
8	In the absence of advance approval (or when approval was not requested), does the tracking process require "retroactive" disclosure for gifts and entertainment received by employees from third parties?	3	2	All, regardless of value- 3, Some (e.g., above a value threshold)- 2, No- 1
9	Does the process or tool require or allow for checking the third party against "politically exposed party" (PEP) database?	3	1	Yes, required for all GHE- 3 Yes, required for all GHE above certain threshold, (or other criteria) discretionary for others- 2.5 Yes, discretionary regardless of the criteria- 2 No- 1
10	Does the process require for all gifts and entertainment provided to third parties by employees to always be paid with the enterprise's funds (e.g., company credit card, i.e., no personal expenditure is permitted for business related GHE to the enterprise's customers, vendors, business partners, service providers, and other related parties).	2	1	Yes- 3 Some, but not all, or sometimes but not always- 2, No-1
11	The tracking process is automated and easy to use.	3	1	Yes -3, Somewhat- 2, No- 1
12	The tracking process and related requirements have been clearly communicated to all relevant employees.	3	2	Yes- 3, Somewhat- 2, No- 1
13	The tracking process allows for cumulative tracking per gift and entertainment recipient, provider as well as his/her enterprise.	3	2	Yes- 3, Somewhat (e.g., gift given but not received, gifts only but not entertainment, some business units but not others, etc.)- 2, No- 1
14	Is the tracking process is enterprise-wide?		2	Yes- 3, Most of the enterprise- 2; Smaller part of the enterprise- 1

B. Gift, Hospitality, and Entertainment (GHE) Tracking Process Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
15	Are there disciplinary consequences for a failure to follow the established process?	1	2	Yes -3, Maybe- 2, No- 1
16	Are the tracking process and associated tools periodically evaluated for effectiveness?	1	2	Yes, periodically & with adequate depth/scope- 3 Yes- infrequently and/or limited scope- 2 No- 1
	TOTAL WEIGHTED SCORE (1–3 scale)			**2.35**
C. Anticorruption Policy Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
1	Does the enterprise have an anti-corruption policy?	3	3	Yes, a single global policy or a combination of global and local policies- 3, Yes, local policies only where needed- 2, Yes, local policies only in some but not all exposed locations- 1.5, No (if no please answer "no" to all the following questions)- 1
2	What is the policy format?	3	2	Included in the code of conduct plus a stand-alone (more detailed) document(s)- 3, Included in the code of conduct only- 1
3	Is the policy content adequately and sufficiently comprehensive (i.e., does the policy address all pertinent issues/topics with sufficient detail)?	2	3	Yes- 3, Somewhat- 2, No- 1 Note: if the policy is only available as a chapter in the code of conduct, please consider whether the content is comprehensive enough to communicate the behavioural expectations.
4	Is the policy language clear, readable, and consistent? Is it easy to understand for an average employee?	2	2	Yes- 3, Somewhat- 2, No- 1
5	Is the policy well organized and structured?	2	2	Yes- 3, Somewhat- 2, No- 1

C. Anticorruption Policy Scoring Matrix				
#	**Control Rating Criteria**	**Score** (mock/ sample scores entered)	**Weight** (Very important: 3, Important: 2, Less important: 1)	**Criteria Scoring Guide**
6	What is the policy position on facilitation payments?	2	3	Not allowed, except in life threatening situations- 3, Generally not allowed, except when prior written permission has been given- 2.5, Generally allowed, within defined circumstances, with no prior written permission needed- 1.5. Allowed- 1 Undefined- 1 Varies depending on location- 1.5
7	If different local policy versions exist, are they consistent with the corporate policy, and/ or between themselves in terms of standards, content, and presentation?	2.5	1	Generally, yes- 3, Somewhat, but some are more restrictive than the general enterprise standard- 2.5 Somewhat but some are more lenient than general enterprise standard- 1.5, No- 1 N/A as we have a single global policy- 3
8	Is the policy available in languages where the enterprise conducts business?	3	3	Yes, in all or most countries where the enterprise conducts business including the key risk locations- 3, In some but not all key risk locations- 2, No- 1
9	Is the policy easily accessible on the enterprise's intranet by relevant employee segments?	3	2	Yes- 3, Somewhat- 2 No- 1
10	Has the policy been well communicated to relevant employee groups?	3	3	Yes- 3, Somewhat- 2 No- 1
11	Is there a policy acknowledgement process that involves relevant employees on a periodic basis (e.g., annually or every 2–3 years)?	3	2	Yes, all relevant employees- 3, Some, but not all relevant employees- 2, No- 1
12	Is the policy periodically reviewed and updated (e.g., every 2–3 years)?	2	1	Yes- 3 Some, but not all, or sometimes but not always- 2 No-1
	TOTAL WEIGHTED SCORE (1–3 scale)			**2.25**

Note: The answers to the above questions should be made using the chosen rating scale (e.g., 1 to 3 on a 3-point scale in the example above) with yes or no answers taking the extreme values. In many cases however, there will be more nuance than a simple binary approach. A simple or a weighted average of the criteria scores makes up the score for the given control. Also, enterprises can use a smaller pool of questions to do these ratings and do not have to use all the questions above.

An alternative option is to simplify the rating criteria. For example, the scoring matrix could in theory be scaled down to a single criterion, e.g., do we provide anti-corruption training to our employees? Yes- 3, No- 1. However, anti-corruption training programs vary greatly in quality, from barely existent to very robust. Answering "yes" and awarding the maximum three points based on having anti-corruption training even though it is poorly designed, badly implemented, or operating ineffectively, could provide a false impression that misleads management, the board of directors and the audit committee or others charged with governance. It may also create legal and regulatory exposures. For these reasons, a more refined evaluation that considers the quality of design, implementation and operation is highly recommended.

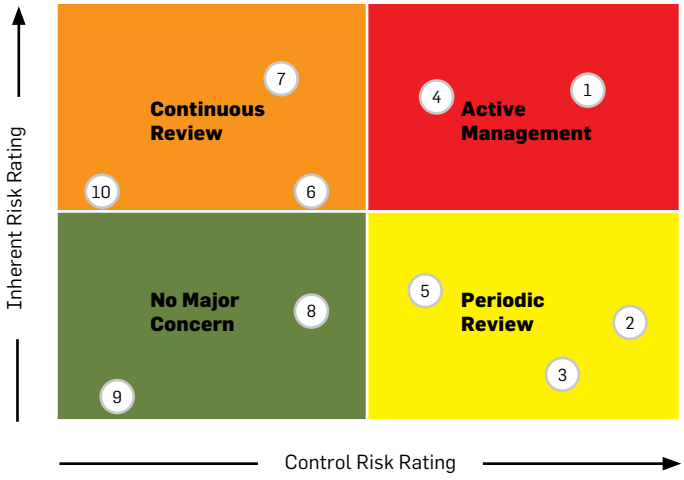
Appendix 17. Sample Qualitative Scale for Determining Residual Risk

If Inherent Risk Is	And Control Risk Rating Is	Then Residual Risk Is Normally
High	High	High
High	Medium	Either High or Medium
High	Low	Either Medium or Low
Medium	Low	Low
Medium	Medium	Either Medium or Low
Medium	High	Medium
Low	High, Medium or Low	Low

Appendix 18. Sample Approach to Determining the Corruption Risk Response Plan

In this approach, four quadrants are identified based on the interplay between inherent risk and control risk. Each quadrant has a default or predominant response. Controls that are deemed effective or partially effective in mitigating low inherent risk items are classified as "No Major Concern". This indicates no additional investment in programmes or controls needs to be made and that these risk areas are not included in any monitoring or auditing plan (there may be opportunity to reallocate controls and resources dedicated to this area to other areas). Controls that are deemed effective in mitigating high inherent risk items are classified as "Continuous Review", indicating that even though the mitigating controls are effective, the continued effectiveness of the controls is very important given that they mitigating high inherent risk areas These controls should be part of a continuous (e.g., quarterly) monitoring programme. Controls that are partially effective or ineffective in mitigating low to medium inherent risk items are classified as "Periodic Review", indicating that even though the controls may not effectively mitigate the risks, since the risk level is not high these controls can be part of a longer term (e.g., every two year) monitoring programme. Alternatively, the controls can be improved. Controls that are ineffective or partially effective in mitigating high inherent risk items are designated as "Active Management" indicating that active remediation of existing programmes and controls is recommended.

Appendix 18



- **Continuous Review:** control is adequate, continue monitoring of controls to confirm this, i.e., at least quarterly.
- **Active Management:** risks where current treatment options require preparation, active review and management on an ongoing basis.
- **No Major Concern:** risks where systems and processes managing the risk are adequate. Consider excess or redundant controls.
- **Periodic Review:** control is not strong but risk consequence is not high. Options are to improve control or monitor risk consequence to ensure it does not increase over time.

Appendix 19. Sample Anti-Corruption Risk Assessment Summary Report

Anti-Corruption Risk Assessment Summary

- Categorized control identification workshops by specific regulations in concerned country.
- Conducted 44 control identification workshops with individuals from different business units and compliance departments around the world.
- Top 5 risk categories:
  - Bribes to customs officials;
  - Political and charitable contributions;
  - Use of third party agents and contractors;
  - Travel and entertainment expenditure;
  - Commission and bonus paid to sales force;

Observations:

- Of risk categories where inherent risks were identified, a range between 73%–88% deemed high risk;
- 15%–18% of the identified controls were deemed strong, 43%–60% adequate, 21%–42% weak;
- Of those controls where residual risks were identified, 4% were high, 45% medium, 51% low;
- An overall control observation: inadequate background checks on key personnel of agents and contractors;
- Identified risks for which no controls or weak controls exist in certain markets:
  - Customers/suppliers are not screened on a periodic basis to identify politically exposed persons.
  - Requests for information from the relevant regulatory agency are not complied with in accordancewith the required timeframes.
  - Gifts to foreign government officials are not approved as per delegation of authority.
  - Travel advances provided to the employees are not settled in a timely manner.
  - Information is disclosed to unauthorized parties that the entity has formed a suspicion about a person, entity, or transaction or reported a suspicious matter to a regulatory agency.
  - Compliance systems and controls are not current and are inadequate to comply with and adapt to changes to specific regulations.

Risk Categories	Inherent Risk	Control Rating	Residual Risk
Client Identification	High	Partially Effective	Medium
VACS (Vendors, Agents, Consultants, Suppliers)	High	Partially Effective	High
Intermediaries (High-Risk Vendors, Agents, Consultants, Suppliers).	High	Partially Effective	High
Training	High	Effective	Low
Record Keeping	High	Effective	Low
Payments Monitoring & Reporting of Meals, Gifts, Entertainment	High	Partially Effective	Medium

Legend	Inherent Risk	High	Medium	Low
	Control Rating	Ineffective	Partially Effective	Effective

The Ten Principles of the United Nations Global Compact

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

HUMAN RIGHTS

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labour;

Principle 5 the effective abolition of child labour; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

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