HUMAN-CENTERED BUSINESS MODEL
Integrity Principles Paper

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Mr. Renda has also lived for three years in Mozambique and one year in Kazakhstan, where he managed integrity risk in large extractive sector projects. He has given anti-corruption and compliance seminars and training for the private sector and business associations in Europe, Africa, Asia and the Americas. Mr. Renda is fluent in French, Spanish, Portuguese and German and has provided pro-bono legal and language services to refugees and asylum-seekers mainly from Sub-Saharan Africa.

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This paper was edited by Frank Fariello.

EXECUTIVE SUMMARY

Background – Purpose of the Paper in Relation to the HCBM Framework

This paper examines the ethical integrity principles (IP) needed for an enterprise operating within a Human-Centered Business Model ("HCBM") framework and provides practical steps to apply those principles.

The HCBM is centered on human beings and the environment in which we live and brings sustainable value and long-term benefits to the enterprise and its shareholders and to the broader communities. This is achieved first through shifting an enterprise’s social, environmental and ethical/integrity values and interests from “tertiary” or “external” to primary corporate values and goals that stand alongside and support the drive for profit. The HCBM approach is based on the idea that there is no trade-off between economic, financial, environmental social and ethical goals, and that supporting the latter will bolster the former.

Furthermore, the HCBM takes a holistic approach, that addresses both the internal systems within a Human-Centered Enterprise (HCE) and the external business context, by creating an enabling, sustainable and competitive “business ecosystem” that includes fiscal, financial, legal and regulatory regimes, procurement conditions, and stakeholder relationships based on the HCBM Principles.

The HCBM ecosystem presents a complete policy and regulatory framework for sustainable businesses, structured around six pillars:

(1) **Guiding Principles Pillar** that sets the core economic, social, environmental and integrity principles that have to be adopted by the HCE (plus some optional ones to make the model flexible to different economic and social realities), together with corresponding performance indicators;

(2) **Legal Framework and Corporate Governance Pillar** that focuses on adapting existing legal/regulatory frameworks and corporate governance mechanisms and/or developing new ones, to allow enterprises to exercise their businesses in coherence with the guiding principles. This pillar builds on relevant practices from different legal systems;
(3) **Financial Pillar** that consists of adapted existing financial instruments (like the Green Bonds, social bonds, etc.) or innovative financial mechanisms, developed in order to attract sensitive investors who share the same social and environmental values. Thus, the HCE is expected to provide an appealing option to impact investors;

(4) **Fiscal Pillar** will be “levelling the playing field” by proposing fiscal incentives and disincentives (penalties) based on the HCE performance measured by indicators against the targets established for each guiding principle, thus based on the positive/negative impact;

(5) **Procurement Pillar** will develop new, or adapt existing, corporate and public procurement policies, with an attention to the entire supply chain; and

(6) **Stakeholders Relationship Pillar** - the last HCBM pillar aims to identify the stakeholders of the HCEs and to guide the development of collaborative relationships between the enterprises and their stakeholders.

**The HCBM Principles** are the fundamental set of values representing the core of the Model. They are embedded in the values and beliefs governing the behavior of the HCEs and are accepted and supported by the other stakeholders in the HCBM ecosystem. Each HCBM Principle is presented through specific **Goals** - each HCBM Goal defines specific guidance and propositions that the HCEs are expected to follow.

**The HCBM Indicators** help HCEs to translate their commitments to principles and into tangible concrete “deliverables.” At the same time, they communicate to the company’s internal and external stakeholders, and the outside world, the responsibilities the company is willing to fulfill and in what way.

This paper falls within Pillar 1 of the HCBM framework. One of the purposes of this research and this paper is to propose HCBM Integrity Principles (IP) and Goals (IPG) and Integrity Performance Indicators (IPI), for each of the HCBM Integrity Goals, that can be used by Human Centered Enterprises (HCEs) to measure and report on their ethical and integrity performance.

The integrity indicators set out in Annex V, Table 3 illustrate how the HCBM Integrity Principles and Goals can be tracked by using a number of GRI indicators and measuring protocols and indicators from other sources. It provides a starting point for the necessary multi-stakeholder consultations and pilot testing that will further define and refine the HCBM Sustainability Performance Goals and Indicators.

The HCBM views business as an extension of a system of organizations designed to create conditions for the continuous unfoldment of human progress that is both environmentally conscious and equitably distributed. The HCBM assumes that there is universal human ethos from which principles can be derived to create this new system of organization, one that puts the human being at its center. The questions that then follow are: What is ethical? What are the common values and principles that should comprise this ethos, and to which ethical businesses should conform their behavior?
The HCBM project also calls for a re-examination of the assumption that human nature is purely self-interested. In line with modern research and taking into account values and principles at the very foundation of human coexistence and the human relationship with the natural world, the HCBM endorses a more nuanced vision of human nature, one that recognizes that human beings act on a whole range of motivations, including altruism and selfless service to society. Economic policies that are exclusively based on an individualistic understanding of human nature—often caricatured as the so-called *homo economicus*—cannot address this void in understanding human relationships and purpose. Indeed, this report assumes that nurturing morality is an essential component in reframing our understanding of the world and human behavior, and ultimately to combatting corruption, and more broadly, promoting ethics in the conduct of business.

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**Key Findings & Recommendations**

The HCBM derives its integrity principles (IP) and goals (IPG) from a broad, interdisciplinary selection of sources including religious and spiritual values, business ethics norms, rules and standards issued by international organizations, and cognitive and behavioral research. These are all important because they collectively form a shared vision for applied ethics. Finally, the paper also examines the particular challenges facing micro-small-to-medium-sized enterprises (MSMEs), proposes practical tools for ethically addressing those challenges, and leverages insights from cognitive and behavioral science to promote integrity.

This paper aims to provide an overview of the existing research and international best practice integrity standards, including but not limited to anti-corruption, with a view to eliciting the key integrity principles and goals that would inform the way in which

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HCEs would operate under the HCBM, with specific recommendations for possible IPs and IPGs and related indicators. The paper is intended as a means for stimulating discussion and socializing the HCBM framework among HCBM stakeholders, with a view to developing a definitive integrity framework, which would include IPs and IPGs and related indicators, supplemented by a variety of easy to understand ‘tool-kits’ to assist HCEs, particularly MSMEs, in putting these principles and goals into practice.

The following integrity principles and goals are recommended for enterprises adopting the HCBM:

**Integrity Principle-1 (IP-1): Ethical and Moral Principle**

- **Integrity Principle Goal (IPG) 1.1.** Businesses abide by values of interdependence, honesty, trustfulness, justice and fairness.
- **Integrity Principle Goal (IPG) 1.2.** Businesses implement a company culture that includes the “golden rule”, and fosters kindness and mutual respect.
- **Integrity Principle Goal (IPG) 1.3.** Businesses transform these principles into action.

**Integrity Principle-2 (IP-2): International Standards of Business Ethics Principle**

- **Integrity Principle Goal (IPG) 2.1.** Businesses abide by the highest standards of business ethics, including compliance with applicable laws, norms and rules of good corporate governance, corporate responsibility, fairness, concern for the health and safety of employees and stakeholders, honesty and integrity, transparency, respect for human rights and sustainable development.

**Integrity Principle-3 (IP-3): Anti-Corruption and Political Influence Principle**

- **Integrity Principle Goal (IPG) 3.1.** Businesses abide by the values, norms and rules and applicable laws governing matters of integrity, including anti-corruption/bribery, fraud, embezzlement and collusion, and to that end establish a robust anti-corruption compliance program, including clear policies and procedures, due diligence aimed at avoiding business partners (suppliers, contractors, intermediaries, agents, subsidiaries, affiliates, joint ventures) involved in corruption practices, and clear messaging to, and training of, employees, as well as incentives (both positive and negative) to promote integrity.
- **Integrity Principle Goal (IPG) 3.2.** Businesses avoid seeking undue political influence through unethical lobbying.

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In this paper, the terms ‘Business’ and ‘Enterprise' will be used interchangeably.
Integrity Principle-4 (IP-4): Anti-Money Laundering and Anti-Tax Evasion Principle

Integrity Principle Goal (IPG) 4.1.
Businesses avoid engaging in or facilitating money laundering and refrain from tax evasion and aggressive tax avoidance.

Integrity Principle-5 (IP-5): Anticompetitive Behavior Principle

Integrity Principle Goal (IPG) 5.1.
Businesses avoid anti-competitive behavior, anti-trust, and monopoly practices.

For each of these HCBM Integrity Principles (IP) and Goals (GIP), the paper proposes HCBM Integrity Indicators (IPI) that can be used by Human Centered Enterprises (HCEs) to measure and report on their ethical and integrity performance. The IPs and IPGs proposed here will undergo further review and revision after consultations with the HCBM stakeholders.

The section HCBM INTEGRITY PRINCIPLES AND GOALS consists of five parts:

Part I presents the first Integrity Principle (IP-1) Ethical and Moral Principle that focuses on key values and approaches derived from spiritual and scientific literature: (1) interdependence and the unity in diversity of humanity; (2) truthfulness and honesty; (3) justice and fairness; (4) interpersonal principles and company culture; and (5) transforming principles into deeds. This section highlights the importance of truthfulness and honesty with internal and external stakeholders, including employees, shareholders, customers, the government, and the community at large, citing some real-life cases that illustrate how HCEs could leverage values and norms to engender ethical business practices.

The Ethical and Moral Principle or IP-1 is broken down into three specific goals and their respective application for HCEs. The first of the goals (IPG 1) states that Businesses abide by values of interdependence and unity in diversity of humanity, honesty and trustfulness, and justice and fairness. The first facet of this goal is ‘interdependence and unity in diversity of humanity’. In an increasingly inter-connected world, where problems and solutions often extend beyond one’s immediate vicinity, collaborative approaches are critical. An enterprise does not operate in a vacuum - acts and omissions have ripple effects, both locally and internationally. The world’s scriptures also converge around the fundamental conviction that all of humanity should be united as one human family. There are also numerous scientific studies that underscore the value of diversity and the negative consequences of discouraging diversity. In fact, to address today’s challenges, the HCBM recognizes that all human beings are interdependent with one another in a way that demands that we all act with integrity and ethics. To this end, HCEs should celebrate diversity and actively promote it. One of the recommendations in this paper is that HCEs adopt ‘implicit bias’ tests for its employees and management to understand the subconscious biases and stereotypes that affect perceptions, actions and decisions in relation to others. Such tests, of which there are numerous examples (like the ones provided by Harvard University under its ‘Project Implicit’) involve assessments of associations that cause us to assume certain things about people based on immutable or other characteristics such as race, ethnicity, gender and appearance.
Furthermore, it is important for an HCE to rethink and redefine conceptions of power and understand its myriad sources. For example, there is power in working together creatively and constructively towards a common goal. An application of this could mean recognizing group efforts, instead of singling out individuals. Work projects don’t need to be referred to as “X’s project” and instead referred to by name, giving the group ownership for the project.

The second facet of IPG-1.1 is that businesses abide by ‘*truthfulness and honesty*’. Though self-explanatory in meaning, one cannot underscore the importance of honesty as a foundation for all integrity principles in general, including in the obligation to not engage in fraud and corruption. Not only does promotion of truthfulness and honesty result in a positive reputation for HCEs, it also creates a working environment that incubates productivity and reduces transaction costs. Honesty and truthfulness, for an HCE, include an obligation to avoid fraud, build trust across the enterprise, make timely payments, and have stable and honest prices. Within an enterprise, this could be reflected in recruitment procedures that bring out the values and principles of applicants through psychological assessments, periodic staff appraisals with trust based parameters and internal staff training and guidance on building trust. However, the application of this principle goes beyond the enterprise and extends to its dealings with external stakeholders. The paper makes numerous suggestions for HCEs that could help promote honesty, including - providing quality products, building lasting relationships with customers and suppliers, accurate advertising of products, disclosures by management, open sharing of knowledge for the benefit of customers and other stakeholders, regular tax filings etc.

The third facet of IPG-1.1 is that businesses abide by principles of ‘*justice and fairness*’. While there are huge economic and social injustices and inequities in the world ranging from tax and income disparity to unequal access to services and markets, for an HCE, tackling gender and minority representation, discriminatory wage gaps, bridging income disparity between top management and employees and respecting the full spectrum of employee rights could be the first steps towards abiding by the principles of justice and fairness. There are numerous ways to endorse and implement the values espoused by IPG-2. For example, HCEs could show their commitment to transparent compensation structures and promotions to dispel notions of unfairness or injustice.

Application of the aforementioned values also include implementing good corporate governance initiatives that emphasize team efforts, collective ownership and responsibility, having gender equality and diversity in the enterprise, and consultative decision-making. In a marketplace of ideas, truth often shines through a clash of ideas and opinions. Consultative approaches also promote justice by making the process participatory and giving a voice to everyone.

IPG 1.2 is that “*Businesses implement a company culture that includes the “golden rule” and fosters kindness and mutual respect*”. This analysis calls for fostering a business culture that applies the “Golden Rule”, or treating others the way you would like to be treated. It also calls on HCEs to foster kindness, respect and compassion among and by staff. Fostering kindness and compassion in employees could take different forms, such as on-site and off-site team-building activities, encouraging staff to engage in open dialogue and creating office spaces that encourage dialogue and bonding between staff. The Golden Rule is something that appears obvious enough
to pursue in principle, however, in practice, its application may be not be entirely clear. If an enterprise wishes to be valued by both employees and its clients, it must invest in cultivating a good reputation by treating its employees and clients well. A good recommendation of an enterprise’s product, service, or work environment is a direct result of this investment. The Golden Rule is closely related to the reputation and perception of an enterprise. Recommendations are often grounded in the knowledge that the ‘recommendee’ (friends and family of the employee or client) would be treated in a similar way as the recommender (employee or client of the enterprise). Therefore, the enterprise must focus on creating positive experiences both within the organization and in its external interactions. In fact, there are tangible ways to measure this reputation. HCEs could create an organization wide system that is focused on creating ‘promoters’ or ‘positive recommenders’ who are employees or clients that stay longer, use the services or products more and provide useful feedback. One such system that is already in use is the Net Promoter System (NPS) that categorizes the people an enterprise interacts with into 3 categories - ‘promoters’ who strongly recommend the enterprise and are loyal, ‘passives’ who are unenthusiastic and can be easily wooed by others and ‘detractors’ who are unhappy with the enterprise. The answer to the question ‘What is the likelihood that you would recommend Company X to a friend or colleague?’ forms the basis for calculating an NPS score. To calculate the score, the percentage of detractors is subtracted from that of the promoters. It has been found that on average, companies with a higher NPS score, report greater growth.

Finally, the last goal or IPG 3 in Part I is that “Businesses transform these principles into action.” These values and goals described above, cannot be left at the level of theoretical principle and requires being put into action. However, at the outset, the HCBM emphasizes on the need to approach governance in a continuous learning mode - as something organic. An HCE should be a ‘learning’ organization, i.e., one that does not practice rigid adherence to existing or old policies and norms, and is willing to learn from past experiences. A learning mode could be characterized by constant iterations of action, reflection, consultation, referring back to the guiding principles, planning, and action again. Closely linked to the learning mode approach, is ‘reflection on action’ or constantly reflecting on the what has been done so far and its impacts, in order to asses to what extent the HCE is able to stay true to its principles and values. HCEs can ask themselves ‘reflective’ questions such as: How does the enterprise incentivize and compensate behavior? Are these in line with the values and principles of the HCE framework? How are disagreements or challenges addressed? How can justice be applied more directly? What is the company learning about application of the principle of unity in diversity? Lastly, IPG 3 suggests a course of action in which company incentives as well as corporate culture and engagement are aligned with the company values. Additionally, it requires changing the “no one else does it” language within a company.

Part II presents the second Integrity Principle (IP-2) that “Businesses abide by the highest standards of business ethics, including compliance with applicable laws, norms and rules of good corporate governance, corporate responsibility, fairness, concern for the health and safety of employees and stakeholders, honesty and integrity, transparency, respect for human rights and sustainable development”. IP-2 is framed by the goal that enterprises abide by the highest standards of business ethics. Not surprisingly, many of the values and principles from the various religious,
scientific and philosophical traditions examined in Part I are reflected in the ethical standards promulgated by major international organizations.

This analysis looks at the ethical standards developed and promoted by major international organizations, many of which, not surprisingly, echo the values and principles from the various religious, scientific and philosophical traditions examined in Part I. The organizations examined include: the Organization for Economic Cooperation and Development (“OECD”), the United Nations (“UN”), the International Chamber of Commerce (“ICC”), and the International Organization for Standardization (ISO). These ethical standards analyzed include: the OECD’s *Guidelines for Multinational Enterprises and Combating Bribery, Bribe Solicitation and Extortion*; the UN’s *Guiding Principles on Business and Human Rights*; the ICC’s four standards, *Guidelines on Conflicts of Interest in Enterprises, Corporate Responsibility, Ethics and Compliance, and Advertising and Marketing Communications Code*; as well as the UN Secretary General endorsed *Global Sullivan Principles*.

These international standards converge around nine key elements: a strong compliance program, good corporate governance, corporate responsibility, health and safety, fairness honesty and integrity, transparency, respect for human rights and sustainable development. With respect to **compliance**, the standards recommend that enterprises promote ethical policies and obligations across all departments and regions through effective compliance programs, training, policy dissemination as well as by having internal controls in place and cultivating respect for the rule of law.

Most standards also highlight the need for sound yet organic **corporate governance** as essential to fostering a culture of ethics within an enterprise. When it comes to **corporate responsibility**, the standards call for enterprises to be socially accountable through explicit commitments and due diligence processes that uphold human rights, foster respect for the environment and denote a zero tolerance for corruption. Remediation and redressal mechanisms are mentioned as key components of corporate responsibility. As natural corollary to corporate responsibility, the standards recommend that enterprises not seek exemptions from regulatory requirements pertaining to the **health and safety** of its employees, and that they adhere to good labor practices. The other side of the same coin is ensuring the health and safety of consumers and clients, through safe, reliable and good quality products and services and marketing containing appropriate safety warnings and disclaimers.

The triad of **fairness**, **integrity** and **honesty** are crucial elements in the standards of many of the international organizations analyzed. Key steps to implementing these standards include adopting a code of conduct and developing effective self-regulatory practices that foster mutual trust between enterprises and the societies in which they operate. But the triad can take on many forms, including payment of fair compensation, fair and honest descriptions in marketing communications, fair operating practices, integrating socially responsible behavior. No discussion of HCEs can be removed from the discourse around **respect for human rights**. Enterprises should respect and promote internationally recognized human rights and ensure that they are not complicit in any rights violations. Adequate remedies must be in place in the event of any human rights violations in the operations of the Enterprise. Enterprises should refrain from seeking any exemptions in the statutory framework that relate to Human Rights. No communications from the Enterprise public or otherwise should
condone any form of discrimination. An HCE Enterprise should treat its Employees, clients and the communities in which it operates fairly and equitably.

**Sustainable development** is another key element cited in almost all of the international ethical standards analyzed. Enterprises are encouraged to contribute to economic, social and environmental progress with a view to achieving sustainability, for example through increasing the use of green technology in different facets of their operations. And finally, all of these international standards endorse transparency as an overarching ethical principle. **Transparency** can take various forms, including better disclosures about company financial practices and performance, ensuring adequate internal controls such as maintenance of fair and accurate books of account, and honesty in marketing and communications.


Though the essential elements of any anti-corruption compliance program—prevention, detection, investigation and remediation—are, of course, endorsed here, the HCBM aims to go further and set itself apart by structuring its compliance program on human-centered thinking and design, grounded in international standards and best practices.

As for international standards on business ethics, these international anti-corruption standards converge around a few essential building blocks:

**First**, there must be a robust anti-corruption compliance program with certain key features: (i) a human-centered design that focusses on the ‘individual, involves the participation of different stakeholders and a design that has a clearly defined purpose of engaging in ethical business; (ii) adequacy and effectiveness of implementation built into the design of the program so that it can be easily understood and implemented in daily operations; (iii) clear endorsement of the program by both senior and middle management, i.e., “Tone at the Top” and at the Middle; (iv) clear communication and dissemination of the program to all stakeholders, including third party contractors; (v) clear, well-articulated, visible and risk-proportionate anti-

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**IP 3.1** - Businesses abide by the values, norms and rules and applicable laws governing matters of integrity, including anti-corruption/bribery, fraud, embezzlement and collusion, and to that end establish a robust anti-corruption compliance program, including clear policies and procedures, due diligence aimed at avoiding business partners (suppliers, contractors, intermediaries, agents, subsidiaries, affiliates, joint ventures) involved in corruption practices, and clear messaging to, and training of, employees, as well as incentives (both positive and negative) to promote integrity.
corruption policies specific to the enterprise's operations; and (vi) risk assessment, taking into account factors including reputational risk, likelihood of employee and third party fraud, the risks associated with the specific industry in which the enterprise operates, the prevailing business and regulatory climate, and the extent of involvement and interaction with government officials.

**Second**, an enterprise should develop due diligence procedures specifically for third parties and contractual relationships. An in-depth due diligence should be conducted before the enterprise enters into relationships with third parties such as vendors, suppliers, joint venture partners, and that due diligence should be updated regularly during the course of the business relationship. The enterprise should request third parties to adhere to its anti-corruption principle, with organizational focal points within the enterprise to monitor the work of third parties.

**Third**, enterprises should be careful about giving or receiving gifts, providing excessive hospitality and incurring expenses in relation to existing or prospective clients or any business relationship. They must establish controls and procedures to monitor gifts received and given and put in place acceptable monetary and other thresholds for gifts. These measures must be further complemented by effective employee training and awareness programs.

**Finally**, as a matter of best practice and to reinforce the aforementioned standards, enterprises should have an internal whistleblower protection policy and reporting mechanism that fosters a culture of safe and comfortable reporting of company policy violations by employees without the chilling effect of possible retaliation.

**IP 3.2 (Businesses avoid seeking undue political influence through unethical lobbying)** also addresses the issue of undue political influence by enterprises through unethical lobbying, based on widely recognized guidelines and best practices such as OECD’s *Ten Principles on Transparency and Integrity in Lobbying*, the *Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance* etc. These principles spell out the obligation of lobbyists and their clients to observe professional standards in their interactions with public officials, other lobbyists and the public in general. They further recommend that a Lobbying Code of Conduct be adopted by enterprises that, among other things, provides for the disclosure of the details of the enterprise's participation in various lobbying activities, the purposes of lobbying and the names and designations of the officials contacted. HCEs are also required to abstain from seeking influence through illicit means i.e., extortion, bribery or other corrupt practices.

**Part IV** presents the fourth Integrity Principle (IP-4) that *Businesses avoid engaging in or facilitating money laundering and refrain from tax evasion and aggressive tax avoidance*. The first part of this section examines guidelines set forth by the *Financial Action Task Force (FATF)*, the primary body that advises on global anti-money laundering (AML) efforts. At the center of the FATF recommendations is customer, employee and management identity due-diligence and verification apart from general recommendations on disclosure of beneficial ownership information, risk-assessments, the adoption of an enterprise-wide anti-money laundering policy and its effective dissemination. The FATF recommendations reiterate that due diligence obligations extend to not only customers, but all prospective and current employees and persons holding a managerial position in the enterprise. A crucial facet of AML
efforts should be the provision of adequate identifying information about individuals and legal persons that have a stake in the enterprise and its subsidiaries. This requirement is also extended to all companies and entities that the enterprise engages with. Additionally, there should be a reliable trail of transactions that are also retained for a reasonable period of time. It is further suggested that HCEs adopt a sound information sharing policy on transactions and customers between various branches and subsidiaries as well as a mechanism to report suspicious transactions across the HCE. The FATF also suggests that an enterprise adopt a risk-based approach to AML, which involves identifying, assessing and understanding the money laundering risks and subsequently profiling these risks for a customized redressal.

The second part of the section examines principles embodied in the OECD Guidelines on Multinational Enterprises and the ICC Guidelines on Tax Principles for Multinational Businesses to provide guidance on how enterprises should refrain from tax evasion and aggressive tax-avoidance. It is recommended that enterprises adopt a statement of tax principles with a clear action plan on how they will tackle taxation related risks. Enterprises should endeavor to meet their taxation obligations in a timely and accurate manner and refrain from seeking exemptions that are not explicitly authorized by statutory regulations. Ethical tax planning must be internalized by the enterprise. Tax governance and compliance should feed into the enterprise’s overall compliance plan. It should also engage in tax transparency and keep associated enterprises at arms-length, especially in connection with the computation of taxes and profits. When conducting cross-border operations, an enterprise should follow all relevant domestic and international laws and guidelines, including relevant UN and OECD guidelines.

Part V presents the fifth Integrity Principle (IP-5), that is, Businesses avoid anti-competitive behavior, anti-trust, and monopoly practices. This section examines, among other things, the OECD Guidelines on Multinational Enterprises, the OECD Principles for Integrity in Public Procurement, OECD Recommendation on Fighting Bid Rigging in Public Procurement and the Centre for International Private Enterprise Reform Toolkit on Combating Corruption. Key recommendations include increasing transparency, monitoring compliance with competition laws and regulations, formulation of a group-wide public procurement participation policy, and engaging in collective action through the signing of pacts on integrity and transparency pacts with similarly situated companies. When it comes to laws and regulations on anti-trust and its compliance, many plead ignorance. To remedy this, the enterprise must engage in a stocktaking exercise, compiling a list of all the applicable competition rules and regulations, across the jurisdictions it operates. This information must be presented in a simple way and must cater to different audiences—employees at different levels, management, shareholders etc. It must be supplemented by practical training exercises.

Some of the above recommendations are specific to public procurement and tender participation due to their propensity to be a venue for corruption. For example, in addition to formulating a group-wide public procurement or tender participation policy, enterprises should carefully go through the Terms of Reference (ToR) provided for a tender to ensure that the specifications listed are not too difficult to be met by most similarly situated enterprises. Concerns along these lines must be flagged at the very beginning so as to avert bid-rigging.
Collective action has promising potential to combat anti-competitive practices. It can either be in the form of a ‘soft’ commitment to transparency declaration that enterprises can come together to issue, or a more stringent ‘integrity pact’, wherein subscribing enterprises will be monitored and censured for any deviation from commitments made under the pact.

**Part VI on PROPOSED INDICATORS FOR THE INTEGRITY PRINCIPLES** sets out proposed indicators for measuring an HCE’s compliance with each of the Integrity Principles and Goals. The Integrity Performance Indicators (IPI) are presented in Table 3, Annex V together with their methods for measurement.

**Part VII on INTEGRITY PRINCIPLES AND THE MSME SECTOR** addresses the particular challenges facing MSMEs in meeting international standards, given their relatively limited human and financial resources and bargaining power. Fortunately, there are also particular tools for addressing the problems MSMEs face. Fortunately, there are many existing toolkits that an HCE can draw from, including the *2015 G20/B20 Anti-Corruption Toolkit for Small and Medium Enterprises*. This toolkit provides MSMEs with reader-friendly guidance on how, despite their limited resources, they can build effective integrity compliance programs and draft easy to implement Codes of Conduct. The toolkit also suggests various cost-effective measures, such as practicing a basic form of KYC using simple internet searches, installing a ‘hot-line’ for whistleblowers, incentivizing ethical behavior by recognizing ethics in performance evaluations. It also recommends ways MSMEs can resist demands for bribes from public officials and other pressures to engage in unethical practices, including through collective action.

In a similar vein, the 2008 Transparency International publication - *Business Principles for Countering Bribery: Small and Medium Enterprise Edition* has identified the key ‘sites’ for bribery in the context of MSMEs. These areas are 1) gifts and entertainment, 2) conflicts of interest, 3) charitable contributions and sponsorships, 4) facilitation payments and 5) political contributions. To counter this, a few measures are suggested: aligning the enterprise’s business principles with counter-bribery principles, setting a clear anti-bribery tone from the management, risk-assessments that are customized to the operation and industry of the enterprise, communicating anti-bribery policy explicitly to all stakeholders and having adequate internal controls such as implementing checks and balances including financial controls, monitoring contract terms, looking out to identify irregularities in gift-giving, entertainment.

*The Anti-Corruption Toolkit for SMEs* has listed the key requirements for a model MSME Code of Conduct. A good Code, according to ACTS, will include operational information on gift giving and receiving, managing conflict of interest, participation in associations, extra-business engagements, protection of whistle-blowers etc.

The case studies set out in the Annex III illustrate how MSMEs have leveraged collective action to overcome pressures to engage in corruption and bribery. These cases, recommendations, and tools have been included with the hope that they may assist MSMEs operating within a HCBM framework to operate successfully.

**Part VIII** of this paper on **COGNITIVE AND BEHAVIOR SCIENCES** examines how insights from these disciplines can help understand the influence of mental shortcuts and collective behaviors can lead to corrupt decisions and action. This section sets
out behaviorally based strategies HCEs can put into place to promote integrity among their employees and other stakeholders.

Human sociality, corruption as a social norm, and the full consideration of human factors, from mental shortcuts to social networks, are examined. The first of these, human sociality, is the tendency among humans to behave as members of groups and be shaped by this membership. Human sociality also explains to a large extent how entire societies can get stuck in collective patterns of negative behavior such as corruption. Cognitive factors like faulty intuition, mental shortcuts, and social networks can also lead to corrupt behavior. These factors range from overconfidence in one’s judgment, reciprocation, scarcity of resources, past commitments, social proof, or assuming that something is correct based on other’s behavior and lastly, confirmation bias. The perception of corruption as an entrenched social or cultural norm in certain societies, such as a shared belief that using one’s position to benefit oneself and one’s family and friends is widespread, expected, and tolerated, is flagged as another factor that influences individual behavior.

This section proposes behaviorally based strategies to fight corruption, including collective action such as social coalitions to mobilize public perceptions, incentivizing and appealing to the intrinsic value in a clean government or organization. In addition, informational campaigns, collective deliberation, commitment, addressing reciprocity and moral obligations in closed networks, leadership, promotion of intrinsic motivation, reframing cultural environment and civil engagement can help create effective policies and interventions shaped by a behavioral approach.
HCBM INTEGRITY
PRINCIPLES AND GOALS
I. ETHICAL AND MORAL PRINCIPLE (IP-1)

The HCBM Ethical and Moral Principle aims to align HCEs with the most widely held moral and ethical principles as articulated in various religious and philosophical texts and reflected in academic literature and case studies. As this section will show, there is a strong consensus among diverse ethical and moral principles posited by the world's religious, philosophical and spiritual traditions around what it means to be ethical. Even though these principles may have a particular appeal to those who subscribe to one faith or the other (approximately 84% of the world)\(^5\), this section also shows that they can be and are applied universally, no matter an individual's religious background.\(^6\) This section closely examines these principles, as they have evolved across time and cultures, with a particular emphasis on their consistency with findings of scientific research.\(^7\)

Pierre Viaud has authored a short paper providing further evidence “that the principles established by each of the major world religions may . . . constitute a common platform for moral and ethical conduct among the nations forming the international community.”\(^8\)

These universal values provide the basis for HCBM IP-1. They may be categorized into three main Integrity Principle Goals:

IPG-1. Businesses abide by values of interdependence and unity in diversity of humanity, honesty and trustfulness, and justice and fairness.

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6 For further discussion of this, see William Hatcher, Universal Values, p. 5, The William S. Hatcher Library, http://test.hatcher.org/. Another example is in the results of scientific experiments on meditators, showing the benefits of nurturing compassion and loving-kindness. See, e.g., Hofmann, Stefan G., et. al., Loving-kindness and compassion meditation: Potential for psychological interventions, Clinical Psychology Review, V 31, Issue 7, pp. 1126-1132 (2011); Fredrickson, B.L., et. al., Open hearts build lives: positive emotions, induced through loving-kindness meditation, build consequential personal resources, J. Pers. Soc. Psychol., V. 95(5), pp. 1045-1062 (Nov. 2008); Compassion Meditation Changes the Brain, University of Wisconsin-Madison, Mar. 27, 2008, https://www.sciencedaily.com/releases/2008/03/080326204236.htm. The moral and ethical values that are discussed by the world’s religions are also consistent with, if not very close to, the many common secular values and norms adopted by the international community through legal instruments such as treaties, agreements, resolutions and declarations, as will be discussed in later sections of this report.
IPG-2. Businesses implement a company culture that includes the “golden rule,” and fosters kindness and mutual respect.

IPG-3. Businesses transform these principles action.

These three goals and the values underlying them are examined below, followed by examples of how these goals can be applied in actual practice.

**Integrity Principle Goal 1 (IPG-1)**

Businesses abide by values of interdependence and unity in diversity of humanity, honesty and trustfulness, and justice and fairness.

**INTERDEPENDENCE AND THE UNITY IN DIVERSITY OF HUMANITY**

The current stage of human history is one characterized by intensifying and profound global interdependence. Advances in global communications technologies and travel are shrinking and exposing our interconnected and interdependent world. Global trade and economics are telling similar story: in 2017, World Trade Organization (WTO) member countries exported internationally US$ 17.43 trillion in merchandise and US$ 5.19 trillion in commercial services. The expansive human development and unsustainable use of earth’s natural capital have resulted in complex natural, social and economic challenges of existential proportions facing the humanity today.

In order to live sustainably on the earth, threats to human well-being, such as climate change, require collaborative global solutions. Yet, when individuals, organizations and companies engage in corrupt acts, they ignore the inherent interconnectedness of humanity by putting their individual interests above the rest of society. This is both unjust and ecologically unsustainable. Hence, it is becoming more and more evident that to be able to address today’s global challenges, entrepreneurs, employees and all stakeholders must make ethics and integrity key elements of both their personal conduct and company/organizational culture.

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The world’s scriptures share a fundamental conviction that all of humanity should be united as one human family. \(^{14}\) For example, both the Torah and Jesus direct people to “love your neighbor as yourself.” \(^{15}\) The Bhagavad Gita also calls for a spiritual unity among all human beings through moral discipline as well as referring to the “whole world” being “united” \(^{16}\) and the Bahá’í Writings say that the “earth is but one country, and mankind its citizens.” \(^{17}\) The appreciation of unity or collaboration with “diversity” is also emphasized in religious principles and scientific studies. For example, in the Quran, diverse nations and peoples are called upon to cooperate and come together “that you may know one another.” \(^{18}\) The Bahá’í Writings compare the diversity of humanity to a rose garden – that the colors and beauty of the scene is enhanced by its diversity. \(^{19}\)

Although the insight that humanity is interconnected seems deceptively simple, it is quite challenging in practice given the vast diversity of humanity. It is not enough to take a group of people who are all the same gender, from the same background, with similar life experience, and say that you have collaboration and are interdependent. The HCBM framework calls for the collaboration and working together of different people, no matter their background. Therefore, within an HCBM approach, diversity is not only tolerated or accepted, it is celebrated and valued as a source of inspiration, productivity, creativity, and innovation. It also includes the legitimacy of business and profit that serves the interests of all of society.

This approach can bring concrete benefits to HCEs. One recent scientific analysis found that when collaboration is discouraged through rivalry or “unhealthy conflict . . . an organization is 5.82 times more likely to have people withhold or distort truthful information. A survey published by the *Harvard Business Review* found that “diversity drives innovation and unlocks market growth.” \(^{20}\) A study by the Boston Consulting group and published in *Forbes* emphasized how “[c]ompanies that have more diverse management teams have 19% higher revenue due to innovation.” \(^{21}\)

This analysis is important in the HCBM framework because it applies both the “human” side of the HCE, but also the “profit” side. Application of this value for an HCE means that it will strive to have a diversity of people in its leadership and decision making as well as strive for a unity of vision and action among all working for the company. It values a diversity of ideas and cultures and favors creativity, “curiosity [,” and inclusion over suspicion and exclusion of those who think differently.” \(^{22}\) Therefore, “diversity,” itself, may be a goal for an HCE. More application of this value is discussed below in coherence with other values.

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16 The Bhagavad-Gita, 5.7, 11.7.
TRUTHFULNESS AND HONESTY

The values of truthfulness and honesty create a positive working environment within an HCE and build trust and a strong reputation for the company in its workings outside of the company.

Marilyn Carlson Nelson, CEO of Carlson Companies described the positive effects of honesty and trust on a company: “Trust reduces transaction costs; it reduces the need for litigation and speeds commerce; it actually lubricates organizations and societies.” Professor John Whitney of Columbia Business School emphasized the negative and detrimental effects of losing trust: “[m]istrust doubles the cost of doing business.” Truthfulness and honesty are particularly important values for protecting the reputation of MSMEs. Although a multinational corporation might have a scandal in one part of its business, other branches of the company could help it to repair its reputation. This is much harder for MSMEs.

The world’s religious teachings all emphasize the value of truthfulness and honesty as well as fidelity to promises made of the future. For example, the Old Testament states “[y]ou shall not deal deceitfully or falsely with one another” and the among the five precepts of Buddhism is “to abstain from false speech.” The Quran also emphasizes that “they who fulfil their covenant when they have engaged in a covenant . . . these are they who are true in their faith, these are the truly godfearing.”

The virtues of truthfulness and honesty are essential in HCBM also because they provide the basis needed for the application of all the other HCBM principles. If employees in a company are not honest with each other, how can they trust each other to work together to move the company forward? How does the company build a positive reputation in its industry if employees have consistently demonstrated to partners and stakeholders that they are not able to comply with agreed terms or if the business is not transparent in its practices? One study found that in the service industry, dishonest behavior was more important even than good service; namely “service behavior only had a significant effect on business performance when unethical behavior was low, meaning that when unethical behavior was high, good customer service did not have an impact on business performance.”

One of the main aspects of the Ethical and Moral Principle is building trust, which in turn also makes good business sense. Two studies emphasize the benefits of striving towards this HCE goal:

- In “a study by Warwick Business School in the UK, outsourcing contracts that are managed based on trust rather than on stringent agreements and penalties are

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24 Id.
26 Id., pp. 54-55.
27 The Bahá’í Writings describe truthfulness as the “foundation of all human virtues.” Bahá’u’lláh, quoted in Shoghi Effendi, The Advent of Divine Justice, p. 22.
more likely to lead to trust dividends for both parties – as much as 40% of the total value of the contract.”

“A 2002 study by Watson Wyatt shows that total return to shareholders in high trust organizations is almost three times higher than the return in low-trust organizations.”

Fukuyama also describes the “role of trust in the creation of social capital, with particular attention to economic development. High trust societies tend to develop greater social capital, and consequently enjoy greater economic growth—social capital being the glue that holds the structures of the market together.” Moreover, “[f]air and efficient markets depend on trust and trusting relationships.”

JUSTICE AND FAIRNESS

The world today is marked by staggering economic inequality. To name a few examples and effects of income inequality, in 2018, 26 people own as much as the 3.8 billion people who make up the poorest half of humanity. There is a significant tax disparity, where often the “the poorest 10% of society are now paying a higher proportion of their incomes in tax than the richest 10 percent”, meaning less funding for vital services, such as healthcare and education as well as rising economic inequality and poverty. 262 million children do not have an opportunity to go to school; this has profound implications for the future of the children and their opportunities for life. Life expectancy for those in poorer communities is ten to twenty years less than those in wealthy areas; additionally, “every day 10,000 people die because they lack access to affordable healthcare.” In regard with the company, the focus is on addressing gender and minority inequality, wage inequality in terms of the growing divide between top leadership, management and employees, and other aspects linked to employees’ rights.

Corruption contributes to this inequality. Empirical and scientifically measured effects include bureaucratic inefficiency, lower levels of infrastructure and a deteriorating climate for investment, and an undermining of political legitimacy. A United Nations Development Program report describes this problem well:

Corruption constrains development, exacerbates and causes conflict, and is one of the biggest obstacles to achieving the Millennium Development Goals

36 Id.
37 Id.
(MDGs). While all of society suffers from corruption's weakening of the efficiency, effectiveness and probity of the public sector, corruption has well-known differential impacts on social groups—with poor people among its greatest victims. Corruption reduces resources for poverty reduction and development and deprives poor people of advancement opportunities.39

Furthermore, corruption disproportionately affects women, who represent a higher share of the world’s poor.40 The lower levels of economic and political empowerment of these women “constrain their ability to change the status quo or to hold states accountable to deliver services that are their right” when there is corruption.41

Besides its contribution to both economic and social inequality, corruption creates other forms of injustice and unfairness. From a business standpoint, corruption lowers investments and hinders economic growth.42 It also creates an environment of business uncertainty that creates unequal access to opportunities and markets for various participating entities. Because of the informal or ‘black’ market in which corrupt transactions take place, recipients of corrupt payments may not necessarily go through their end of the ‘bargain’, knowing full well that there is no way to enforce it. This could reinforce a potentially vicious cycle involving more bribery and extortion. Augusto Lopez-Claros, former World Bank Global Indicators Group Director writes:

There are no enforceable property rights emanating from a transaction involving bribery. The firm that obtains a concession from a bureaucrat as a result of bribery cannot know with certainty how long the benefit will last. The terms of the “contract” may have to be constantly renegotiated to extend the life of the benefit or to prevent its collapse. Indeed, the briber, having flouted the law, may fall prey to extortion from which it may prove difficult to extricate himself. In an uncertain environment with insecure property rights, the firm will be less willing to invest and to plan for the longer-term. A short-term focus to maximize short-term profits will be the optimal strategy, even if this leads to deforestation, say, or the rapid exhaustion of non-renewable resources.43

In a corrupt environment, innovation and efficiency are also discouraged. This in turn results in a lack of meaningful competition due to biased preferences for enterprises that engage in corrupt payments, irrespective of the quality of the product or service offered. Lopez-Claros further notes, “Budding entrepreneurs with bright ideas will be intimidated by the bureaucratic obstacles, financial costs and psychological burdens of starting new business ventures and will either opt for taking their ideas to some other less corrupt country or, more likely, desist altogether. In either case, economic

growth is adversely affected.” Additionally, the “high incidence of corruption will mean an additional financial burden on businesses . . . Unlike a tax, which is known and predictable and can be built into the cost structure of the enterprise in an orderly fashion, bribes are unpredictable and will complicate cost control, reduce profits and undermine the efficiency of those who must pay them to stay in business.”

These consequences of corruption are important in the HCBM framework, not only for understanding the business harm, but also the human impact. Some aspects of the harm of injustice and inequity are addressed here; other aspects are addressed more thoroughly in the Social Principles Paper.

The world’s religious teachings specifically forbid bribery as well as corruption and call for engagement with the world that applies the principles of justice and fairness. For example, the Old Testament describes the “the path of the just . . . as the shining light, that shines more and more unto the perfect day.” The Bahá’í Writings affirm the principle of justice and connect it with the principle of unity in diversity – that both are an “end” as well as a “means” and further states that justice “means to consider the welfare of the community as one’s own.” Some religious texts also connect justice with an investigation of the truth and require impartiality. A West African traditional religion also emphasize justice through application of empathy for others, “Whenever a person breaks a stick in the forest, let him consider what it would feel like if it were himself [broken]. As sensitive to pain as are rats’ little ones, so sensitive to pain are birds’ little ones.” Application of the values of justice and fairness are especially called upon for those with authority. In a business context, this can be applied to the managers, owners, and directors of a company within the HCE framework, as will be explored further below.

All of the major world’s religions also expressly prohibit bribery; most outlaw corruption as well. This includes Daoism, Confucianism, Buddhism, Sikhism, Shinto, the Bahá’í Faith, Judaism, Christianity, Islam, Hinduism, and Jainism. This is further expounded upon in another HCBM research paper “The Principles of the Most-Followed Religions in the World vs. Human Centred Business Model”, authored by Pierre Viaud.

Taking on all the injustices in the world may be daunting for one HCE to address, but that is not what is required. Here are a few examples of possible application of IPG-1.

44 Id.
45 Id.
46 Proverbs 4:18
48 For example, Buddhism affirms that “He is not thereby ‘just’ because he hastily arbitrates. The wise man should investigate both right and wrong. The intelligent man...leads others not falsely but lawfully and impartially.” The Dhammapada, XIX, v. 256. Bahá’u’lláh also states in the Hidden Words, “The best beloved of all things in My sight is Justice . . . By its aid thou shalt see with thine own eyes and not through the eyes of others, and shalt know of thine own knowledge and not through the knowledge of thy neighbor.” Bahá’u’lláh, The Hidden Words, Arabic no. 2.
49 Proverbs from a West African traditional religion (Yoruba tribe).
IPG-1 Application

Interdependence

Interdependence within the HCBM translates into fostering positive dependence on one another, in such a way that HCEs become a part of a symbiotic community. Over ten years ago, a few businesses came together to issue a Declaration of Interdependence, stating the following which is very relevant for an HCBM:

- “That all business ought to be conducted as if people and place mattered.
- That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.
- To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.”

The above declaration and the premise of shared prosperity contained therein is helpful for HCEs when thinking about initiatives that can promote interdependence. In fact, there is much that has already been done, from which HCEs can draw inspiration. Enterprises have introduced a number of programs that demonstrate a commitment to these principles. For example, a few enterprises are adopting an ‘income advance’ program for employees who face health or other difficulties. They are given an advance on their future salary to help cope with their immediate needs. Another example is an ‘open-hiring’ program, which hires otherwise hard-to-employ persons, such as immigrants and refugees, the formerly incarcerated and all others who may have been excluded from the job market due to various reasons.

Diversity and Gender Equality

As discussed above, there are huge economic and social inequalities in current society. Ethno-nationalism and “othering” are enduring problems globally, as is prejudice towards people of African descent and immigrants.50 With this reality, it’s important to recognize that application of justice in an HCE framework means investigating the truth and not judging anyone based on prejudices of any kind. It also ensures that every individual has the opportunity to develop their full potential – regardless of their ethnic background or gender.

Implicit bias,51 sometimes also called implicit social cognition, “refers to the attitudes or stereotypes that affect our understanding, actions, and decisions” in a subconscious manner.52 These biases “encompass both favorable and unfavorable assessments” and are implicit associations which cause individuals to “have feelings

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51 For more resources and a further background on implicit bias, UCLA’s Equity, Diversity and Inclusion Program has collected videos, scholarship, and other materials, available at https://equity.ucla.edu/know/implicit-bias/. Last accessed 28 October 2019.

52 Implicit Bias, Kirwan Institute, The Ohio State University, http://kirwaninstitute.osu.edu/research/understanding-implicit-bias/.
and attitudes about other people based on characteristics such as race, ethnicity, age, and appearance.\textsuperscript{53}

Implicit bias within an HCE can create less opportunities for people from particular backgrounds or with certain appearances. ‘Project Implicit’, a non-profit organization founded by three scientists and housed under Harvard University, provides a great resource of over 90 implicit bias tests for individuals to take to help in recognizing and acknowledging one’s own implicit biases.\textsuperscript{54} Each person’s particular biases don’t need to be shared with each other, but research suggests that awareness of implicit bias helps address it.\textsuperscript{55}

A concern for justice is also an essential compass in group decision making for an MSME. In the design and carrying out of company initiatives, justice is the “sole means by which unity of thought and action can be achieved and sustained among diverse peoples”.\textsuperscript{56} So, there needs to be an engagement with all members of the company – all can play a role in seeking to have a just workplace.

Application of justice also means treating all workers and employees fairly and with mutual respect and valuing human dignity. There are many aspects of the application of justice – from labor and employee law, hierarchies, economic and other compensation – and many facets within each aspect. Many of these issues are addressed further in the HCBM Social Principles Paper.

Application of the principles of justice and unity in diversity, however, also means applying an awareness of current inequalities to address the issues. For example, a wide gender pay gap still persists. One Harvard Kennedy School study found that women are less likely to apply for jobs that included “the fact that the wage was ‘negotiable’ in the job advertisement.”\textsuperscript{57} In an Earnest survey, young women ages 18-23 were in particular 27% less likely to negotiate their initial job offer.\textsuperscript{58} Reflection by an HCE on how to deal with these types of factors and the establishment of mechanisms to do so, will help it address this type of inequity.

One example can also be taken from the B(enefit) Corporation certification process, a certification issued to for-profit companies who undergo a “rigorous assessment of a company’s impact on its workers, customers, community, and environment.”\textsuperscript{59} The certified benefit corporation assessment includes a question asking specifically,
“What % of management is from underrepresented populations? (This includes women, minority/previously excluded populations, people with disabilities, and/or individuals living in low-income communities.)”

Based on this social and environmental impact assessment, B Lab the non-profit spearheading B Corp, issues the certification for for-profit companies.

Additionally, some HCEs may be large enough to have a diversity and inclusion committee. But more importantly, an HCE, no matter the size, should have an inclusive hiring practice and value the work of each person. For example, crediting “invisible work” or work done that takes time, effort, and resources, but does not usually receive recognition.

**Applying Truthfulness and Honesty within and outside of the HCE**

Application of the goal of honesty and truthfulness is important for an HCE in its relationships with external stake holders, such as competitors, suppliers, and customers, shareholders, and society at large. ‘A Blueprint for Success’ shares some concrete steps that enterprises operating within an HCE framework can take to follow these virtues:

- Seek to build a lasting relationship with customers and suppliers
- Deals honestly with customers, providing good and safe products and services
- Treats suppliers fairly, pays promptly what it owes and expects its suppliers to do the same
- Openly shares its knowledge to enable customers and suppliers to make better informed choices.

Additionally, a few other examples of honesty in dealings with external stakeholders include: shareholders (e.g. disclosures by management); customers (e.g. truth in advertising); government (e.g. tax filings); financial institutions; suppliers; as well as with all interactions it has with the community at large.

These principles must also be applied with internal stakeholders as well. An HCE should also create an environment that promotes truth and honesty among coworkers and among employees, management and leadership. Truthfulness and honesty are one of the “most effective ways to establish the work culture that will propel your company to long-term success.”

Specifically, it creates a positive work culture and allows for the quick addressing of challenges because they are dealt with honestly. Additionally, “high-trust individuals are more likely to be promoted, to make more money, receive the best opportunities, and have more fulfilling and joyful relationships.”

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60 Assess your Impact, B Impact Assessment, [https://bimpactassessment.net/how-it-works/assess-your-impact#see-sample-questions](https://bimpactassessment.net/how-it-works/assess-your-impact#see-sample-questions).


The examples cited below demonstrate the interconnectedness in the application of the three sub-principles under IPG-1.

**Human Resource Management**

Another example of application of these principles is examined within a business through human resource management in the Ethical Business Building the Future (ebbfb) publication “Trust and Trustworthiness: A Values Based Approach for Business” by Gary Reusche & Gregory Dahl:

**Recruitment**

If trust is lacking, the clear implication is that the inner values of managers as well as employees either lack sufficient development, or they are compromised in the context of other business goals—especially profit. Recruitment procedures can be established that assess not only the technical or experiential qualifications, but also the motivations and potential of the individual candidate to develop those values or inner spiritual qualities that are required in organizations or teams characterized by high levels of trustworthiness. Thus, if trust building begins with the individual, then recruitment needs to include an assessment of how the candidate integrates the trust values in his or her professional and personal life.

A number of companies include either methodologies designed to uncover and assess much more than simply whether or not the individuals have the necessary education and professional experience. Resumes are anecdotally ineffective to gain a full evaluation of the individual’s potential. Some methodologies include individual values assessments, psychological testing, two-stage interviews, and an extended process whereby an individual is assessed repeatedly by a relatively large number of managers and workers. . . . Some organizations have intentionally drawn out the interview process to include more interviewers. Both men and women are involved in the process, which provides a gender perspective. This approach has produced a large degree of success. A major effort is made up-front in order to maximize the chance that the selected individuals will fit in, and contribute positively to the organizational trust and culture.

**Appraisals and personal development**

In addition to improving trust through values-linked recruitment, there are a number of management and personnel development and appraisal processes which can be linked to trust producing behaviors. For example, including in annual performance goals “soft” parameters such as demonstrating a certain set of desirable values and behaviors linked to trust. However, following the reasoning presented above that trust issues will become visible primarily during a crisis, or when a moral decision has to be made, promotions and pay awards may be less promising mechanism to improve organizational trust.

Individual value assessments are proprietary and based on many years of academic and business research. The interpretation of the values assessment requires a correlation between the values selected by the individual and associated behaviors. Psychological testing at recruitment can take many forms, including unstructured interviews and structured personality tests. The main goal of these tests is to predict job performance.
Moreover, to dispel notions of injustice and unfairness in employment related matters, HCEs should be completely transparent about all compensation, bonus and promotion related information and not discourage questions on these subjects by shrouding them in secrecy. There must be open and honest conversation at the time of hiring and through the course of employment within the enterprise. Additionally, grounds for termination and any non-compete clauses in the employment contract must also be highlighted, at the time of hiring, as a matter of best practice.

“Consultation” and “tone from the top” will be discussed further in this report under IP-2, however their application is also important here. If management behaves in a manner that inspires trust among workers, that could be contagious – and the inverse would also be true.

**Good Corporate Governance**

The principles of honesty, truthfulness, justice and fairness are most easily promoted by management in the workings of the business. Flowing from the idea that humanity is an ‘interdependent social body’ is the notion that every human being can be viewed as a ‘trust’ of the this body. Corporate governance could then be considered as an exercise of “collective trusteeship, informed by the principle of justice.”

However, for collective trusteeship to be exercised most fruitfully, current conceptions of power and authority held by some will need to be reconceptualized and redefined. The Institute for Studies in Global Prosperity’s Reflections on Governance discusses this further:

64 Id.
66 Id.
Contemporary forms of governance are often characterized by self-interested and competitive expressions of power. Historically, such expressions may have played a role in advancing aspects of human development among powerful social groups whose interests they primarily served. Yet these expressions of power are proving maladaptive under conditions of heightened global interdependence, in which the welfare of every individual and group is increasingly dependent on the welfare of the entire social body. These conditions call for the development of new modes of governance at all levels — modes characterized by unifying, cooperative, and mutualistic expressions of power.

When governance is cast as a contest of power it tends to be divisive and dysfunctional at best, oppressive at worst. For instance, when state governance is organized as a contest of power it invariably invites the corrupting influence of money; it diminishes the inclusion and participation of historically marginalized individuals or groups; it reduces complex issues down to simplistic slogans; it ignores the well-being of people who are geographically distant; it disregards the interests of future generations; and it has a generally corrosive effect upon the human spirit.67

A rethinking and redefining of power within a human-centered business model also requires acknowledging and appreciating the many sources of power available to humanity, and which have been its source over the centuries, including:

[T]he limitless and generative powers of unity, love, justice and equity, knowledge, humility, integrity and truthfulness . . . Expressions of power emanating from these sources can be seen in the capacity to work creatively and constructively with others in the pursuit of common goals, the capacity to cooperate. . . As we move beyond the material struggle to exercise power over or against others, and we develop the capacity to draw on these other sources of power accessible to every human being, we activate greater forms of individual and collective agency and create new possibilities.68

These contests of power, regardless of whether they had a useful purpose in the past, are no longer effective within an HCE framework which recognizes an increasing interdependence in the world. One example is demonstrated in a New Yorker article by Malcolm Gladwell; in it he discusses contest of power as a “War for Talent” promoted by McKinsey, leading to the Enron (and other) scandals.69 However, a reframing of power, provides many new opportunities for companies to grow in different and meaningful ways:

When a person starts to identify with a group, it triggers a fundamental shift in their goals. Events and decisions that were once evaluated with reference to oneself (“what’s in it for me?”) are now evaluated in reference to the group (“what does this mean for us?”). In fact, research shows that even otherwise selfish individuals often become cooperative—and even altruistic—when they identify with a group.

67 Id.
Once their self becomes fused with the group, they are motivated to pursue what they understand to be the goals of the group.\textsuperscript{70}

When the focus of that group energy is service to the company, it allows for even more success, growth, and innovation. Application might include, recognizing the group/team effort, instead of just individual effort. Additionally, work projects don’t need to be referred to as “X’s project” and instead referred to by name, giving the group ownership for the project. When individuals identify as part of a team, they step up to help each other; this helps keep the company cohesive and running efficiently.

\textbf{Consultation}

As mentioned above, one application of justice is in an investigation of truth. In an HCE framework, one method for a group (a corporation or an institution) to collectively seek the truth, is through a group discussion method sometimes referred to as consultation.\textsuperscript{71}

Consultation describes a method of collective decision-making:

> in which the individual participants strive to transcend their respective points of view, in order to function as members of a body with its own interests and goals. In such an atmosphere, characterized by both candor and courtesy, ideas belong not to the individual to whom they occur during the discussion but to the group as a whole, to take up, discard, or revise as seems to best serve the goal pursued. Consultation succeeds to the extent that all participants support the decisions arrived at, regardless of the individual opinions with which they entered the discussion. Under such circumstances an earlier decision can be readily reconsidered if experience exposes any shortcomings. Viewed in such a light, consultation is the operating expression of justice in human affairs.\textsuperscript{72}

Although not universally the case, negotiations in business and law can sometimes involve “serial monologues with each speaker only listening to the other for the purpose of preparing a rebuttal or manipulative response. By contrast, dialogue [in a consultation] is a conversation where participants are actively engaged in seeking mutual understanding, in trying to convey and receive true meaning.”\textsuperscript{73} Participants must then be willing to “look at things from other people’s point of view, to sincerely try to understand their interests and needs, opened in them a reciprocal willingness to listen and understand why their actions were triggering objections”.\textsuperscript{74}

In consultation, a glimmering spark of truth will radiate through the clash of approaches, ideas, and ways of thinking. This method of consultation should be applied with business partners external to an HCE but can be more easily applied to internal decision making by management or in management’s relationship with

\begin{thebibliography}{99}
\bibitem{71} Elias, Nabil, Ethics & Morality in Business: Current Thought, Widely Held Assumptions, and a Path Forward, a paper prepared for Achieving Moral Excellence in Business, a course offered by the Wilmette Institute.
\bibitem{73} Alvarez, Linda, \textit{Discovering Agreement: Contracts That Turn Conflict into Creativity}, American Bar Association, (2016).
\bibitem{74} Id.
\end{thebibliography}
the workforce because consultation implies an environment in which employees’ thoughts are respected and valuable to creating the best solutions.

As discussed above, consultation is also partly an application of the value of justice because it allows for all individuals to participate. A Gallup study found that companies with “top quartile employee engagement had EPS (earnings per share growth) that was 2.6 times higher than companies with below-average employee engagement.”\textsuperscript{75} A different study by Aon Hewitt on 7,000 organizations, found that “those with high engagement was 78% more productive and 40% more profitable.”\textsuperscript{76} Therefore, this method of consultation is especially useful for company within an HCE framework because it actively engages all participants, allows for their voice to be heard in a way that’s constructive, and adds to, rather than takes away from, the mission and goals of the company.

Consultation Decision Making, an publication by Gary Reusche, discusses three potential points for application of the method in a business setting:

**Time management**

Consultative decision making is a powerful tool that can lose its effectiveness if used inappropriately, or it becomes the podium for self-expression or self-aggrandizement. One of the major criticisms of its use is due to the fact that it is more time consuming. Time management is important to ensure effectiveness.

**Creative and synergetic moments**

. . . Each stage has a different pattern of conversation. One of these stages is referred to as “dialogue” and concerns the process of seeking meaning and understanding. It is the most meditative stage of consultation.

**Decision implementation and monitoring**

Consultative decision making does not end with a consensus decision. Integral to the process is the plan for decision implementation and to ensure the process is monitored. Consulting without implementation and effective results is time wasted. The use of this creative and synergistic process has as its purpose action and objectively measurable results.\textsuperscript{77}

This method is not appropriate for all situations within an HCE. However, it is a very useful tool for collective searches for solutions to problems or collective decision making. Senior management should provide opportunities for ‘consultation’ for employees of all levels. This could be done, for example, by instituting a survey for employees that evaluates their experiences with management, covering access, receptivity to suggestions and so on.


\textsuperscript{76} Id.

\textsuperscript{77} Reusche, Gary, Consultative Decision Making, Ethical Business Building the Future ebbf.org; see also, http://ebbf.org/resources/knowledge-network/consultative-decision-making/.
Integrity Principle Goal 2 (IPG-2)

Businesses implement a company culture that includes the “golden rule” and fosters kindness and mutual respect.

In an article, Fortune argues that the “best” companies to work for have little to do with amazing employee perks, such as “gourmet chefs, nap rooms, yoga instructors and other signifiers[.]” Rather, what makes a company great is the qualities that determine its character. Therefore, two interpersonal character principles that makeup a strong HCE are examined. There are many other values and norms embedded into religious traditions that could also be emphasized, but the three highlighted here are: the golden rule, kindness and respect for others.

What is commonly called the “golden rule” or treating others the way you would like to be treated, is also taught by all the world’s religions. The most well-known is likely from the Bible, “Do unto others as you would have them do unto you.” The different world’s religious also urge humanity to use restraint in speech and be respectful to others. One example is the counsel that a “kindly tongue is the lodestone of the hearts of men” and that “[i]f ye be aware of a certain truth, if ye possess a jewel, of which others are deprived, share it with them in a language of utmost kindliness and good-will.”

IPG-2 Application

Applying the Golden Rule

Highlighting the ‘golden rule’ and the importance of kindness and compassion as ‘core values’ in an enterprise’s statements, mottos, annual returns etc is only the first step. However, there must be means to demonstrate and measure progress on these fronts.

Everyone desires to be treated well and with respect. When we have a good experience using a product or service, we often recommend it to our friends, family or co-workers with the belief that they would also be similarly treated. For an HCE, ensuring that products and services are in-line with what is promised and advertised is not only an ethical matter, but also something that can be measured and enhanced with great benefits. For example, an HCE could conceive an organization-wide ‘Net Promoter System (NPS)’ based on generating more ‘promoters’ for the enterprise, i.e., employees or customers who “buy more, stay longer, refer friends and even provide useful feedback and ideas.”

According to the developer of NPS, Bain and Company, every enterprise has 3 types of customers – ‘promoters’ who strongly recommend the enterprise and are loyal, ‘passives’ who are unenthusiastic and can be easily wooed by others, and ‘detractors’ who are unhappy. The answer to the question ‘What is the likelihood that you would recommend Company X to a friend or colleague?’ forms the basis for calculating an NPS score. To calculate the score, the percentage of detractors is subtracted from that of the promoters.

79 Id.
NPS could help an enterprise measure and keep track of how well it is able to treat its clients and employees, acting in effect as a ‘Golden Ruler’.\(^{80}\) It also makes good business sense as enterprises with a higher NPS score report increased customer and employee satisfaction and greater growth.\(^{81}\)

**Fostering Kindness and Mutual Respect**

There is no doubt that kindness and respect are principles that are important in and of themselves. However, for enterprises, it also makes good business sense to actively promote and inculcate these principles. Some tangible benefits include, attracting the best talent in the industry thereby lowering recruitment and training costs, heightened employee engagement and participation, better learning and innovation, greater brand loyalty and overall business performance.\(^{82}\)

There are many ways in which an HCE could help foster kindness in its employees including - on and off-site trainings and team-building activities, acknowledging/wishing on birthdays and other personal or family milestones, creating office spaces that encourage bonding, provision of stress-management and counselling services, corporate sponsored volunteering days etc to name a few. The role of management is also critical in leading by example. In order to make management a little more approachable, some companies discourage the use of ‘Sir’, ‘Ma’am’ or ‘Boss’ to refer to supervisors and instead encourage using words like ‘Mentor’, ‘Coach’ etc, creating a positive and free work environment. An HCE should factor in how an employee treats others at the workplace when deciding to publicly reward or recognize the professional achievements of that employee. If the person who brings in the most sales is unkind and disrespectful to others, management must re-consider any impending promotions for that person.\(^{83}\)

**Integrity Principle Goal 3 (IPG-3)**

Businesses transform these principles into action.

Like individuals, enterprises are actors in our society with the potential to do great harm or great good. Whether an enterprise or individual causes harm or good, depends, first, on the knowledge of the ethical principles (including the environmental and social principles), and second, on the motivation or desire to implement those principles.\(^{84}\) Integrity and ethics is not viewed as something that one does only in their personal lives but is something carried forward in their business and professional engagements.

In order to actually do good, principles cannot simply stay principles - they must be put into action. Indeed, a company cannot demonstrate that it possesses that principle unless it is tested in the field of action.

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80 Id.
81 Id.
All the world’s religions emphasize commitment implementation of principles and values through good works, not just “speech”. The Bible says, “What does it profit, my brethren, if a man says he has faith but has not works? . . . So faith by itself, if it has no works, is dead.”\textsuperscript{85} The Zoroastrian Writings ask both men and women to “[s]eek ye for a store of good deeds . . . For a store of good deeds is full of salvation.”\textsuperscript{86} The Hindu Writings emphasize acting “as I talk and liv[ing] up to my words in deed.”\textsuperscript{87}

Taking steps in this direction is also a timely endeavor for enterprises because of the current trend in going beyond viewing enterprises as mere generators of shareholder value\textsuperscript{88} to something more - entities that are socially, economically, ethically and environmentally responsible. Recently, at a Business Roundtable, CEOs of about 200 top enterprises like Apple, JP Morgan Chase, Walmart and Pepsi have committed to the following:

- “Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.”\textsuperscript{89}

There also appears to be more peer pressure amongst enterprises to act ethically and responsibly than ever before. Recently, Facebook was dropped from an S&P index that tracks companies with good environmental, social and governance practices amidst ongoing concerns about Facebook’s treatment of private user data.\textsuperscript{90} Therefore, adoption of HCBM principles and translating them into action would make enterprises better players in the market, leading by example and gaining the respect and attention of its peers.

Below are some examples of how to implement this goal. Moreover, what makes the HCE particularly promising in transforming the ethical, integrity and other HCE principles into action, is that the HCEs will embed - in their bylaws - the common set of HCE principles and goals.

\textsuperscript{85} James 2:14-17.
\textsuperscript{86} Zend Avesta.
\textsuperscript{87} Basavanna, Vacana 440.
IPG-3 Application

Learning Mode Approach

An HCBM framework includes a company culture of a learning mode approach. This means that there is no singular method or procedure for effective governance. This application includes the values and norms of the unity in diversity of humanity and the complexity and growing interdependence of the world. It means that “systems of governance must continually evolve. This can only be accomplished if we can overcome the tendencies to idealize established organizational or institutional structures and to uncritically perpetuate familiar norms and processes. Instead, we need to approach governance, like every other human endeavor, in a mode of continuous learning.”91 This means that “decisions can be understood as points on a path of learning. In order to advance along such a path, people must be capable of reflecting on decisions in light of experience, so the decisions can be adjusted accordingly.”92

Approaching managerial roles in a mode of learning is particularly important for implementation of a “human-centered” approach because it may be an evolving process. As MSMEs operating in an HCBM framework apply a learning and reflective model to their action, they can adapt and create better modes of operation to meet their specific needs as a small business or organization. A learning mode could be characterized by constant iterations of action, reflection, consultation, referring back to the guiding principles, planning, and action again. As assignments are executed, hurdles removed, and resources and learning strengthened, modifications can be made to the goals and modus operandi.

Additionally, companies take on the attributes of people in many ways. It takes the individuals in a company to act with kindness and care for a company culture to demonstrate similar warmth. A company culture that uses a learning mode approach won’t play the “blame game” and will avoid backbiting when things go wrong and will instead focus the team on what can be learned from the endeavor. Therefore, this approach promotes a culture of constructive criticism within the enterprise.

In his book, ‘The Fifth Discipline’, Peter Senge defines a learning organization as a place “where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.” He suggests the use of five “component technologies” for an enterprise to become a learning organization, which are: systems thinking, personal mastery, mental models, shared vision, and team learning.93 One of the ways to become a learning organization is to equip employees with all the tools and knowledge they need to learn on the job. This can be done through easy to understand, small modules of on-demand training that are generally informal and easy to access. Another way is through the promotion of knowledge sharing – for example, anyone who does their job well, must...

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92 Id.
be encouraged to document the steps they took and share it with the organization. The enterprise should promote active, immediate dissemination of information that would be useful to others as well as the enterprise’s operations on the whole.⁹⁴

For different enterprises and different facets of their operations, ‘a learning mode’ could mean different things. For example, in risk mitigation for a financial services company, a ‘learning mode’ would denote that “the collective ability of the organization to manage risk more effectively is continuously improving”.⁹⁵

**Reflection on Action**

Connected with operating in a “mode of learning” mentioned above, individual and collective reflection on action facilitates application of the interpersonal values and norms discussed.

Reflections may include questions like:

- How does the enterprise incentivize and compensate behavior? Are these in line with the values and principles of the HCE framework?
- How are disagreements or challenges addressed?
- How can justice be applied more directly?
- What is the company learning about application of the principle of unity in diversity?

Regular meetings for reflection could be held cyclically to keep a pulse on the learning taking place. New or a further refinement of the objectives of learning could be set, as well as time for planning could be made.

**Aligning company incentives with principles**

The compensation plan of an enterprise⁹⁶ within the HCE framework is one of the most powerful tools⁹⁷ for affecting the actions of its employees, through direct financial incentives and also through clearing messaging of the company’s values and principles.⁹⁸

By way of example, as anti-bribery consultant Richard Bistrong points out in the context of avoiding corruption:

> In some markets—high-integrity countries with strong state institutions, stable economic and social conditions, and steady sales cycles—the risks of an “eat

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⁹⁶ “A compensation plan is a complete package that details your employees’ wages, salaries, benefits and terms of payment. Compensation plans include details about bonuses, incentives and commissions that may be paid to employees. In addition, compensation plans may detail scheduled raises and increases for years of service.” [https://www.betterteam.com/compensation-plan](https://www.betterteam.com/compensation-plan).


what you kill” bonus plan might well be worth the cost. However, this is an area where we need to “think globally, but act regionally.” In a country or region characterized by high corruption risk and an unstable sales cycle, lucrative incentive plans indexed to quarterly forecasts and individual performance (as opposed to group or corporate earnings) may well make front-line teams wonder, “What does management really want, compliance or sales, as I can’t deliver both?” Unfortunately, the strong monetary incentives these plans foster may lead salespeople to “irrationally” calculate risk, as having a personal stake in short term bonus will outweigh an uncertain likelihood of either getting caught of facing the consequences of corrupt conduct.99

**Changing the “no one else does it” language within a company culture**

Application of values and principles is not easy. However, the fact that other companies may not apply these values and principles is not an excuse for a company operating within an HCE framework to not strive to apply them.

Moreover, as found in a recent study by Nils Köbis, if you go to a country where you expect corruption, and someone solicits a bribe from you, you are more likely to give the bribe;100 if you go to a country that you do not think of as corrupt, and someone solicits a bribe from you, you are less likely to pay the bribe.101 As a result, bribery and corruption are perpetuated based on perceptions of corruption in that country.

Therefore, if you think that others will not be applying the anti-corruption principle, it reinforces the difficulty of applying the principles within your company. However, as it only takes one company to set the example of a huge corruption scandal, and it also only takes one company to set the example of what is possible in application of these principles. It is important not to get lost in short-term gains at the expense of long-term sustainability and success.

It is encouraging to observe that there is already a rising eagerness amongst companies to uphold a good reputation, not only for self-preservation reasons, but also as a way to reflect and publicize underlying moral values. These values will drive the pursuit of integrity.

99 Id.

100 This example demonstrates the condition of ‘Human Sociality’ that is often linked to how corruption is viewed as a norm in some places. For more discussion on Human Sociality and Corruption as a Social Norm, Refer section on ‘Cognitive and Behavioral Sciences’.

II. INTERNATIONAL STANDARDS OF BUSINESS ETHICS PRINCIPLE (IP-2)

Integrity Principle Goal (IPG) 2.1.

Businesses abide by the highest standards of business ethics, including compliance with applicable laws, norms and rules of good corporate governance, corporate responsibility, concern for the health and safety of employees and stakeholders, fairness, honesty and integrity, transparency, respect for human rights and sustainable development.

Most of the values and principles that many of the world’s religious and philosophical traditions across time and cultures have taught us are also reflected in contemporary international standards of business ethics. Such values and principles are embedded in international conventions and global initiatives promoting integrity and informing national organizations’ regulations and actions.

This section examines and compares the standards of business ethics at a global level developed and promoted by international organizations, notably, Organization for Economic Cooperation and Development (“OECD”) – Guidelines for Multinational Enterprises (“OECD Guidelines”), OECD – Combating Bribery, Bribe Solicitation and Extortion; International Chamber of Commerce (“ICC”) – Guidelines on Conflicts of Interest in Enterprises, ICC Corporate Responsibility, ICC Ethics and Compliance; ICC – Advertising and marketing Communications Code; International Organization for Standardization (“ISO”) 26000 – Social Responsibility. The influential Global Sullivan Principles (GSP), developed by Leon Sullivan in 1977, to apply economic pressure on South Africa in protest of its system of apartheid and later adapted for broader purposes and endorsed by the UN Secretary General, have also been analyzed. These standards are set out in detail in Annex I, along with a comparative table showing the convergences and divergences among them. Annex II sets out major regional and national organizations promoting business ethics.

Looking at these various international standards of business ethics as a whole, we see a high degree of convergence around a number of key values and norms that represent the elements of IP-2, including: compliance, good corporate governance, corporate responsibility, fairness, health and safety, honesty and integrity, transparency, respect for human rights and sustainable development as shown in Annex I, Table 1.
COMPLIANCE

Compliance: “The term compliance describes the ability to act according to an order, set of rules or request. Compliance operates on two levels:

Level 1 - compliance with the external rules that are imposed upon an organisation as a whole
Level 2 - compliance with internal systems of control that are imposed to achieve compliance with the externally imposed rules.”

The value of compliance is embraced by all the international standards surveyed. It is mentioned in the OECD – Guidelines for Multinational Enterprises for all workers employed by multinational enterprises conforming to their policies and promoting training programs. In the OECD – Combating Bribery, Bribe Solicitation and Extortion, compliance is presented through “internal control, ethics and compliance programs” for preventing and detecting bribery, bribe solicitation and extortion through fair dissemination of such policies and programs.

In the UN Guiding Principles on Business and Human Rights States should enforce laws that require businesses to respect human rights; creating a regulatory environment that facilitates business respect for human rights; and providing guidance to companies on their responsibilities. The Guiding Principles also stipulate that States should ensure that policies are coherent across departments and functions, and that their participation in multilateral institutions is aligned with their human rights obligations.

In the ICC Guidelines on Conflicts of Interest in Enterprises, compliance refers to a Policy relating to Conflicts of Interest which enterprises adapt to their size, their business activities, their locations, the complexity of their legal environment and their governance structure, including also strong tone at the top on ethical values and compliance. Besides, in the ICC Advertising and Marketing Communications Code compliance is also addressed and has to ensure conformity with standards.

The ISO 26000 Standards aim to address companies that respect the rule of law (in terms of social responsibility).

In the Global Sullivan Principles (GSP), compliance is alluded to in relation to Principle Six that recommends acting conscionably with respect to intellectual property rights.

GOOD CORPORATE GOVERNANCE

Corporate governance can be described as a set of relationships among a company’s management, board, shareholders, and other stakeholders, which provides the structure through which the objectives of the company are set, and also includes the means of attaining and monitoring performance against those objectives.103

With regards to good corporate governance, the OECD Guidelines for Multinational Enterprises encourages enterprises to support and uphold good corporate

103 Id.
governance principles and develop and apply good corporate governance practices, including throughout enterprise groups. In the OECD – *Combating Bribery, Bribe Solicitation and Extortion* the adoption of appropriate (both the public and private domains) corporate governance practices is an essential element in fostering a culture of ethics within enterprises.

In the ICC *Ethics and Compliance: A Work in Progress* building a strong sense for corporate responsibility and good corporate governance is an ongoing process and requires sustained efforts from all parties, whether they are public officials or businesses, and at all levels of the corporate world.

In the ISO 26000, corporate governance is mentioned in its standards as “Organizational Governance”.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

*Corporate responsibility: A management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperative.*

In the UN Global Compact, corporate responsibility is linked to undertaking initiatives to promote greater environmental responsibility.

In the UN *Guiding Principles on Business and Human Rights*, human rights is framed as a facet of Corporate Responsibility. First, it recommends that companies institute a policy commitment to meet the responsibility to respect human rights. Second, they must undertake ongoing human rights due diligence to identify, prevent, mitigate and account for their human rights impacts. Finally, they must have processes in place to enable remediation for any adverse human rights impacts they cause or contribute to.

The ICC – *Corporate Responsibility* asks businesses to appropriately assume corporate responsibility in relation to the respect of human rights, governments must fulfill their roles to implement national action plans. In addition, corporate responsibility is mentioned in the ICC *Ethics and Compliance: a Work in Progress*, in the context of fighting corruption and enhancing good corporate governance. It is reflected as an ongoing process that requires sustained efforts from all parties (public officials or business people, and at all levels of the corporate world).

The ISO 26000 helps organizations to address social responsibilities that are relevant and significant to their mission and vision; operations and processes; customers, employees, communities, and other stakeholders; and environmental impact.

In the Global Sullivan Principles (GSP) corporate responsibility includes the term “social”, i.e., it provides for a definition of ‘social’ responsibility: a concept within business ethics that involves how an organization – but particularly a business – might serve the betterment of the public at large while still achieving its business

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goals. Social responsibility often involves how an organization's actions might impact certain groups of people or the environment, for example. The Global Sullivan Principles (GSP) are cited very often in an enterprise's governance documents, codes of conduct and operating procedures to address social responsibility.105

HEALTH & SAFETY106

Health & Safety: the laws, rules, and principles that are intended to keep people safe from injury or disease at work and in public places.107

With regards to Health & Safety under the OECD Guidelines for Multinational Enterprises, enterprises are recommended to refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labor, taxation, financial incentives, or other issues.

Under the UN Global Compact principles (Labor section), enterprises should eliminate all forms of forced labor, child labor and discrimination in order to maintain a healthy working environment.

ICC Advertising and Marketing Communications Code (Article 17: Safety and Health) states that marketing communications should not, without justification on educational or social grounds, contain any visual portrayal or any description of potentially dangerous practices, or situations which show a disregard for safety or health, as defined by local national standards. Instructions for use should include appropriate safety warnings and, where necessary, disclaimers. Children should be shown to be under adult supervision whenever a product or an activity involves a safety risk. Information provided with the product should include proper directions for use and full instructions covering health and safety aspects whenever necessary. Such health and safety warnings should be made clear by the use of pictures, sound, text or a combination of these.

The ISO 26000 aims to assist organizations in addressing their social responsibilities while respecting cultural, societal, environmental, and legal differences and economic development conditions. ISO International Standards ensure that products and services are safe, reliable and of good quality. For business, they are strategic tools that reduce costs by minimizing waste and errors and increasing productivity.

In the Global Sullivan Principles (GSP), there are specific references to the importance of safeguarding workers' health and that of the community by engaging in sustainable development.

105 For example, see https://www.continentalenergy.com/corporate/responsibility/global-sullivan-principles.
106 The health and safety aspects are also addressed in detail by the HCBM Social Principles presented in the paper HCBM Social and Environmental Principles, Goals and Indicators, by Teodorina Lessidrenska and David Boyer.
**FAIRNESS, HONESTY AND INTEGRITY**

Fairness: “In an organizational context, fairness usually comes down to applying the same rules, standards and criteria in similar situations. The purpose is to reduce the role of bias in one’s decision making, thus “leveling the playing field”.

Honesty: A refusal to pretend that facts are other than they are, whether to oneself or to others

Integrity: Behaviours and actions consistent with a set of moral or ethical principles and standards, embraced by individuals as well as institutions, that create a barrier to corruption

In the OECD Guidelines for Multinational Enterprises, these principles appear in the Code of Conduct. It recommends that enterprises should develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.

In the ICC Advertising and Marketing Communications Code, the fairness and honesty principles are included in the Article 1 - Basic Principles that specifies all marketing communications should be legal, decent, honest and truthful. All marketing communications should be prepared with a due sense of social and professional responsibility and should conform to the principles of fair competition, as generally accepted in business.

In the ISO 26000, fairness, honesty and integrity are addressed as “fair operating practices” and intended to help companies to access new markets, level the playing field for developing countries and facilitate free and fair global trade.

The Global Sullivan Principles (GSP) reiterates the need to provide fair compensation to employees.

In the ICC Advertising and Marketing Communications Code in Article 4 (Honesty), it is advised that marketing communications should be so framed as not to abuse the trust of consumers or exploit their lack of experience or knowledge. Relevant factors likely to affect consumers’ decisions should be communicated in such a way and at such a time that consumers can take them into account.

The ISO 26000 aims to increase confidence and satisfaction in organizations among their customers and other stakeholders.

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113 https://www.transparency.org/glossary.
In the OECD - Combating Bribery, Bribe Solicitation and Extortion Propriety, integrity is referred in both the public and private domains as a key concept in the fight against bribery, bribe solicitation and extortion.

The ICC Ethics and Compliance Network promotes business integrity worldwide that is reinforced by the engagement of its national committees to act locally, hence, creating a global ethics and compliance network to help businesses of all sizes.

The ISO 26000 aims to create ways to integrate socially responsible behavior into the organizations and to maintain an ethical behavior.

**RESPECT FOR HUMAN RIGHTS**

Respect for Human Rights: Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death. They apply regardless of where you are from, what you believe or how you choose to live your life.

The OECD Guidelines for Multinational Enterprises advise enterprises to respect internationally recognized human rights of those affected by their activities and they should refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labor, taxation, financial incentives, or other issues.

The UN Global Compact asks businesses to support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.

The UN Guiding Principles on Business and Human Rights obliges companies and governments (with the three pillars “protect, respect and remedy”) to meet their respective duties and responsibilities to prevent human rights abuses in company operations and provide remedies if such abuses take place.

ICC Advertising and Marketing Communications specifies the following in its Code (Article 2 - Social Responsibility): Marketing communications should respect human dignity and should not incite or condone any form of discrimination, including that based upon ethnic or national origin, religion, gender, age, disability or sexual orientation.

Another example reported by ICC Corporate Responsibility promotes the role business can and should play in respecting human rights and encourages governments to engage with the business community to learn from the experiences of the private sector in dealing with human rights commitments.

The ISO 26000 suggests that all organizations address and respect human rights.

The first objective of the Global Sullivan Principles (GSP) is to show respect and support for human rights, including those of employees, the communities within which enterprises operate, and the parties with whom enterprises do business.

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114 The human rights aspects are addressed in detail by the HCBM Social Principles presented in the paper HCBM Social and Environmental Principles, Goals and Indicators, by Teodorina Lessidrenska and David Boyer.
SUSTAINABLE DEVELOPMENT

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.115

The OECD Guidelines for Multinational Enterprises aims to advice enterprises that they should contribute to economic, environmental and social progress with a view to achieving sustainable development.

The UN Global Compact aims to advice businesses to support a precautionary approach to environmental challenges and to undertake initiatives to promote greater environmental responsibility. Besides, it encourages the development and diffusion of environmentally friendly technologies.

The UN Guiding Principles on Business and Human Rights refers to sustainable development in regard to creating a regulatory environment that facilitates business respect for human rights.

In ISO 26000, sustainable development is mentioned in terms of “respect for the environment” but is highlighted throughout the whole standard.

In the Global Sullivan Principles (GSP), sustainable development is addressed in regard “to safeguard workers’ health and that of the community by engaging in sustainable development”.

TRANSPARENCY

Transparency: Characteristic of governments, companies, organisations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions. As a principle, public officials, civil servants, the managers and directors of companies and organisations, and board trustees have a duty to act visibly, predictably and understandably to promote participation and accountability and allow third parties to easily perceive what actions are being performed.116

In the OECD - Combating Bribery, Bribe Solicitation and Extortion, it is recommended that an enterprise’s internal controls, ethics and compliance programs or measures should include a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts, to ensure that they cannot be used for the purpose of bribing or hiding bribery. Propriety, integrity and transparency in both the public and private domains are key concepts in the fight against bribery, bribe solicitation and extortion. The business community, non-governmental organizations, governments and inter-governmental organizations have all co-operated to strengthen public support for anticorruption measures and to enhance transparency and public awareness of the problems of corruption and bribery.

115 Sustainable development: Sustainable development has been defined in many ways, but the most frequently quoted definition is the one above from Our Common Future, also known as the Brundtland Report. https://www.iisd.org/topic/sustainable-development.

The UN Global Compact addresses transparency through its Communication on Progress requirement. It requires disclosure from businesses on their progress in implementing the Global Compact Principles, including how the company is working against corruption in all its forms, as well as on extortion and bribery.

In the ICC Advertising and Marketing Communications Code Article 7 - Identification and Transparency: Marketing communications should be clearly distinguishable as such, whatever their form and whatever the medium used. When an advertisement, including so-called “native advertising”, appears in a medium containing news or editorial matter, it should be so presented that it is readily recognizable as an advertisement and where appropriate, labelled as such. The true commercial purpose of marketing communications should be transparent and not misrepresent their true commercial purpose. Hence, a communication promoting the sale of a product should not be disguised as, for example, market research, consumer surveys, user-generated content, private blogs, private postings on social media or independent reviews. Moreover in the ICC Advertising and Marketing Communications another Article (n. 20 - Transparency on Cost of Communication) has an added description of the transparency principle: “Where the cost to consumers of accessing a message or communicating with the marketer is higher than the standard cost of that mode of communications, e.g. “premium rate” for an online message, connection or telephone number, this cost should be made clear to consumers, expressed either as “cost per minute,” “cost per message,” “message or data rates may apply,” or other similar means likely to be understood by the consumer. When this information is provided on-line, consumers should be clearly informed of applicable charges at the time when they are about to access the message or online service, and be allowed a reasonable period of time to disconnect without incurring the charge. Where a communication involves such a cost, the consumer should not be kept waiting for an unreasonably long time in order to achieve the purpose of the communication and calls should not be charged until the consumer can begin to fulfill that purpose.”

The ISO 26000 aims to create and maintain maximum transparency in the business environment.
III. ANTI-CORRUPTION AND POLITICAL INFLUENCE PRINCIPLE (IP-3)

Integrity Principle Goal (IPG) 3.1.

Businesses abide by the values, norms and rules (and where applicable with the laws) of integrity, including anti-corruption/bribery, fraud, embezzlement and collusion, and to that end establish a robust anti-corruption compliance program, including clear policies and procedures, due diligence aimed at avoiding business partners (suppliers, contractors, intermediaries, agents, subsidiaries, affiliates, joint ventures) involved in corruption practices, and clear messaging to, and training of, employees, as well as incentives (both positive and negative) to promote integrity.

In defining the anti-corruption compliance principle that the HCBM champions and the goal it aspires to achieve, we have examined best practices and compliance guidelines from international organizations, national enforcement agencies such as the US Department of Justice (DOJ), and international standards. International guidelines and best practices converge on several fundamental compliance principles and rules that will aid in laying a solid foundation for establishing robust sets of norms and rules that embody human-centeredness in conducting business ethically, as well as creating a world in which compliance and fair business dealing are seen as the norms. These commonly prevalent and endorsed compliance principles and norms will form the integral parts of the HCBM integrity framework.

The main objectives of any anti-corruption compliance framework—to prevent, detect, investigate and remediate corruption—are, of course, endorsed. But an HCE should do more than meet these basic objectives and adopt human-centered thinking in designing its anti-corruption compliance framework, and let the human-centered thinking guide its implementation. As such, the HCBM aspires to set itself apart from existing compliance standards with its unique, nuanced, current, and responsive approach that places the human cost of corruption and sustainable development at its core.

International and National Compliance Standards

HCBM anti-corruption compliance principle is consistent with existing international, regional and national compliance standards, including: (i) the World Bank Integrity Guidelines; (ii) the U.S. Sentencing Guidelines; (iii) the OECD Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, Annex II: Good Practice Guidance on Internal Controls, Ethics, and Compliance (A)(i)-(ii) (“OECD Recommendation”); (iv) the U.S. Department of Justice Guidelines; (iv) the Anti-Corruption Toolkit For Small and Medium-

As suggested, the goal of establishing compliance principle within the framework of HCBM is to shift the focus on the “user’s experience” and the continuous evolution of an enterprise’s compliance program to reflect the real-world experience of its users (e.g., business partners and third party agents consultants), in order to create a program that is interactive and responsive. The following recommendations are based on vital compliance principles and norms, including designing and implementing an effective compliance program, robust policies and procedures, risk assessment strategies, guidelines on dealing with third-party agents and giving and receiving gifts and hospitalities, and responsive actions, and the leadership setting a strong tone within the business organization.

Establishing a Robust Compliance Program

A close-up reading and observation of the international enforcement actions against enterprises show the multi-faceted ways in which corruption and bribery influence business dealings. Considering the recent increased focus globally on compliance, it is even more critical for enterprises to pay close attention to compliance best practices and take a closer look into a corporation’s compliance culture. The DOJ’s recent guidelines provide insight as to compliance best practices in which, among various components, the effective design, implementation, and responsiveness of the compliance program remains at the core of best practices.

An HCBM anti-corruption compliance program should include the following principal features:

**Designing the Program**

As mentioned, any anti-corruption compliance program should be designed to meet the basic objectives of preventing corruption from happening in the first place, detecting and investigating any instances of corruption that do happen, and taking remedial actions to hold those responsible accountable, as well as enhancing internal controls and other appropriate measures to better prevent such instances in the future.

117 The Department of Justice, Criminal Division, the Evaluation of Compliance Program, also emphasize the importance of continuous improvement. Available here: https://wallensteinlawgroup.com/wp-content/uploads/2017/12/WBG-Integrity-Compliance-Guidelines-full.pdf.

Beyond these basic features, the central piece of human-centered design for an anti-corruption compliance program is the personal connection with the people or users for whom it is being developed. The design of the HCBM compliance program must have a purpose similar to the design-thinking concept that is envisioned. Here, the purpose of the compliance program is to engage in ethical business with committed participation of the employees and leadership, emphasizing the role of individuals at the core of the program and their relationships with one another, the enterprise, customers and clients, third parties and the society at large.

The HCBM guiding principles are designed to incorporate sustainability values in the human-centered approach, including compliance to ethical and integrity values. Placing the HCBM compliance program at the center of the company’s business practices shows others the company’s goal of conducting business with compliance and integrity in mind. The concrete steps to achieve this are active participation of the senior management as well as the employees in the design of the compliance program.

When a compliance program manifests the experiences of the individuals by inviting them to participate in the design process, it will achieve two goals:

a) The shareholders/owners, senior management and workers take ownership in honoring the program they were instrumental in designing; and
b) The employees feel appreciated and motivated for being a part of a central program within the enterprise, providing for better work ethic among employees.

If these stakeholders are part of the process of designing the corporate compliance program, they will be more likely to comply with and honor it.

Adequacy and Effectiveness

The execution of a well-designed compliance program relies on effective implementation strategy. Additionally, the adequacy and effectiveness of the compliance program is often a determining factor in assessing the company’s effort to remediate and mitigate potential wrongdoings.

The compliance program should be designed in such a way that it is easy for internal stakeholders to understand and implement the program in their daily business operations. Compliance should be aligned with and reflect the core business applications of the company.

Patricia Harned, the chief executive officer of the Ethics & Compliance Initiative (“ECI”) made a statement that the Department of Justice’s (“DOJ”) current practices demonstrate that “it is looking for a living, breathing program, not just a ‘check the box’ program.” A living and breathing program should be tailored to address a business organization’s circumstances, and it should be human-centric.

The “modularity”\(^\text{119}\) concept in design thinking can also be useful in shaping a compliance program. It “standardizes the way by which components fit together

\(^{119}\) Clayton Christenson Institute, Modularly Theory. Available online: https://www.christenseninstitute.org/interdependence-modularity/.
— physically, mechanically, chemically and so on. The parts fit and work together in well-understood, crisply codified ways.” Every part, including conducting risk assessment, drafting policies and procedures, and establishing *bona fide* gifts and hospitalities, should all fit together so that any mishap in one would not cripple the entire organization and put itself in compliance risks. Remediation measures must be tailored to the context of the enterprise and the scale of the risk presented. Sometimes, making incremental changes to existing policies could serve the purpose without having to overhaul all existing enterprise-wide policies.

**Tone at the Top**

“Tone at the Top” defines the senior management’s leadership and commitment towards openness, honesty, integrity, and ethical behavior. Both the senior and middle management should publicly and consistently endorse the organization’s compliance program and its underlying principles. Management should engage in designing and implementation of the compliance program, Codes of Conduct for the organization, anti-bribery management, risk assessment, and other policies. The compliance program shall be designed by taking into consideration the industry-specific applicable risk factors. More importantly, senior management should lead by example in complying with the Code of Conduct.

As the U.S. Sentencing Guidelines point out, “An effective compliance and ethics program” generally “promote[s] an organizational culture that encourages ethical conduct and a commitment to compliance with the law.” This “minimally” requires that a business organization “take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program . . . by conducting effective training programs and otherwise disseminating information appropriate to [certain] individuals’ respective roles and responsibilities.” Specifically, the information should be disseminated to “members of the governing authority, high-level personnel, and substantial authority persons.”

The OECD includes guidance for corporations on ensuring that they have:

a) [S]trong, explicit and visible support and commitment from senior management to the company’s internal controls, ethics and compliance programs or measures for preventing and detecting foreign bribery; [and]

b) [A] clearly articulated and visible corporate policy prohibiting foreign bribery . . .

The Anti-Corruption Toolkit for the SMEs provide that “the CEO should set the Tone from the Top by engaging with employees on the topic of ethical business.”

The UNODC’s Principles provide that “An effective anti-corruption programme must be based on the strong, explicit and visible support and commitment from the senior

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122 Anti-Corruption Toolkit For Small And Medium Sized Companies, 2015.
management of the company. The UNODC’s principles go further to emphasize the Senior Management’s ownership as to the failure of the prevention of corruption as its own responsibility. A relatively recent guideline, the ISO Anti-Bribery Management, also echoes the same view:

The ISO Anti-bribery Management 37001 addresses “the importance of commitment by senior management to maintaining an anti-bribery culture, which includes establishing, implementing, maintaining, and reviewing policies and objectives that adequately address the organization’s bribery risks.” Such policies should be communicated in the appropriate language and to business associates who pose heightened risk of bribery.

On a similar vein, The U.K. Anti-Bribery Act Guidance also stresses on the role of senior management by noting that “those at the top of an organization are in the best position to ensure their organization conducts business without bribery.” Going a step further, it also recommends that the senior management get personally involved in addressing any bribery risks for the enterprise.

A clear, unequivocal, personal message from the CEO of the company to the employees reaffirms the organization’s commitment to a strong set of values and a vital ethics and business conduct program. The top leadership sending a strong message alone is not sufficient to create a set of values under the big umbrella of HCBM. The senior management at the company should do more than back the ethical principles. In HCBM, senior management is required to frequently demonstrate its commitment through personal involvement in the implementation of the program concerning the development of relevant policies and procedures, frequent communication with the Compliance Officers, the Legal Director and other members of the company, through both internal and external communications. Most importantly, the executives should harness empathy and leadership in understanding the intricacies of corruption in heightened risk jurisdictions and the temptation of following the “That’s how the business is done” behavior, but to comply with the international compliance standards and lead by examples of ethical business.

Senior management officials are required to assume the role of coaches as they exhibit and show the way toward ethical behaviors to their subordinates. In addition to the Tone at the Top by the senior management, in larger enterprises establishing a “Tone at the Middle” among mid-level managers can be equally critical. Employees look to their leaders and managers for guidance—formal and informal—on what is the appropriate manner in which to conduct their activities. Senior management should exemplify the values of the company and make it apply across the company, irrespective of the jurisdiction the company operates out of and any lax laws and regulations. Moreover, an HCE should ensure that employees are provided with adequate and effective access to Senior and Mid-Level Management through either a ‘Town-Hall’ type of discussion or by conducting regular outreach meetings to understand the needs and grievances of the employees better.

In the execution of setting the tone, in a structured business model, the business organization should ensure the Board (or equivalent body) is committed to the anti-corruption program. The World Bank Guidelines contain the same requirements: “The Board of Directors, or equivalent body, is responsible for overseeing the development and implementation of an effective Integrity Compliance Program. It should commit to an Integrity Compliance Program and provide leadership, resources and active support for management’s development and implementation of the Integrity Compliance Program.” In addition to the support, the Board must ensure compliance policies, systems and procedures are in place, and it should monitor implementation and effectiveness of the compliance program.

**Communication**

Communication is key in any business relationship. Even the best-suited and best-designed program would fail if a lack of effective communication regarding the desired goal occurred. HCEs should ensure that a strong tone of compliance is clearly communicated to the organization’s personnel through management actions and compliance messaging. Organizations should effectively communicate, publicize, and disseminate their compliance programs to their external stakeholders, including business partners, vendors, and other third-party contracts.

Having established and communicated the compliance program to stakeholders, the business entity should use its best efforts to ensure the compliance program is ongoing and reflective of current trends. Most importantly, when a new policy is issued, the management should ensure that their teams are aware of new policies and procedures and that all necessary steps be taken to ensure that the rules are fully implemented. And businesses could consider establishing special awareness-raising events such as a “Compliance Ethics Day” focused on the company’s anti-corruption program and human rights program. A discussion and message from senior executives to set the tone is highly encouraged.

**Policies and Procedures**

Robust policies and procedures are the foundation upon which an effective compliance program is built. Articulated and well-communicated corporate policies and procedures should convey the enterprise’s position, tone, policy, and stance regarding anti-bribery and corruption violations concerning relevant legislation, particularly regarding business partners, third party agents, or any other relevant party. Business organizations should design a policy with an understanding of its business, operation, and risks.

The EU Resolution urges businesses to “practice self-regulation and ensure transparency through codes of conduct” in the fight against corruption. The OECD Recommendation also suggests that business organizations establish “a clearly articulated and visible corporate policy prohibiting foreign bribery.”

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126 World Bank Guidelines.
127 E.U. Resolution on Organized Crime, Corruption, Money Laundering: Recommendations on Actions and Initiatives to be Taken, 2013.
Bank Integrity Guidelines also include similar language “A clearly articulated and visible prohibition of Misconduct (fraud, corruption, collusion and coercive practices) … to be articulated in a code of conduct or similar document or communication.”

The ISO Anti-Bribery Management 37001 also suggests that business organizations and their top management “shall establish, maintain and review an anti-bribery policy … and the policy shall be communicated in appropriate languages within the organization and to business associates who pose more than a low risk of bribery.” The U.K. Anti-Bribery Act also suggests that commercial organizations ensure that the “procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organisation’s activities.” Similar to the OECD Recommendations and the World Bank Integrity guidelines, the UK Anti-Bribery Act provides that the procedures adopted be “clear, practical, accessible, effectively implemented and enforced.”

However, in a recent case, Singh v. Cigna Corp, before the U.S. Circuit Court, the plaintiff filed an action against the defendant for allegedly misleading shareholders on Medicare regulations based on the statements Cigna made in the corporation’s published “Code of Ethics and Principles of Conduct.” The main issue in the case was whether in light of all the regulatory issues that Cigna Corp was facing, it made false or misleading statements by affirming in its Code of Ethics and similar documents that it had “established policies and procedures to comply with applicable requirements” and that it “expect[ed] to continue to allocate significant resources” to compliance efforts. The court threw out the argument by concluding, “Cigna’s Code of Ethics were a textbook example of puffery and a reasonable investor would not rely on the statements as representations of satisfactory compliance.” The court’s view in this case suggests that often policies and procedures are seen as lengthy documents.

As Professor Soltes said: “A business organization’s code is akin to marketing material that people don’t take literally word-for-word.” This is demonstrated very clearly in the judgment in Singh v Cigna Corp where in the court came down heavily on the plaintiff (investors) placing their reliance on a lengthy self-congratulatory Code of Ethics and Principles of Conduct for important compliance information.

Codes of Conduct are typically overwhelming for employees to read, understand, and use as a manual. This is precisely what HCBM compliance principles advocate. HCEs should establish clear, “reader friendly” policies and procedures that provide concrete steps, guidance, and answers for employees to follow—avoiding undue length and complexity. The following example in the text-box describes an instance of efforts in an enterprise towards making its Code of Conduct more reader-friendly and understandable.

130 U.K. Anti-Bribery Act, Guidance about Procedures which Relevant Commercial Organisations can put into place to Prevent Persons Associated with Them from Bribing, 2010.
131 Federal health insurance program in the United States.
133 The example in the text box merely serves as an illustration. It does not constitute an endorsement of Accenture or its policies by this paper and/or its authors.
Case Study: Accenture

In 2016, Accenture planned to redesign its compliance policies. Paul Steinke, the Director of Ethics at Accenture, reflected concerning its old comprehensive code of conduct, “The code included quite a lot of things that were more marketing-oriented. It wouldn’t resonate with someone who was just trying to look for and understand what sort of behavior is expected of them as an individual.”

Accenture, after examining codes of conduct from other companies that it deeply respected, focused on creating a code that: i) is suitable for Accenture; ii) serves as an expression of the company; and, iii) most importantly “serve as a practical guide for employees, while also serving as a public commitment for external stakeholders including clients, investors, vendors, and regulators.” The code of conduct achieved three important characteristics of an effective code of conduct: succinct, practical, and interactive.

In addition, Accenture’s leadership, along with its marketing development and digital design studio, Fjord, created Accenture’s Code of Business Ethics Chatbot “COBE.” The team aimed to apply the design process to inspire and empower employees to make good choices and responsible decisions. Thus, after spending considerable time analyzing how potential users would interact with the code, the kind of information that they would need, the type of experiences that COBE wishes to create, the current interactive model came to existence. Accenture’s example shows that in today’s age, business organizations can be creative while remaining committed to individuality, and they design the right policies and procedures that best suit its goals in achieving integrity principles.

Lengthy codes of conduct do not necessarily mean “good.” The emphasis shall be on achieving a “living code of conduct.” Above all, the efforts and final text/documentation of the policies and procedures should be clearly communicated to the organization in a way that “resonates with the intended audience.” As the FCPA Guidance states:

Compliance policies cannot work unless effectively communicated throughout a company. [...] 

- Develop and adopt a Code of Ethics and Business Integrity Guide that is tailored to the specific circumstances company;
- The policies and procedures should reflect HCE’s guiding principles;
- Ensure that the policies and procedures are provided in local languages;
- The compliance policy should resonate with the entire organization with a view to reflect cultural differences, specific cultural holidays, customs, traditions, and practices.
- The compliance policy should include incentives and disciplinary actions against employee’s conduct to achieve the ultimate behavior change within the

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136 DOJ website, FCPA Guidance, 2012.
organization. The employees' behaviors have direct impact on the reputation of the business organization. Therefore, when employees engage in a manner that honors the reputation of the business organization, companies should explore creative ways to express appreciation towards commendable behaviors of employees and recognize their commitment.

**Compliance Risk Assessment**

An effective compliance program centered on detecting and deterring corruption should be developed based on a risk assessment. The program should consider, in particular, the enterprise's individual circumstances, including bribery and other corruption risks. First and foremost, the program should identify the key risks the organization may face including the Reputation Risk, Communications Risk, Employee/Third Party Fraud Risk, Third Parties Risk, and Outsourcing Risk. Other examples of risk factors to consider include the place of operation, the industry sector, the potential business partners, the extent of government regulation and oversight, including the exposure to customs and immigration in conducting international business, and other points of interaction with government officials.

The DOJ's recent guidelines classified the compliance risk assessment as the central means by which companies are expected to create, monitor, and improve their compliance practices.\(^{137}\)

The ISO Standard also provides, “[T]he intention of the bribery risk assessment required … to enable the organization to form a solid foundation for its anti-bribery management system.”\(^{138}\)

**An effective compliance program can be a deciding factor in the outcome of anti-corruption enforcement.** The SEC’s $2 million settlement with a Massachusetts based MSME, Smith & Wesson Holding Company, echoes the importance of implementing a rigorous compliance program and conducting risk assessment concerning MSMEs. In its settlement agreement, the SEC criticized the company for failing to perform anti-corruption risk assessments on international markets or due diligence on international third-party agents, along with a lack of internal control and adequate training.\(^{139}\) An effective Compliance Program includes customized risk-based management that is integrated with the company’s business processes. An effective compliance program should:

(i) Take a risk-based approach to due diligence;
(ii) Take a risk-based review and approach – this is essential for high-risk vendors (based on the type of services, the location of activities, etc.);
(iii) Raise awareness through training and communication;
(iv) Implement an ongoing monitoring program;
(v) Devote adequate staffing and resources to the Compliance Program commensurate with its size and risk profile;

\(^{137}\) The DOJ Press Release concerning Olympus Corp. of the Americas, “For years, Olympus Corporation of the Americas and Olympus Latin America dropped the compliance ball and failed to have in place policies and practices that would have prevented the substantial kickbacks and bribes they paid.” DOJ Press Release, March 1, 2016.


(vi) Conduct an annual risk-mapping exercise concerning the business; and
(vii) Document and continually update the risk assessment result.

In a similar vein, the UK Anti-Bribery Act Guidance enumerates certain key features of a good risk-assessment procedure, namely:

(i) Oversight of the risk assessment by top level management.
(ii) Appropriate resourcing – this should reflect the scale of the organisation’s business and the need to identify and prioritise all relevant risks.
(iii) Identification of the internal and external information sources that will enable risk to be assessed and reviewed.
(iv) Due diligence enquiries (as a facet of risk mitigation)
(v) Accurate and appropriate documentation of the risk assessment and its conclusions

The OECD/AfDB Guidance for African Companies has also developed a useful checklist for enterprises engaging in bribery risk assessment which includes, *inter alia*, an evaluation of the corruption profile and climate in which the business organization operates, the business sector involved, whether the process involves a public tender process that is fair and competitive, whether third parties are engaged in the project in question and if yes, what their integrity profiles look like etc.

In taking a risk-based approach, the organization shall (i) put in place internal controls, governance, and oversight; (ii) impose consistent measurement of inherent risk and assessment of controls regarding its line of business and operation. These measurements and results should be reported to the Board or a committee thereof with an assessment of ongoing compliance. The organization should then tailor remediation efforts to the perceived controls failure and implement a responsive enhancement to the compliance program.

In the HCBM, the enterprise should particularly focus on understanding the customer’s point of view, and work with them in a way that achieves the best outcome. Creativity and empathy in dealing with a third-party agent who has never been exposed to compliance risk assessment requires patience and diligent response.

**Training and Compliance-Related Communications**

Anti-corruption compliance training and communication of anti-corruption policies and procedures are fundamental parts of an effective compliance program.

Training educates employees, business partners, and intermediaries about their compliance obligations and the standard of conduct with which they are expected to comply. OECD Guidelines in identifying good practices suggest that [Individuals..... will be required to participate in training and other awareness and educational efforts designed to inculcate a new mindset, one of zero tolerance for fraud, corruption and other Misconduct and clarify unknown potential legal risks for non-legal personnel.]

The World Bank Guidelines echoes the same message and provides for concrete

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examples of training including [training employees through informal staff meetings, and monitoring through regular "walk-arounds" or continuous observation while managing the organization.] The ISO Anti-Bribery Management Standard also provides detailed steps to raise awareness and conduct compliance training. The OECD/AFDB Guidance for African Companies also stresses on the need to train its employees on not only the internal policies adopted by the board, but also on the domestic, foreign and international standards on anti-corruption efforts.142

National laws also follow the same example. For instance, Thailand’s anti-corruption agency in its Guidelines on Appropriate Internal Control Measures for Juristic Persons provide that [A company may organize activities or initiatives for its business partners to foster knowledge and understanding so that they are able to comply with anti-bribery measures, e.g. providing a channel for consultancy and trainings.]

- Develop appropriate and varied training programs and communication to ensure that the program is understood by the Company’s employees and third parties with which the company interacts;
- Adopt a combination of in-person training & E-learning;
- The company’s compliance personnel, who understand the HCMB Integrity Principles, should develop E-learning programs, which should be well adapted to the scenarios and challenges experienced by its staff in practice.
- Specific training for portions of the employee population that are exposed to higher levels of compliance risk (including individuals in charge of business development and contracting and procurement) should be conducted.

**Managing Third Party Risks**
Along with establishing a culture of compliance within the organization, third parties pose one of the greatest compliance risks.143 Most of the enforcement cases arise from misconduct by third party consultants.

Business entities deal with third-party resellers, distributors, customs clearance agents, and tax and accounting consultants. However, the significant potential risks associated with the use of third parties, and the focus placed on such relationships by enforcement authorities, should caution any business entity in conducting third party due diligence processes and procedures. Hence, it is critical for a business entity to establish and implement a due diligence procedure to address the compliance risk presented by these third parties. A few measures that could be taken by an HCE include:

- Comprehensive and in-depth risk-based due diligence should be conducted and documented prior to entering into a business transaction or relationship with joint venture partners, agents, business partners, contractors, and/or suppliers. Due diligence should be updated regularly for business partners with ongoing relationships;144
- A business entity should request a business partner’s adherence to Anti-Corruption Principles;

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143 In Focus, Compliance Trends Survey, 2015; A joint effort by Deloitte and Compliance week.
Ensure ordering a third-party due diligence against any supplier, vendor, or business entity.\textsuperscript{145}

Third-party due diligence materials should be provided in the local language of the respective third-party; Organizations shall also conduct in-person trainings with employees regarding the due diligence process as third-party engagement presents heightened risks; and

Clearly define the roles and responsibilities of the personnel in charge of due diligence against third-parties, corresponding to their expertise.

Provide for effective supervision of the work of third-parties and consultants, including access to confidential documents and information.

**GIFTS, HOSPITALITY & EXPENSES**

Corporate hospitalities, gifts, and related expenditures present compliance risks for companies. While most guidelines allow for bone fide expenditures, this is an area where business organizations should be diligent.

Business courtesies, such as gifts, meals, and entertainment, are frequently used by companies either as a way of solidifying an existing business relationship, as a form of new business development, or to convey appreciation. However, the current environment of heightened anti-corruption enforcement, which has seen billions of dollars of fines and penalties over the past few years, companies run the risk of triggering anti-corruption laws if their gifts and hospitality policies raise questions and may be classified as “Bribery.”

While many national laws, international standards, and enforcement agencies view bona fide hospitality or other legitimate business expenditures as an essential element of doing business, the practice of giving gift is no longer limited to an obvious cash, gold, or a VIP ticket to Caribbean Islands. In response to these concerns, the FCPA definition of “Anything of value” also expanded to include internships, job opportunities, and charitable donations. Good practices that HCBEs should consider following when providing gifts, meals, entertainment, and travel to clients or prospective clients who might arguably constitute foreign officials:

- Conduct a bribery risk assessment concerning the company’s dealings with business partners, customers, third party agents, and foreign public officials, as well as the provision of gifts, entertainment, and other hospitality and promotional expenditures. This general risk assessment should be conducted periodically so that the company can respond and address the evolving practices of gift giving. Companies should establish controls and procedures to monitor the gifts received and given.
- Carefully scrutinize the timing of the gifts or expenses especially if they are received and/or given during a tender process in which the company is participating, at any stage of contract or license renewals/grants etc.\textsuperscript{146}

\textsuperscript{145} Also See U.K. Anti-Bribery Act, Guidance about Procedures which Relevant Commercial Organisations can put into place to Prevent Persons Associated with Them from Bribing, 2010, Principle 4.

Clearly establish acceptable and non-acceptable thresholds;\(^{147}\)

- Companies should formalize their Gifts and Hospitality policies into a local rule;
- Implement an e-Register tool to register the gifts and hospitalities given and received to avoid employees misusing the paper-based system. The World Bank Guidelines suggest appropriate record keeping;\(^{148}\)
- Conflict of Interest certifications should be implemented;
- Gifts and entertainment related to points of contact should be carefully addressed, as the risk is much higher in this regard; and
- Conduct periodic trainings for employees regarding the company’s gifts and hospitality policies.

HCMB Integrity principles may encourage companies to engage in charities and social responsibility programs. However, an HCE should carefully vet charity recipients and conduct adequate due diligence to ensure that no money or benefits accrue to suspicious organizations and that it is actually used for the purposes for which it was sought. Companies may auction off gifts received and donate the proceeds to charity, provided that there is no improper connection with a potential charity.

WHISTLEBLOWER PROTECTION

Whistleblower protection is a key tool in fighting corruption. Whistleblower protection and reporting policies serve to enhance the other components of a robust anti-corruption compliance framework such as good corporate governance, sound internal controls, effective communication and better transparency.\(^ {149}\)

An HCE should adopt robust policies and procedures to protect its employees from retaliation for reporting violations of the enterprise’s anti-corruption policies and guidelines, including a mechanism for safe and effective [anonymous] reporting. In addition, an HCE should create a corporate culture and atmosphere that is conducive for its employees to feel not only duty bound to report violations but also safe and comfortable to do so, through active encouragement by the management and the Board.

Whistleblower protection has in fact been a mainstay of international anti-corruption standards. Articles 32 and 33 of the UN Convention against Corruption\(^ {150}\) deal with the protection of persons who report facts that relate to the offences under the Convention in good faith. The UNODC has published a detailed Resource Guide on Good Practices in the Protection of Reporting Persons,\(^ {151}\) against the backdrop of the aforementioned Articles. While most of the provisions are directed at public

\(^{147}\) The World Bank Group Guidelines echo this requirement: “Establish controls and procedures, including thresholds and reporting procedures, covering the offer or receipt of gifts, hospitality, entertainment, travel or expenses in order to ensure that such arrangements (a) are limited to reasonable and bona fide expenditures, and (b) do not improperly affect, or might be deemed to improperly affect, the outcome of a procurement or other business transaction, or otherwise result.”

\(^{148}\) Appropriate records must be maintained regarding all aspects covered by the Program.

\(^{149}\) “The encouragement for internal reporting is given in the recommendation because setting up effective reporting systems is part of good and transparent management practice and governance and together with reports to public regulatory authorities, enforcement agencies and supervisory bodies, they can contribute in many cases to the early and effective resolution of risks to the public interest.” in Council of Europe Recommendation CM/Rec(2014)7 and Explanatory Memorandum (2014).

\(^{150}\) Untited Nations Convention Against Corruption (2003) Ar.32. – Protection of Witnesses, Experts and Victims; Ar.33 – Protection of Reporting Persons.

authorities, UNODC notes the relevance of the same principles for private actors as well, particularly those recommendations on how and where to get the alleged wrong doing or corrupt practice addressed. The Council of Europe has also endorsed the protection of ‘reporting persons’ and emphatically prohibits the sanctioning of such individuals in any way, either through dismissals, demotions or by creating any obstacles in their career progression. The G20 Anti-Corruption Action Plan on Protection of Whistleblowers speaks specifically to the corruption context of whistleblower protection, noting the heightened risk for corruption when reporting of wrongdoing is neither supported nor protected.

International and national efforts on whistleblower protection are constantly evolving, and HCEs would do well to monitor developments and update their policies and procedures as appropriate. For example, the EU recently adopted a common minimum standard for whistleblower protection against breach of EU laws by both private and public entities. Key requirements include the trifurcation of reporting into internal, external (to relevant authorities) and media reporting; the establishment of clear transparent reporting channels has been made mandatory. Australia has also recently promulgated a law on protection of whistleblowers, making it obligatory on the part of certain companies to have a whistleblower policy in place, the absence of which would invite a hefty fine. Similar sanctions are also applied to companies and individuals that disclose the identity of whistleblowers. Under the French anti-corruption law, Sapine II which entered into force in January 2017, all enterprises with over 50 employees are obliged to have a whistleblower policy in place as an important facet of their compliance program.

The ISO is also in the process of developing an international standard (ISO 37002) on whistleblowing that would be applicable to all types of enterprises (including MSMEs) and across all sectors. ISO has identified 3 key principles - transparency, impartiality and protection that would form the foundation for the standard and its ensuing guidelines. The standard will use a four-pronged approach to provide guidance to businesses on whistleblower protection - how cases of wrongdoing are identified, assessed, addressed and closed. It would be useful for HCEs to approach the formulation of their whistleblower policy in similar ways.

Integrity Principle Goal (IPG) 3.2.

Businesses avoid seeking undue political influence through unethical lobbying.

Lobbying is one of the most popular methods employed by companies to impact legislation and policy. However, the practice of lobbying becomes dubious and results in undue political influence when it occurs behind closed doors and outside of any public scrutiny, making the balance of interests very skewed and often, to the detriment of the client, the consumer or the public in general. In such a situation, lobbying becomes a promoted platform for vested interests that is bolstered by money power and unrestricted access. In fact, according to the IMF, the 2008 financial crisis was fueled in part by the opaque and insufficiently regulated lobbying on the part of the finance, insurance and real-estate industries.  

HCBMs may engage in ethical lobbying activities, but to the extent an HCE attempts to contribute to political decision making and policy, it should seek not just to further its own particular business interests, but also to serve the broader interests of the public and the society at large. The first Integrity Principle and its Goal (IPG) 1.1. attests to the critical importance of public interest in the activities of an HCE. The second Integrity Principle (IP-2) and its Goal (IPG) 3.2, ties together the general principles of honesty, integrity and fairness and, to this end, calls on HCEs to avoid undue political influence.

One of the bedrocks of the HCBM is the building and maintenance of public trust. Therefore, to the extent an HCE engages in lobbying, it should do so with complete honesty, integrity and transparency. An HCE should use its influence responsibly, the primary purpose of which should not be to seek undue advantage, such tax rebates or favorable regulation at the expense of the greater public good. Conversely, ethical lobbying has the potential to serve as a key component of participatory democracy, one wherein the voices of all the stakeholders are heard, appreciated and taken into account in the drafting of laws and policies.

To ensure that its lobbying activities are ethical, HCEs must, at a minimum, adhere to applicable national laws governing lobbying and other forms of participation by business in national politics and policy making. But an HCE can and should go further. The OECD’s Ten Principles on Transparency and Integrity in Lobbying (“OECD Lobbying Principles”) provide a framework for countries to ensure openness, transparency of access, integrity and effective compliance and review in lobbying activities. These principles have been distilled after examining numerous national frameworks on ethical lobbying and therefore reflect the essence of internationally converging standards on lobbying. While much of their focus is on government and public officials, the Lobbying Principles also highlight the role of the private sector in fostering a culture of integrity. They recognize the obligation of lobbyists and their clients to observe professional standards in their interactions with public officials, other lobbyists and the public in general. They are also required to abstain from ‘illicit

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159 Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance, OECD (2019).
160 Transparency and Integrity in Lobbying, OECD (2013).
161 Id.
influence', to promote honesty, integrity and good governance, maintain accurate and reliable information as well as promote transparency. Additionally, conflicts of interest are to be flagged early on and avoided.

The OECD Lobbying Principles make it incumbent upon countries to ensure that information about an enterprise’s lobbying activities is stored in publicly accessible registers. There must be adequate disclosure of in-house or consultant lobbyists, the goal sought to be achieved through lobbying and a list of the beneficiaries. For example, Canada has implemented legislation requiring all lobbyists to disclose inter alia their corporate or organizational client, its structure, including information about its parent or holding company as well as its subsidiaries, the names of the government agencies and departments contacted, the amount of funding received from the government, the specific communication techniques used such as grassroots lobbying or closed door meetings, the subjects, laws and policies up for discussion and the benefit or contracts, projects or grants sought. The E.U. has also cited the importance of a lobby register as an important transparency instrument. Registration in the lobby register is recommended as a condition precedent to engagement with enterprises or lobbying organizations. Therefore, an HCE should ensure that it proactively gets its lobbyists registered and recorded in a publicly accessible register, if available.

Whether or not required by law, as a form of best practice in transparency standards, an HCBM enterprise would do well to voluntarily comply with such disclosure requirements as to their own activities and those of any lobbying firms they engage to further enhance public trust.

Apart from state regulations, self-regulation of lobbyists is also common in certain jurisdictions. For example, in the U.K., the lobbying association Chartered Institute of Public Relations (CIPR) has formulated a code of conduct that espouses honesty, integrity, transparency, avoiding conflicts of interest etc. Non-compliance is also visited with censure from the professional body, its members and clients, thereby ensuring some form of accountability. One of the most effective tools to counter lobbying based undue influence is the formulation of an ethical code of conduct that could be either in the form of a code of business principles approved by the board of a company or formulated and applied by a professional lobbying body. In certain jurisdictions, membership in these professional associations are contingent on the adoption of such an ethical code of conduct for lobbying.

For HCEs, not only is the formulation of such a code a sound ethical practice, it could also mean effective representation and participation in business associations, thereby ensuring greater visibility and market access.

162 Refers to any influence obtained through bribery, extortion or other forms of corrupt practices, See Draft Recommendation of The Council on Principles For Transparency And Integrity in Lobbying, OECD (2010)
163 Id.
164 Id.
165 E.U. Resolution on Organized Crime, Corruption, Money Laundering: Recommendations on Actions and Initiatives to be Taken, 2013.
166 Id.
IV. ANTI-MONEY LAUNDERING AND ANTI-TAX EVASION PRINCIPLE (IP-4)

Any cross-border movement of financial assets generated through illicit activities would fall under the rubric of Illicit Financial Flows (“IFFs”). This includes money laundering, tax-evasion, abusive tax avoidance, mispricing of goods, smuggling and trafficking. Significantly reducing IFFs by 2030 is one of the stated targets of the UN SDGs. IFFs reduce domestic public expenditure, which impacts negatively on government welfare programs, public works and infrastructure as well as creation of jobs. IFFs also have a discernible negative impact on the financial health of markets, resulting in the impairment of long term economic growth. Resources are siphoned off from crucial public services and investments, destabilizing the economy and weakening financial systems. Moreover, studies show that illicit financial flows adversely impact human development, aggravating inter alia income inequality due to consequent capital flight and inefficient resource mobilization.

In line with IP-1 and IP-2, HCEs have a duty to protect human dignity and have respect for human rights. Business interests and profits must serve the interests of society, more broadly. Given these human and public costs, HCEs must therefore scrupulously avoid engaging in IFFs in all its various forms, as well as the illicit activities underlying them, and take measures to avoid becoming embroiled, whether unwittingly or unwittingly in IFFs carried out by third parties. Among other things, HCBM enterprises should take positive measures to ensure that their operations do not lead to money laundering, tax evasion or abusive tax avoidance.

Integrity Principle Goal (IPG) 4.1.

Businesses avoid engaging in or facilitating money laundering and refrain from tax evasion and aggressive tax avoidance.

MONEY LAUNDERING

An HCE should scrupulously avoid engaging in money laundering practices whether unwittingly or unwittingly. Money laundering seeks to legitimize funds that were

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169 Sustainability Target 16.4 “By 2030, significantly reduce illicit financial flows and arms flow, strengthen the recovery and return of stolen assets and combat all forms of organised crime.”

170 Illicit Financial Flows from Developing Countries: Measuring OECD Responses (2014).


173 Integrity Principle 4.1 & 5.1.
obtained illegally. An HCE should take into account the fact that even money that may seem to have come through ‘proper’ channels may have dubious origins, and must therefore investigate all sources of funds thoroughly to avoid being used as a pawn albeit unknowingly, in illicit cross-border activities. Money laundering helps prop up international terrorism, trafficking, drug cartels and a host of other criminal activities. HCEs should disassociate themselves completely from such activities and avoid risking severe reputational, legal and financial damage.

The primary body that promulgates standards and best anti-money laundering ("AML") practices is the inter-governmental policy body, the Financial Action Task Force ("FATF"). The FATF is responsible for the promotion and implementation of its periodically revised recommendations. The FATF has recognized the particular vulnerability of companies and financial institutions with lax AML measures to corrupt practices. FATF has come out with a set of 40 recommendations ("FATF 40")\textsuperscript{174} premised on the link between money laundering and corruption. In line with Integrity Principle 4.1, this section examines principles that businesses could employ to create an environment that is hostile to corrupt practices and specifically, money laundering. Banks and financial institutions have been the main focus of these recommendations from a regulatory point of view. In addition, specific FATF recommendations, although devised for securities accountancy firms, trusts, company service providers, lawyers, can be applied broadly to most businesses and especially to those in the retail space.

Due diligence in the vetting of directors, investors, employees and third-parties, comprehensive risk assessments, ensuring a reliable paper trail through proper record keeping, appropriate company-wide internal controls and policies to deter and detect money laundering, transparency of beneficial ownership information and effective supervision are a few important facets of a good AML compliance program. These practices are critical for an enterprise that adheres to an HCBM framework.

The standards and measures detailed below can help HCEs avert risks and bolster shareholder and public confidence in company management, making the business a good corporate citizen with sound ethos:

**Internal Anti-Money Laundering (AML) Controls and Policies/ Governance:**
Interpretive note to Recommendation 18 of FATF 40 provides that programs against money laundering and terrorist financing should include: (a) the development of internal policies, procedures and controls, including appropriate compliance management arrangements, and adequate screening procedures to ensure high standards when hiring employees; (b) an ongoing employee training program; and (c) an independent audit function to test the system.

Therefore, a group wide AML policy inclusive of foreign subsidiaries should be formulated and effected. Foreign branches and majority subsidiaries should adhere to AML policies that are mandated under the parent or holding company’s home country. A compliance officer should be appointed to monitor compliance with the AML program.

There should also be a sound group-wide information sharing policy on transactions and customers between various branches of the enterprise and its subsidiaries, that is specifically tailored to the size and business of the enterprise and the sensitivity of the information that is to be shared.\textsuperscript{175} There must be a mechanism to report suspicious transactions across the group that is sensitive to anonymity concerns and protection of whistleblowers. Enterprises should as far as practicable under applicable laws, cooperate with financial intelligence units of the government, taxation and data protection authorities.

In the Risk Based Guidance for the Accountancy Profession (2014), Guidance for Risk-Based Approach for the Securities Sector (2018)\textsuperscript{176} and the Risk Based Guidance for Trusts and Company Service Providers (2019), there is a specific iteration of the need to engage with Senior Management and demonstrate strong leadership\textsuperscript{177} or as mentioned earlier in the report, the right ‘tone from the top’. A culture of compliance as a core business value has to be cultivated by the management. Senior management must be actively involved in the creation, monitoring and updation of policies and programs. These include: (a) performing a regular review of the firm’s policies and procedures to ensure that they remain fit for purpose; b) performing a regular compliance review to check that staff are properly implementing the policies and procedures; c) providing senior management with a regular report of compliance initiatives, identifying compliance deficiencies, corrective action taken; d) planning for changes in management, staff or firm structure so that there is compliance continuity; e) focusing on meeting all regulatory record-keeping and reporting requirements, recommendations for AML compliance and providing for timely updates in response to changes in regulations; f) enabling the timely identification of reportable transactions and ensuring accurate filing of required reports; g) incorporating AML compliance into job descriptions and performance evaluations of appropriate personnel; h) providing for appropriate training to be given to all relevant staff. Senior management should unequivocally support the AML initiatives of the entity visibly, by giving a clear message that their company does not tolerate money laundering. Money laundering risks should be mitigated before forging new business relationships, or where applicable, continuing to maintain a risky one.

**Due Diligence:**

(i) One of the first steps towards AML compliance is understanding who the customer is. The FATF 40 Recommendation 10 (“R. 10”) mandates verification of the identity of a customer or of any person or entity who acts on behalf of a customer through reliable and independent data sources. It prohibits anonymous accounts or those under fictitious names. The customer due diligence obligation commences from the time of entering into a business relationship or transaction and continues throughout the relationship. While these obligations have been envisaged for large financial institutions, it could be easily applied to various other businesses. For example, in the FATF Guidance for the Accounting Profession (2014), accountancy firms should be able to understand the ownership and control structure of their clients and beneficial owners, through requiring the provision of constitutional documents, incorporation details etc. As affirmed by the interpretive note

\textsuperscript{175} FATF Guidance Private Sector Information Sharing.
\textsuperscript{176} Guidance for Risk-Based Approach for the Securities Sector, FATF (2018).
to R.10, the purpose of such checks is to prevent the unlawful use of clients and arrangements to further money laundering.\textsuperscript{178} On a similar vein, the FATF Guidance for Trusts and Company Service Providers (2019)\textsuperscript{179} affirms the ongoing nature of customer due diligence to understand all the different layers of the corporate structure of the client or the beneficial owner, throughout the business relationship. Where a client’s identity cannot be clearly established, the entity should not commence a new business relationship, or in the case of an existing one where the identity is no longer verifiable or clear, steps must be taken to cease the relationship.\textsuperscript{180}

(ii) Due diligence however, cannot stop at customers and should extend to employees and any persons holding a managerial position or a controlling interest in a company.\textsuperscript{181} There should be thorough vetting of all prospective employees and periodic monitoring of current employees to ensure that corrupt persons do not enter or stay on in the system and use their position to further money laundering.\textsuperscript{182} This could include domestically permitted background criminal checks, credit checks etc.

(iii) There must be accurate information which identifies the individual or legal person that owns or control the enterprise and its business partners. Transparency of ownership hinders attempts to successfully launder the proceeds of corruption through a company or trust.\textsuperscript{183}

(iv) Beneficial ownership of entities i.e., persons who ultimately control a legal person or entity are often concealed through complex corporate structures and vehicles, through shell companies, bearer shares, using family and friends as informal nominee shareholders and so forth. These problems are compounded when different countries are implicated. FATF recommends that companies be required to obtain up-to-date information on beneficial ownership as far as practicable, including shareholder registries, imposing obligations on shareholders to provide beneficial ownership information etc. An HCE must be transparent about its ownership and management and should forge relationships with only those companies that do the same.

Record-keeping
One of the recommendations of the FATF is that records and documentation pertaining to business relationships be retained for a fixed number of years (suggested number of years is 5),\textsuperscript{184} either from the time of termination of the business relationship or after the date of the transaction. This is to ensure that there is a reliable paper trail of communication that can be traced to the specific individual client or company, down to the particular transaction. Wire transfers require additional scrutiny, especially when they lack complete information. Negotiable instruments that don’t leave a paper trail normally, like cash or bearer cheques, must be declared and disclosed to authorities.\textsuperscript{185}

\textsuperscript{178} Risk Based Guidance for the Accountancy Profession, FATF (2008).
\textsuperscript{179} Risk Based Guidance for Trusts and Company Service Providers, FATF (2019)
\textsuperscript{180} Id.
\textsuperscript{181} Recommendation 26 and 28, FATF 40.
\textsuperscript{182} Recommendation 18, FATF 40
\textsuperscript{183} Recommendation 23 and 24, FATF 40
\textsuperscript{184} Recommendation 11, FATF 40
\textsuperscript{185} Recommendation 16 and 32 FATF 40
Risk-Assessment and Risk Profiling

The FATF has propounded a risk-based approach ("RBA") to tackle AML. FATF has RBA guidance documents that are sector specific, for example, banking, securities, accounting etc. The crux of the RBA is that each entity has to identify, assess and understand the money laundering risks that it is exposed to and build on measures that are proportionate to the risks. Afterward, the risks will be profiled into high, medium, low or a combination of two, such that the range of AML measures and controls can be suitably increased or decreased. The risk classification will depend on a host of factors such as the legal, political and economic environment in which the entity operates, the prevalence of corruption, the kind of products and services it deals with, the volume and size of transactions, whether it directly deals with clients or through intermediaries, the extent of non-personal or face-face interactions, use of technology etc., to name a few. In cases of high risk due to one or more of the aforementioned factors, an enhanced due diligence may be undertaken. This could for example, involve verifying the source of funds or wealth in the relationship, commissioning an intelligence report and daily transaction monitoring.\textsuperscript{186}

TAX EVASION AND AVOIDANCE

With the proliferation of multinational enterprises, more complex business models, global supply chains and operations spanning different countries, it has become relatively easier to engage in tax evasion and aggressive tax avoidance. While tax evasion is per say illegal, even legal forms of aggressive tax avoidance or tax liability reduction strategies are not in keeping with the overall ethos of an HCE. One of the fundamental goals of the HCBM is to avoid facilitating the self-serving interests of an enterprise at the expense of benefits to the society at large.

Therefore, HCEs need to tackle taxation related concerns visibly, and commit by sending out a clear message that they do not actively participate or acquiesce in illicit activities, in line with international standards such as the \textit{OECD Guidelines on Multinational Enterprises, which call on} companies to be ‘good corporate citizens’ and manage their tax risks to avoid reputational and financial losses apart from falling short of regulatory requirements.\textsuperscript{187}

Typically, tax evasion is closely linked to the prevalence of other forms of corrupt practices. In fact, the FATF lists tax-evasion as one of the predicate offences of money laundering. A World Bank Study has found that enterprises that pay more bribes, tend to evade more taxes.\textsuperscript{188} Where such avoidance takes place in an atmosphere of widespread corruption, it can morph into full-blown tax evasion. Premised along similar lines is the push for greater co-operation between tax authorities and AML authorities. Such a ‘Whole of Government’ approach recognizes the key role taxation authorities have in detecting bribery, money laundering, terrorist financing etc, and by extension, the close relationship between tax evasion and other forms of corruption.\textsuperscript{189} One could also argue conversely that tax-evasion could be a pre-

\begin{footnotesize}
\textsuperscript{186} Risk-Based Guidance for the Banking Sector, FATF (2014)
\textsuperscript{187} Guidelines for Multinational Enterprises, OECD (2017).
\end{footnotesize}
cursor to the commission of other corrupt practices. The 2013 E.U. Thematic Paper on the Relationship between Money Laundering, Tax Evasion and Tax Havens seems to allude to this. In addressing tax-evasion as a multi-faceted challenge, the thematic paper notes that tax-evasion can provide incentives to certain entities like financial institutions to engage in other corrupt practices for their own enrichment, by using funds from such illicit streams.\textsuperscript{190} In some cases, authorities may be incentivized to be complicit and turn the a blind eye to corrupt practices in order to consolidate their power.\textsuperscript{191}

Much of the fight against tax evasion has been under the aegis of the Global Forum on Transparency and Exchange of Information for Tax Purposes (“the Global Forum”). The Global Forum oversees implementation of OECD Standards for Exchange of Information on Request (“EOIR”) and the Automatic Exchange of Financial Account Information (“AEOI”), that governs what information must be made available to tax authorities and how that information will be shared with their counterparts in other jurisdictions.\textsuperscript{192} Identity of legal owners, beneficial ownership information, accounting information etc., fall under the category of information that is relevant for tax purposes and that ought to be shared.\textsuperscript{193} The goal is to strengthen transparency standards worldwide and ensure a more even playing field.

Though not illicit per se, tax avoidance becomes ethically problematic or aggressive when companies artificially shift their profits away from jurisdictions where the actual economic activity or value is created. Shifting profits in this way distorts competition, makes resource distribution unequal and impacts tax compliance of all tax payers, including individuals who may have to shoulder much of the burden.\textsuperscript{194} In the context of addressing tax-avoidance, the OECD/G20 Base Erosion and Profit Sharing (“BEPS”) Project seeks to ensure that the international tax rules are coherent across jurisdictions and don’t facilitate the shifting of profits. For example, Action 5 of the 2013 BEPS Action Plan, has a two-pronged approach to addressing harmful tax practices – one focusses on preferential tax regimes as a facilitator of BEPS and its effects on taxation bases of other jurisdictions while the other seeks to set the standard on the spontaneous and compulsory exchange of information on tax rulings and enhancing transparency.\textsuperscript{195} For the latter, the OECD has released a Terms of Reference and Methodology for Peer Reviews (2017), that specifies the core elements of a transparency framework – information gathering process, exchange of information, confidentiality of information received and statistics.

The use of complex corporate structures and vehicles for illicit purposes animates many of the recommendations under the OECD Declaration on Propriety, Integrity and Transparency in the Conduct of International Business (2010) (“OECD Declaration”). The OECD Declaration inter-alia, states that corporate responsibility involves the “timely and accurate fulfilment of tax obligations wherever a company operates.” It also calls on states to ensure that companies comply with the “letter

\textsuperscript{190} Tavares, Rui, Thematic Paper on Money Laundering, Special Committee on Organised Crime, Corruption and Money Laundering (2013).
\textsuperscript{191} Id.
\textsuperscript{193} Work on Taxation, OECD Brochure (2018-2019).
and spirit of taxation law”. Building on the declaration is the OECD Guidelines on Multinational Enterprises,\textsuperscript{196} that has examined taxation compliance as a component of responsible business conduct and as an enhancer of mutual trust between societies and businesses. Through taxes, businesses contribute to the public exchequer and help raise revenue for crucial public infrastructure and promote sustainable growth.

The ICC Guidelines on Tax Principles for Multinational Businesses\textsuperscript{197} (“ICC Tax Principles”) echo this view. The ICC Tax Principles stress on the need to maintain public trust in the taxation system because of how vital it is to a well-functioning society and economy. One of its stated aims is to “promote the formulation of responsible tax principles by companies in order to enhance cooperation, trust and confidence between tax authorities, business taxpayers and the public concerning the operation of the global tax system.”

For an HCBM enterprise, being mindful of the public interest and benefit in responsible and timely payment of taxes is a good guiding post to formulate sound ethical policies and best practices that address tax evasion and avoidance. To this end, standards that an HCE should follow to avoid tax evasion and, [optionally] aggressive tax avoidance, are outlined below:

**Ethical Tax Planning**

The ICC Tax Principles advocate a company and jurisdiction specific tax planning strategy that is in alignment with the company’s stated commercial interests and its economic consequences. Amount of taxed paid by the HCE should not be inconsistent with the underlying business profits and costs. In jurisdictions with ‘co-operative compliance’ i.e., where there is heavy co-operation and co-ordination with revenue authorities to ensure complete tax compliance, the businesses will pre-align within such a framework and obtain legal opinion or an advanced ruling before it ultimately files its taxes.\textsuperscript{198} In no case must the enterprise contravene or override the laws and policies of the host country. The ICC Tax Principles also encourage businesses to refrain from claiming or accepting exemptions that are not authorized by statute or government regulation. While planning for cross-border operations and its taxation consequences, the relevant Double Taxation treaties, OECD and UN guidance must be followed.\textsuperscript{199}

The OECD Guidelines on Multinational Enterprises also include similar recommendations that speak to ethical tax planning. Enterprises are encouraged to incorporate tax governance and compliance into their overall risk management strategies. An enterprise should be able to clearly spell out how it will identify and manage the various financial, reputational and regulatory risks pertaining to taxation. A taxation related risk assessment must be suitably drafted and approved by the Board and applied company wide.\textsuperscript{200} The OECD Guidelines on Multinational Enterprises also highlights the *arms length*\textsuperscript{201} principle for adjusting profits within associated enterprises as reflected in the OECD Model Tax Convention on Income

\textsuperscript{196} Guidelines for Multinational Enterprises, OECD (2017).


\textsuperscript{199} Id.

\textsuperscript{200} Guidelines for Multinational Enterprises, OECD (2011).

\textsuperscript{201} Treating the associated enterprises as independent and equal for the computation of profit adjustment, *Id.***
and Capital\textsuperscript{202} and further adopted in the OECD Transfer Pricing Guidelines for MNEs and Tax Administrations (2017).\textsuperscript{203}

**Tax Transparency**

Transparency is a major focus of all international initiatives to combat tax evasion. In fact, the ICC Tax Principles have also devoted considerable attention to this principle. It recommends that companies commit to being more open and cooperative with tax authorities, including responding to queries from taxation authorities in a timely and transparent manner, and where information is not available, to work with the authorities to explore alternatives. Equally important, if not more, especially in the context of an HCBM framework, is **public engagement and disclosure** to foster better trust and understanding of the enterprise’s taxation policy. First and foremost, where possible, an enterprise should adopt a **Statement of Tax Principles** along with an **action plan** to mitigate taxation related risks and better its disclosure obligations to different stakeholders.\textsuperscript{204} Going a step further, the ICC Tax Principles also advise businesses to publicize a weighted average of the rates of taxation that are applicable in all the countries in which it has operations.

Along similar lines, the *OECD Guidelines on Multinational Enterprises* require boards of companies to **develop internal tax policies and control systems** that are adopted and applied by the management uniformly.\textsuperscript{205} These policies should reflect the company’s commitment to transparency and compliance as its core ethos. The company must also visibly and effectively cooperate with tax authorities for any requests for information, balancing compliance with existing tax laws and its own business interests.

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\textsuperscript{202} Guidelines for Multinational Enterprises, OECD (2011), p.62
\textsuperscript{203} Id.
\textsuperscript{205} Guidelines for Multinational Enterprises, OECD (2011).
\end{flushleft}
V. ANTI-COMPETITIVE BEHAVIOR PRINCIPLE (IP-5)

Integrity Principle Goal (IPG) 5.1.

Businesses avoid anti-competitive behavior, anti-trust, and monopoly practices.

An HCE should commit itself to ensuring the highest levels of integrity and transparency. It has an obligation to eschew corrupt practices in any form be it fraud, collusion, embezzlement, tax-evasion, AML, etc. Integrity Principle IP-5 and its Goal (IPG) 5.1. specifies that an HCE avoid anti-competitive, anti-trust and monopoly practices. While intrinsically important, this principle also contributes to the fight against corruption and the promotion of integrity within and throughout the enterprise and its business operations. According to the United Nations Conference on Trade and Development (“UNCTAD”), a sound competition policy not only promotes economic growth and reduces poverty, but also reduces corruption.

The principle is also important in establishing an HCE as a good corporate citizen and market participant. The OECD Declaration also speaks to the importance of effective competition as a facilitator of a healthy market and a driver of higher economic productivity and growth. The OECD Guidelines for Multinational Enterprises further underscore the importance of competition regulations to the efficiency of domestic and international markets. Many countries have enacted laws that prohibit anti-competitive and trade restrictive practices reflecting a near universal consensus and trend in promoting clean competition.

Fixing of prices, colluding on tender offers, cartelization, entering into anti-competitive agreements that carve out markets based on territories, customers and suppliers, abuse of market dominance, etc., are a few practices that have been noted by the OECD as being detrimental to the overall health of the market. Without clean competition, companies that are dominant in the market or the ones that engage in abusive monopolistic practices will seek to curry favor with government officials in order to further their private interests, leading to an environment in which rent seeking thrives and becomes one of the root causes of corruption. This is especially true of businesses that seek to participate in public procurement and obtain tenders.

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206 Integrity Principles 2.1, 3.1 and 4.1.
208 Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance, OECD (2019).
210 Competition Law and the State, UNCTAD Research and Partnership Platform.
An HCE will also benefit one of its principal stakeholders, its customers, through following Principle IP-5. Competition laws and regulations exist to create an environment in which a consumer can exercise effective choice in the marketplace through relatively stable pricing of goods and services.

Finally, Principle IP-5 can bring direct benefits to businesses that follow the HCBM framework. Competition laws and policies reward businesses by making it easier for them to respond to consumer demand more efficiently, and thereby designing better business models. In the absence of corruption and monopolistic behavior, demand and supply patterns could be more easily discerned, making the business more attuned to react effectively to market realities. International standards, including OECD Guidelines on Multinational Enterprises (2017), OECD Principles for Integrity in Public Procurement (2009), Centre for International Private Enterprise Reform Toolkit on Approaches to Collective Action are a few initiatives that can provide useful guideposts for HCEs in fulfilling the goal of Principle 5.1. These standards can be synthesized as follows:

**TRANSPARENCY AND COMPLIANCE WITH COMPETITION MEASURES AND RULES**

The OECD Guidelines on Multinational Enterprises have promulgated certain measures that a business could should to tackle anti-competitive practices. For example, it recommends that businesses waive confidentiality where possible, in order to better co-operate with investigations by competition authorities. Though directed at public officials, Article 6 of the U.N. Convention Against Corruption (2005) also generally mentions transparency and promotion of competition as critical bulwarks against corruption in public procurement, lending substantial credence to the basis for the standards mentioned above. There are also specific guidelines issued by the OECD on Integrity in Public Procurement that are encompassed in ten principles, most relevant of which are transparency, good governance, accountability and compliance. The OECD has also adopted a cyclical approach to combating corruption in procurement activities before, during and after tendering, thus addressing the full spectrum of procurement related activities and avoiding any gaps that may go unchecked.

Taking a leaf out of these guidelines directed toward public authorities, a similar cyclical approach could also be adopted by HCEs to enrich their strategy against anti-competitive practices.

In public procurement contracts and bidding processes, enterprises should examine the Terms of Reference provided by the public authorities or procurement agency closely and look for specifications that favor a certain enterprise over the other, making the whole process rigged from the very beginning. Additionally, for multinational enterprises, anti-competitive conduct in one jurisdiction can cause ripple effects in other jurisdictions in which they operate and therefore it is critical to take into account the competition laws of all such jurisdictions, and ensure that none are violated or overridden.
EFFECTIVE EMPLOYEE AND SENIOR MANAGEMENT TRAINING

The *OECD Guidelines on Multinational Enterprises* also calls for raising awareness of competition laws and policies among employees and senior management through training and sensitization programs. The training should not only focus on the substance of the laws, but also on the consequences of the anti-competitive practices for the business and the individual employees and the process for reporting bribery and other illicit solicitations through an internal alert process involving the compliance department.\(^{217}\)

COLLECTIVE ACTION

In sectors that are particularly vulnerable to corruption such as public procurement, collective action by business groups is a feasible response to this deep-rooted malaise.\(^{218}\) This makes even more sense for MSMEs, which tend to have poor visibility and inadequate bargaining power (see section titled *Integrity Principles and MSMEs* for an analysis customized to MSMEs).

Collective action can be taken either in the form of a softer, non-binding ‘transparency pact’ or a legally binding ‘integrity pact’ among participants, depending on the context, scale and purpose involved. For example, a transparency pact take the form of a public declaration by the parties to a public tender (including the government) that they will not engage in, inter-alia, collusion, bribery and bid-rigging.

On the other hand, an ‘integrity pact’ would denote a stronger and more explicit commitment to the cause. For example, to demonstrate their commitment to a clean bidding process, the pact could take the form of a legally binding agreement wherein all businesses involved in a public tender declare that they will ensure that their employees do not engage in bribery or collusion with either the other bidders or the public officials concerned.\(^{219}\) A mutually agreed upon external officer or entity could be appointed to oversee compliance with the pact. The pact could include sanctions for non-compliance. In this way, all companies, no matter the size, can become effective participants in the tender process without getting entrenched in corrupt practices. Transparency International (“TI”) has been spearheading efforts on the integrity pact front since the early 2000s. In Honduras for example, as a fall out of massive corruption in the provision of medicines, Transparency International facilitated the signing and adoption of an integrity pact between the Ministry of Health and various pharmaceutical companies to monitor the purchase and sale of medicines. Individual members from the Ministry also signed an ethics statement with external service providers, as a component of the larger integrity pact. As a result, Honduras has witnessed increased access to information and compliance.\(^{220}\)

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217 *Resisting Extortion and Solicitation in International Transactions (RESIST)*, A Company Tool for Employee Training.
219 Ibid.
VI. PROPOSED INDICATORS FOR INTEGRITY PRINCIPLES

The selection of proposed indicators for the HCBM Integrity Principles and Goals is guided by the aim to identify for a HCBM pilot test phase. This is an initial set of well tested indicators with maximum acceptance globally across a wide variety of sectors and among diverse stakeholders’ types. It is based on the findings from our research that have identified relevant indicators proposed by the Global Reporting Initiative (GRI), which is the international instrument for sustainability reporting used by the largest number of enterprises globally and most-widely used by a spectrum of large corporations and smaller enterprises.

The enclosed in Annex V Table 3 indicators illustrate how the HCBM Integrity Principles and Goals can be tracked by using a number of GRI indicators and measuring protocols and in some cases - by indicators from other sources. It provides a starting point for the necessary multi-stakeholder consultations and pilot testing that will further define and refine the HCBM Environmental Sustainability Performance Indicators.

The proposed Integrity Performance Indicators (IPI) will undergo further review and revision after consultations with the HCBM partners and peer reviewers.
VII. INTEGRITY PRINCIPLES AND THE MSME SECTOR

MSMEs are also the most sensitive to institutional and regulatory environments because they generally have a greater number of barriers to growth. Indeed, cost is one of the most pressing obstacles for MSME growth (Levy, 1993; Pissarides, 1999).221 This particular obstacle is compounded by low-compliance regulatory environments where, for instance, corruption is widespread, and costs associated with bribes tend to be higher. A game theoretic perspective on the ethics of decision making for MSME entrepreneurs operating in suboptimal regulatory environments enables us to view them as a rational actors rather than integrity-deficient actors. Indeed the economics literature suggests that accepting bribery can be a dominant strategy, creating a competitive environment for bribes, ultimately resulting in higher costs and negative outcomes for development.222 Moreover, MSMEs provide important litmus tests for integrity compliance models because of the high cost of decisions to participate or not participate in the bribe economy.

MSMEs lack sophisticated legal departments and the funds for large teams of lawyers/compliance officers. And often with little bargaining power, once they are drawn into the cycle of corrupt practices to sustain their businesses, it becomes difficult to extract themselves from it. In many cases, smaller firms perceive that they do not have any real choice but to participate in corrupt institutions if they want to sustain their businesses. As a result, they face both resource and reputational challenges.

At the same time, MSMEs are under pressure to meet international standards for ethical business practices, including (but not limited to) integrity compliance. Not only from domestic legal and regulatory regimes, which increasing apply international standards, but also from international partners who demand compliance with those standards. Given these resource constraints, SMEs are often at a loss as to how they might meet these challenges.

Practical Tools for MSMEs

Fortunately help for MSMEs does exist. There are several publicly available guidelines designed to help MSMEs avoid corruption and other ethical pitfalls.

One example is the 2015 G20/B20 Anti-Corruption Toolkit for Small and Medium Sized Enterprises. This toolkit provides MSMEs with a “reader friendly” introduction

to dealing with corruption, including an explanation of what corruption is and why it matters along with guidance on identifying typical “red flags” of high corruption risk, along with practical guidance of how SMEs, with their limited resources can also put into place the main building blocks of an integrity compliance regime, including:

- How to draft a basic Code of Conduct, drawing on the many publicly available examples (or from an MSME’s international partners)

- How to implement the Code of Conduct through an integrity compliance regime that is fit for the limited resources of MSMEs, including setting the right “tone from the top”—which costs very little—appointing a compliance officer, which to save cost could also be the chief legal officer, establishing a set of simple rules for handling company funds and practicing a basic form of “know your customer” or KYC, through a simple internet search on customers and other business partners, as well as good hiring practices, starting with always asking for reference, streamlined detection procedures, including putting into a place a “hotline” for whistle-blowers, and the need to penalize corrupt behavior, and—equally important—incentive ethical conduct. This can be done through low (or no) cost through simple public recognition of good behavior and including ethics in performance evaluations. The toolkit also suggests low cost alternatives for training from CSOs and companies, as well as low-cost “off the shelf” packages, including “train the trainer” programs that save money for the MSMEs.

- The toolkit also suggests how MSMEs can resist corruption notwithstanding the daunting institutional environments they often operate in, including on the often ubiquitous demands for “facilitation payments” and out and out bribes. The toolkit recognizes that “just say no” is not always a realistic option for MSMEs especially, including in extreme cases involving threats to life or wellbeing. But it also sets out ways to say resist demands for bribes. A direct refusal can be a difficult option for MSMEs with little bargaining or market power, but they can try gambits such as ignoring a solicitation, referring the decision to a higher-up (which may disincentivize the person soliciting the bribe), finding out about the person soliciting a bribe, who may be a “rogue employee”, in which case the bribe can be short-circuited through alerting his/her boss. Even if cases where the bribe is paid, reporting the incident is essential.

- Finally, joining forces with other MSMEs and larger firms through “collective action” can help block bribery in the longer term.

In 2008, Transparency International (TI) published Business Principles for Countering Bribery: Small and Medium Enterprise (SME) Edition which outlines how to create and implement an anti-bribery program for MSMEs and outlines key bribery issue areas. These areas where bribes may take place are 1) gifts and entertainment, 2) conflicts of interest, 3) charitable contributions and sponsorships, 4) facilitation payments, 5) political contributions. The guidelines include sample SME business principles and policy commitment statements which should be made publicly available and reiterated. The framework of the guidance document is structured as follows:
MSMEs are advised to “agree” their principles, meaning, that the MSME’s business principles should align with counter-bribery business values (e.g. to conduct business fairly, honestly, and transparently; not offer/accept bribes; create a program to implement and reinforce such principles). In particular, it is emphasized that “the culture for countering bribery is set from the top”.

Set the business aims: This step involves risk assessments--what are the particularities of your industry? The areas in which it operates and is likely to run into corruption pitfalls? Where do you do business and what are the laws in your home country and the laws in foreign countries where you operate? Are third parties in your operations exposed to bribery (e.g. are distributors asking for exorbitantly high commission fees?)? Are your employees at risk of being affected by business partners whose practices may be unethical (e.g. suppliers, distributors, customers, etc.)? Has your business been affected by bribery? Are there checks and balances in your business’ internal processes?

Develop your program:

- Decide who should be involved--regardless of business size important that leadership on principles comes from top, and that everyone takes responsibility for adopting program.

- Decide the scope of the program--what are the particular areas your business is most likely to run into ethics issues/corruption/bribery? These areas may include but are not limited to bribes, gift-giving, hospitality and entertainment, business travel expenses for customers, facilitation payments, favors, unclear contract payment terms, political contributions, charitable donations, charitable donations, sponsorships, and conflicts of interest.

Implementation: Much like other compliance programs, Transparency International (TI) emphasizes “onboarding” of all stakeholders and parties involved in the business, truly stating at the outset what the company’s policies are and putting in place measures to enforce them.

Raising concerns and seeking guidance: The guide emphasizes the importance of the anti-bribery program being perceived as an “evolutionary process” and that employees should feel comfortable to raise concerns and seek guidance without fear of criticism, perhaps ensuring confidentiality.

Communication: It is emphasized that SMEs communicate their anti-bribery programs well to all stakeholders (employees, business partners, customers/clients, etc.).

Internal controls and monitoring: It is suggested that businesses take care to implement checks and balances including financial controls, monitoring contract terms, looking out to identify irregularities in gift-giving, entertainment, and other expenses, have accurate written records, and internal compliance with controls/monitoring, regular review of the program (perhaps as agenda point in Board/business meeting agendas), maintaining positive employee relations to ensure openness and compliance with regulations.
There are some cases that demonstrate the efficacy of leveraging collective action to stop corruption. In 2014, The Center for International Private Enterprise (CIPE) published case studies in Thailand and Armenia that successfully illustrate how this strategy can be leveraged by SMEs in the fight against corruption. Under the guidance of CIPE in these two countries, SMEs were able to organize themselves and take collective action against corrupt and costly practices that pervade the business environments in these two places.

Another publicly available resource for MSMEs is the Anti-Corruption Toolkit for SMEs (ACTS), a project co-funded by the Internal Security Fund of the European Union. The project’s stated objective is to “…Provide expertise and tools for combating the onset and spread of corruption in the private sector, with special focus on Small to Medium Enterprises (SMEs). With its small size and lack of resources (e.g. well-staffed legal departments), the SME is particularly vulnerable to corruption risk, and unable to deploy effective strategies to defend itself.”

One deliverable provided by ACTS is a survey feedback tool called the C-Detector. “C-Detector - play offense against corruption is a tool for self-assessment of corruption risk, created to support micro-SMEs operating in Europe in the implementation of appropriate measures to prevent and combat corruption. Through a short questionnaire, C-Detector provides an assessment of the risk that the company could be exposed to corruptive situations. At the end of the questionnaire, and after viewing the result of the test just completed, the company receives useful guidance in preventing corruption, as well as concrete suggestions on actions to be taken to reduce the probability of occurrence of a corruptive event.”

This tool is part of a larger “anti-corruption manual and toolkit” developed by ACTS for SMEs in the EU. The third part in particular provides practical guidelines for SMEs in the EU by outlining codes of conduct SMEs can adopt and how they might go about doing that.

Here is an excerpt from the ACTS Anti-Corruption Manual and Toolkit that outlines practical guidelines:

“The contents of the Codes of Conduct need to entail at least the following aspects:

- Operational instructions on gifts or other benefits. The company must have clear rules on giving or accepting gifts, hospitality, donations, and other benefits. In particular, limits on time and monetary value must be defined, and information about such exchanges must be provided to an appropriately designated person.

- Operational instructions regarding the management of conflicts of interest for the company’s managers and/or employees. A conflict of interest is defined as the situation in which trade, economic, family, political, and personal interests

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223 The volume is divided into three parts. The first one is a short analysis of the European context in which micro and SMEs operate; it focuses on those countries that have taken part in the project and have been the object of the toolkit experimentation. The second part illustrates the self-assessment tool developed by the ACTS project. This instrument adopts a logic of prevention, highlighting size, sector, and potential risks and operating positions, in order to prevent corruption via suggested internal as well as external control measures. The third part, linked to the self-assessment tool, proposes a series of practical and ready-to-use anti-corruption measures.
interfere with the judgement of individuals in the performance of their functions for the company (car. ISO 37001:2016). The company needs to define clear rules on how to communicate these situations and to prevent employees from taking any decisions or carrying out any activities related to their tasks in the context of (real and potential) conflicts of interest.

- Operational instructions on the participation to associations and organizations
- Operational instructions on extra-business engagements to managers and/or employees
- Rules on compulsory abstention
- Rules on corruption prevention
- Provisions for transparency in behavior in service and in relations with stakeholders
- Particular provisions regarding functionaries and staff who, according to the process analysis, appear the most exposed to corruption risk. Detailed operational rules need to be defined for the staff engaged in activities presenting a high risk of corruption. These procedures must entail:
  - Provisions for protecting staff who report illegal behaviors. In order to ensure this protection, the company must adopt reporting procedures to protect anonymity or the confidential identity of the person who has reported, to protect him/her from being sanctioned, fired or subject to any discriminatory direct or indirect measure having an impact on the working conditions for any reason directly or indirectly connected to the reported facts. In this context, whistleblowing (see following chapter) plays a role.
  - Sanctions for violation of the Code’s rules. The company must define suitable procedures in order to put in place disciplinary measures vis-à-vis its staff violating prevention and corruption rules and, in general, rules on behavior. For example, sanctions vis-à-vis the staff can consist of:
    - Warnings. These measures need to be formalized in writing and are a first measure in case of (a not serious) infringement of the Code of Conduct.
    - Suspended salary and/or function. This measure is decided by the employer in case of a serious violation of the Code of Conduct or in case of a reiterated violation, also for less serious events.
    - Dismissal. This is the highest sanction that can be taken in serious and motivated circumstances, with different practical and legal consequences.

Many large companies have adopted a Code of Conduct. However, SMEs seem to be different; in many cases the smallest ones are not at ease with the introduced codes or do not expect any advantage from them. A possible way to overcome these problematic situations could be the promotion of a Code of Conduct within a business association or an industrial sector, instead of concentrating on individual
companies. This approach ensures that businesses will not suffer competitive disadvantages when they are no longer involved in corruption. Moreover, when an entire sector conforms to certain standards, the impact on the business environment is much bigger.”

**MSME Case Studies**

SMEs can also take ideas and inspiration from multiple case studies showing how SMEs can rise to the challenges they face.

A number of case studies illustrating how MSMEs can successfully confront the challenges they face in combating corruption can be found in *Annex III*. 
VIII. COGNITIVE AND BEHAVIORAL SCIENCES

Findings from many disciplines, including neuroscience, cognitive science, psychology, behavioral economics, sociology, political science, and anthropology enhance the understanding of how collective behaviors—such as widespread trust or, conversely, widespread corruption—develop and become entrenched in a society.

Human sociality

Human sociality (the tendency of people to be concerned with and associate with each other) adds a layer of complexity and realism to the analysis of human decision making and behavior.

Individuals are much more than self-regarding, autonomous decision makers. In fact, they are malleable and emotional actors whose decision making is influenced by contextual cues, local social networks and social norms, and shared mental models. All of these play a role in determining what individuals perceive as desirable, possible, or even “thinkable” for their lives.

In other words, individuals are social animals who are influenced by social preferences, social networks, social identities, and social norms: most people care about what those around them are doing and how they fit into their groups, and they imitate the behavior of others almost automatically. Many people have social preferences for fairness and reciprocity and possess a cooperative spirit. These traits can play into both good and bad collective outcomes; societies that are high in trust, as well as those that are high in corruption, require extensive amounts of cooperation. Human sociality, i.e. the tendency among humans to associate and behave as members of groups, affects decision making and behavior and, as a result, groups and even entire societies can get stuck in collective patterns of behavior, such as corruption.\textsuperscript{224}

Understanding the influence of mental shortcuts and social networks

An understanding of the psychology of corruption as well as a holistic approach to influence both the mind and the environment in which the individuals make decisions are necessary in designing anti-corruption policies that follow a behavioral approach.

Such approach takes into account communication and social aspects. Cost-benefit calculations of engaging in corruption or not are seldom based only on logic, whereas they are very often influenced by mental shortcuts, false intuitions, how individuals process and organize information, emotions and social norms. The use of behavioral science in policymaking helps to design policies based on how people behave and make decisions. That requires an understanding of why people do what they do and what influences their decision to behave in a certain way. In the case of anti-corruption policies, it implies more specifically being aware of the behavioral influences that contribute to engagement in corrupt behavior and in fighting it.

Following Kahneman’s dichotomy between a mode of thought that is fast, instinctive and emotional and a mode of thought that is slower, logical and deliberative, Kahneman identifies key types of faulty intuition and mental shortcuts that can influence individuals in participating in corruption:

- The overconfidence effect: when a person’s subjective confidence in his or her judgements is greater than the objective accuracy of those judgements. This can evolve into deforming the self-perception on ethical issues and create a gap between how people believe they would behave and how they actually behave, especially in ambiguous or high-pressure circumstances;

- Reciprocation: the idea of repaying what another person has done for us can become an easy entrance to influence individuals and drag them into corruption.

- Scarcity: the fact that a key asset or resource is available for a limited period of time can trigger human weaknesses for shortcuts, especially when individuals perceive that their free choice in something of value is threatened, making them want it even more. When there is scarcity and time pressure, unethical behavior becomes more likely;

- Commitment and consistency: this mental shortcut makes us behave consistently with a commitment made in the past, sometimes independently of how ethical that commitment was;

- Social proof: occurs when people assume others’ behavior is correct in a given situation. In ambiguous situations when people do not know the appropriate way to behave, the individual is driven by other people’s behavior assuming that they know more and better. For example, if in a situation where there is a risk of becoming corrupt and nobody does anything to prevent it, it might be understood that it is not worth doing anything and, therefore, lead the subject to decide not to take action either;

- Confirmation bias: is the tendency to search and favor information that confirms one’s pre-existing beliefs. This can prevent or limit an individual to act on his or her perception of questionable ethics in certain transactions, and instead make that individual look for and accept more innocent explanations for corrupt actions.

As empirical research in social psychology and behavioral economics shows that decision-making is influenced by people’s overreliance on faulty intuition and mental shortcuts, as well as social pressure, in the decision-making process the calculation of costs and benefits is perhaps less based on logic and more based on emotions. Thus, a behavioral approach adds complexity in deciding what are the costs and the benefits.

If mental shortcuts are internal psychological processes influencing how individuals face corruption, social norms are external influencers of the extent to which individuals engage and expect others to engage in corruption. Social norms are informal norms resulting from cultural values, customs and traditions that shape people’s social behavior and expectations of what people should do. They are embedded in personal, local and organizational contexts, and they explain psychological justification processes of corrupt behavior.

**Corruption as social norm**

Corruption exists in many forms, like bribery, fraud, extortion, sextortion, influence peddling, kickbacks, cronyism, nepotism, patronage, embezzlement, vote buying, and election rigging just to mention the most common examples of actions linked to corruption.

Whereas the most common response to all forms of corruption is to view them as acts committed by autonomous individuals - a bureaucrat takes a bribe; a politician favors the hiring of a relative; a procurement officer sells secret bid information; a policeman extorts money from a citizen; a judge or a juror sell their decision - it is paramount to focus on deterring individual corrupt acts for reform, yet the social element that makes corruption a persistent problem must also be addressed.

Corruption in the social sense is a shared belief that using one’s function to benefit oneself and one’s family and friends is widespread, expected, and tolerated. Corruption can be indeed a social norm and there can be social pressure to engage in corrupt acts that are not perceived, individually and even socially, as such. Moreover, it has been the default social norm throughout much of history. Only gradually has the principle of equal treatment for all before the law emerged, and it is still a work in progress in many countries and is continuously exposed to threats everywhere.227

As social expectations and mental models perpetuate corruption it is very important to understand how the decision to engage in corruption takes place in the mind of an individual. If people believe that the purpose of obtaining office is to provide one’s family and friends with money, goods, favors, or appointments, then social networks can perpetuate the norm of corruption. Social networks can even serve as a source of punishment for those who violate that norm. Below are a few examples from different countries with certain social and cultural perceptions around corruption.228

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228 These examples are for illustrative purposes only and do not represent any position or view on the anti-corruption practices and policies in the countries.
So, in Uganda, for instance, reciprocal obligations of kinship and community loyalty may have contributed to a governance outcome in which public officials needed to use their position to benefit their network in order to be regarded as good people.\textsuperscript{229} Holders of public positions who did not use their influence to assist friends and relatives risked derision and disrespect.\textsuperscript{230}

Even people who privately deplore a norm of corruption might go along with it publicly because of perceived social pressure in support of the system. Since people who express different opinions may find themselves treated as outsiders, they will often choose to express support for the status quo simply to avoid the costs of being different. Thus, societies can get stuck in an equilibrium in which corruption is the norm, even though privately much of the population would prefer a clean public service. Social pressures can force even clean officials to capitulate.

In China, for instance, a local official was hounded by villagers who pressured him to accept gifts every time he went home. Told he would be unable to get anything accomplished politically by refusing, the official capitulated. He was later arrested on charges of corruption.\textsuperscript{231}

Similarly, a study of India between 1976 and 1982 found that refusing to grant favors could subject a public official to complaints filed by constituents. The norm of corruption was so entrenched that the social meaning of an honest official was someone who demanded no more than the going rate as a bribe for providing a public service.

Pressure to engage in corruption often comes from within the bureaucracy. In the Indian example, a highly institutionalized informal system had developed for the purchase of transfers from one position to another, with the price dependent on how much the officeholder could expect to extract from his constituents for providing agricultural services. Officials who did not participate risked punishment: supervisors developed a code language to use in reports to the authorities in charge of promotions to indicate officers who were not willing to extract side payments, identifying them as “tactless,” “having no grip over the people,” or “unable to manage”. Those who resisted might be coaxed into compliance with stories about how the bribes received were “gifts” from farmers grateful for how hard they were working on their behalf.\textsuperscript{232} Ironically, officials who resisted the system might be threatened with bogus public charges of corruption to encourage them to fall into line.\textsuperscript{233} These types of social expectations can become internalized and acting corruptly may become automatic thinking.

The persistent nature of long-held mental models may make it challenging to convince the public that governance reforms are real. Thus, anticorruption campaigns may


be more successful when their enforcement is highly conspicuous, especially when public enforcement action is taken against politically powerful individuals widely believed to be above the law.

Seeing things differently may be a critical component of doing things differently. Viewed through a social lens, changing a social norm about corruption constitutes a collective action problem rather than simply the repression of deviant behavior. Establishing social action coalitions to unite and mobilize public and private actors with overlapping political interests is one promising strategy that has been pursued in a number of countries. Providing nonmaterial incentives for participation, such as a shared sense of purpose, feelings of solidarity, and public prestige, may be particularly important to sustaining a broad coalition with varied interests. The Internet may make it easier for dispersed interests to organize. In Brazil, the campaign at avaaz.org collected signatures from 3 million citizens and may have encouraged the legislature to pass a bill preventing candidates with criminal records from running for office.

Fostering “collective actions” is not purely a matter of incentivizing self-interested individuals. People can be intrinsically motivated to cooperate and to punish norm violators. In fact, as experimental findings show, “a social norm, especially where there is communication between parties, can work as well or nearly as well at generating cooperative behavior as an externally imposed set of rules and system of monitoring and sanctioning.” Practitioners wishing to fight corruption might therefore wish to experiment with campaigns that emphasize the social norm of clean government.

Cognitive and behavioral sciences in policymaking

Existing policy approaches based on affecting self-interested personal incentives or disincentives should be complemented and enhanced by the full consideration of human factors, from mental shortcuts to social networks.

The inclusion of behavioral science in policymaking has generated different types of behavioral informed interventions, such as information campaigns, collective deliberations, promotion of intrinsic motivation and civic engagement.

Information campaigns

Information campaigns can challenge conventional belief systems that consider corruption as normal by, for instance, disseminating stories of its negative consequences. They can also present alternative ways of thinking and acting, for example, reinforcing positive role models. And they can be used to raise awareness about the rights and duties of citizens. Requirements for the success of those campaigns include:

- Information campaigns can challenge conventional belief systems that consider corruption as normal by, for instance, disseminating stories of its negative consequences. They can also present alternative ways of thinking and acting, for example, reinforcing positive role models. And they can be used to raise awareness about the rights and duties of citizens. Requirements for the success of those campaigns include:

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235 Panth, Sabina. 2011. “Changing Norms Is Key to Fighting Everyday Corruption.” CommGAP Discussion Papers, Communication for Governance and Accountability Program, World Bank, Washington, DC. This example, is only meant for illustrative purposes and does not constitute an endorsement of the campaign or its effects.


campaigns are: disseminating the information in trustworthy, legitimate and likable ways; to account for power asymmetries among participants and include the different groups; and to provide tutoring to model correct behaviors and attitudes.

A powerful example is the information campaign against corruption developed in Paraguay – one of the most corrupt countries in Latin America – called the anti-corruption suit. Tired of how politicians stole public money, a tailor created a suit without pockets. Named after deputy José María Ibáñez who was known for his abuses of power, “The Ibáñez Collection” tried ironically to stimulate politicians and public officials to buy the suit in the hope that the lack of pockets would impede them from stealing public money. The collection of “pocket-less suits” caused a sensation in Paraguay and abroad.

**Collective deliberation and commitment**

Getting the parties involved in a discussion to reach a consensus, to weigh the different options and to determine future actions, beliefs and attitudes about a situation or topic creates an open and transparent space of participation and can break with given and unquestioned patterns of thinking and behaving. A requirement for the success of this strategy is to encourage the participation in the deliberation and the incorporation in the discussion of national standards or other ideas on the topic so participants are aware of the alternatives.

One of the challenges of this strategy is the heterogeneity among the participants. According to a field experiment developed by Björkman and Svensson, in primary health in Uganda, the heterogeneity among the participants of community-based monitoring groups represented in income inequality and ethnic fractionalization, adversely impacted collective action for improved service provision. Creating an open space in which all the points of view are acknowledged and respected will help to create an open attitude to reach a consensus.

**Addressing reciprocity and moral obligation with closed networks**

This strategy is especially relevant in societies in which favors and obligations to relatives and close networks is more important than laws and formal regulations. The power of social networks to perpetuate the questionable exchange of favors, can be redirected using the same energy of reciprocity to promote behavior to counter corruption. Considering that part of the purpose of networks and reciprocity is to help each other in solving problems, one way to put reciprocity and social networks to work against corruption is by defining corruption as a collective problem that affects the group and that they need each other to solve it.

Another way of harnessing the anti-corruption power of networks is by means of a “peer effect” where the chances of an individual adopting a certain behavior increases

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if he or she has a friend or relative who has already adopted that behavior. One way to facilitate this is by enlisting individuals in their communities to become anti-corruption champions.

**Reframing the cultural environment and identity**

In societies where corruption is a part of daily life, there might be a subconscious belief that corruption is part of cultural identity. In those cases, corruption might act as a reference point that shapes expectations and decisions in social interactions, since those exchanges are part of the foundation of that society. Practical steps to address this kind of situation are, first, to identify and acknowledge those belief systems and acknowledge them as based on practices but distant from collective identity. Second, highlight and promote the values in that culture that go against corruption and attach the collective identity to those through public discourse, media campaigns and formal and informal education methods.

**Leadership and installing a culture of integrity**

Increasing attention has been paid in recent years to the importance of leadership in setting the right framework for integrity in the public and private sector. The importance of leadership in changing behavior is twofold: leadership inspires behavior, and without leadership it is not possible to establish a culture of integrity.

Often, corrupt behavior is justified with the sentence, “if they [the government] do it why shouldn’t I?” Hence, the importance of having leaders and authorities that represent high standards of integrity, honesty and transparency. While institutions and rules provide the background context and can help to frame social action, it is the living-breathing culture that determines how they operate in practice and how people act in the many situations not covered by formal rules.

An example of leadership by example in the private sector is Jim Sinegal, chief executive of Costco, an American multinational retail company. Unlike other executives in the corporate world, Sinegal is known for his integrity, his discipline, lack of showiness and reasonable salary despite his success, and for putting his employees before the numbers even in times of recession. An example of the latter is when he gave each employee an added stock when Costco had to raise its health care premiums to its employees after nine years without raising them. Another example of his commitment to his values is to have as a mantra that any product should be marked no more than 14% to 15% above cost. This culture of integrity has set the ground for how Costco operates, and is being followed for by executives in the company.

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Promote intrinsic motivation

The promotion of intrinsic motivation to change corrupt practices should be oriented to produce in the individual the “warm glow” or emotional reward obtained after doing something “right” or for others. There are at least two ways in which that can be achieved: i) by appealing to the leader and responsibility in each of us to improve our societies, and reinforcing the idea that what is done at the individual level matters; ii) focusing, not only on preventing corruption but on promoting integrity and actions to make the institutions or society better for all. The logic behind this is to not put energy into not doing the wrong things but put into doing more of the right things. Those actions should be concrete to produce tangible results that, in turn, fuels the motivation.

Behavioral research has shown the short durability of behavioral change motivated by extrinsic incentives. For instance, the Doing-in-the-Dark campaign promoted by Princeton University, where students were encouraged to reduce their energy consumption for one month showed that, as soon as the competition stopped, energy levels bounced back to where they were before the competition.

Moreover, extrinsic incentives might undermine intrinsic motivation. For instance, emphasizing the financial benefits for enrolling in an energy-saving program can decrease environmental concern and reduce the willingness to care about it.242

Civic engagement

The engagement of citizens in anti-corruption efforts is in principle a very direct way of leading behavior against corruption. The challenge, though, is how to engage citizens in that enterprise. As experts on the topic argue that, to get more people involved in countering corruption, it is necessary to design incentives that leverage the different dimensions of human behavior.

For example, among the strategies to leverage rational incentives are: to offer rewards and limit cost, to not make engagement a waste of time, and make it informative and valuable, and to use quick wins to demonstrate impact. Ways to leverage internal incentives are to focus on what people will lose not on what will gain, to leverage the power of habit, to play on the self-image of people, to visualize and make a plan on how they are going to engage after committing, and to simplify the engagement process. Social incentives will be leveraged when engagement is social and fun and when people can see that others are already engaged.243

An example of how to make engaging activities fun is to organize sport events, for example, the marathons against corruption. An example of leveraging the power of habit is to organize informative sessions where people gather to watch football and have the information session before the football match.

INTERNATIONAL ORGANIZATIONS STANDARDS

OECD Guidelines for Multinational Enterprises

The OECD issued Guidelines for Multinational Enterprises that are recommendations aimed at multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. The Guidelines are the only multilaterally agreed comprehensive code of responsible business conduct that governments have committed to promoting.

The recommendations in the Guidelines express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

The Guidelines are supported by a unique implementation mechanism of National Contact Points (NCPs), agencies established by adhering governments to promote and implement the Guidelines. The NCPs assist enterprises and their stakeholders to take appropriate measures to further the implementation of the Guidelines.

On 4 May 2010, the governments of the 42 OECD and non-OECD countries adhering to the OECD Declaration on International Investment and Multinational Enterprises and related Decision started work on updating the Guidelines to reflect changes in the landscape for international investment and multinational enterprises since the last review in 2000. The changes agreed aim to ensure the continued role of the Guidelines as a leading international instrument for the promotion of responsible business conduct. The updated Guidelines and the related Decision were adopted by the 42 adhering governments on 25 May 2011 at the OECD’s 50th Anniversary Ministerial Meeting.

The Guidelines provide principles and standards of good practice consistent with applicable laws and internationally recognized standards. Observance of the Guidelines by enterprises is voluntary and not legally enforceable. Nevertheless, the Guidelines contemplate that some matters covered by them may also be regulated.

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244 The Organization for Economic Co-operation and Development (OECD) was officially born on 30 September 1961. Today, 36 OECD member countries worldwide regularly turn to one another to identify problems, discuss and analyze them, and promote policies to solve them. The track record is striking. The US has seen its national wealth almost triple in the five decades since the OECD was created, calculated in terms of gross domestic product per head of population. Other OECD countries have seen similar, and in some cases even more spectacular, progress. So, too, have countries that a few decades ago were still only minor players on the world stage. Brazil, India and the People’s Republic of China have emerged as new economic giants. The three of them, with Indonesia and South Africa, are Key Partners of the Organization and contribute to its work in a sustained and comprehensive manner. Together with them, the OECD brings around its table 39 countries that account for 80% of world trade and investment, giving it a pivotal role in addressing the challenges facing the world economy.
by national law or international commitments. The Guidelines recommend that enterprises also take fully into account established policies in the countries in which they operate and consider the views of their stakeholders.

The Guidelines set out the following ethical standards (emphasis supplied):

**Enterprises should:**

1. Contribute to economic, environmental and social progress with a view to achieving **sustainable development**.

2. Respect the internationally recognized **human rights** of those affected by their activities.

3. Encourage **local capacity building** through close co-operation with the local community, including business interests, as well as developing the enterprise’s activities in domestic and foreign markets, consistent with the need for sound commercial practice.

4. Encourage **human capital formation**, in particular by creating employment opportunities and facilitating training opportunities for employees.

5. **Refrain from seeking or accepting exemptions** not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labor, taxation, financial incentives, or other issues.

6. Support and uphold **good corporate governance principles**\(^{245}\) and develop and apply good corporate governance practices, including throughout enterprise groups.

7. Develop and apply effective **self-regulatory practices and management systems** that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.

8. **Promote awareness of and compliance** by workers employed by multinational enterprises with respect to company policies through appropriate dissemination of these policies, including through training programs.

9. **Refrain from discriminatory or disciplinary action** against workers who make bona fide reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise’s policies.

10. Carry out **risk-based due diligence**, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts as described in paragraphs 11 and 12, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation.

11. **Avoid causing or contributing to adverse impacts** on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.

12. Seek to **prevent or mitigate an adverse impact** where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship.

13. In addition to addressing adverse impacts in relation to matters covered by the Guidelines, **encourage, where practicable, business partners**, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines.

14. **Engage with relevant stakeholders** in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities.

15. Abstain from any improper involvement in **local political activities.**

**OECD - COMBATING BRIBERY, BRIBE SOLICITATION AND EXTORTION**

Chapter VII of the OECD’s Guidelines for Multinational Enterprises focuses on combating bribery, bribe solicitation and extortion. Combating bribery in international business transactions is a priority for the OECD, evidenced by the implementation of OECD anti bribery instruments in respect of international business transactions.

These recommendations mirror in many respects the recommendation in the OECD Guidelines for Multinational Enterprises, but with a particular focus on the prevention and combating of corruption.

The 2009 Anti-Bribery Recommendations include to:

- “Develop and adopt adequate **internal controls, ethics and compliance programs or measures for preventing and detecting bribery**, developed on the basis of a risk assessment addressing the individual circumstances of an enterprise, in particular the bribery risks facing the enterprise (such as its geographical and industrial sector of operation). These internal controls, ethics and compliance programs or measures should include a system of financial and accounting procedures, including a system of internal controls, reasonably designed to ensure the maintenance of fair and accurate books, records, and accounts, to ensure that they cannot be used for the purpose of bribing or hiding bribery. Such individual circumstances and bribery risks should be regularly monitored and re-assessed as necessary to ensure the enterprise’s internal controls, ethics and compliance program or measures are adapted and continue to be effective, and to mitigate the risk of enterprises becoming complicit in bribery, bribe solicitation and extortion.

- **Prohibit or discourage**, in internal company controls, ethics and compliance programs or measures, the use of small **facilitation payments**, which are
generally illegal in the countries where they are made, and, when such payments are made, accurately record these in books and financial records.

- Enhance the **transparency** of their activities in the fight against bribery, bribe solicitation and extortion. Measures could include making public commitments against bribery, bribe solicitation and extortion, and disclosing the management systems and the internal controls, ethics and compliance programs or measures adopted by enterprises in order to honor these commitments. Enterprises should also foster openness and dialogue with the public so as to promote its awareness of and cooperation with the fight against bribery, bribe solicitation and extortion.

- **Promote employee awareness of and compliance** with company policies and internal controls, ethics and compliance programs or measures against bribery, bribe solicitation and extortion through appropriate dissemination of such policies, programs or measures and through training programs and disciplinary procedures.

- **Propriety, integrity and transparency** in both the public and private domains are key concepts in the fight against bribery, bribe solicitation and extortion. The business community, non-governmental organizations, governments and inter-governmental organizations have all co-operated to strengthen public support for anticorruption measures and to enhance transparency and public awareness of the problems of corruption and bribery. The adoption of appropriate **corporate governance practices** is also an essential element in fostering a culture of ethics within enterprises."

The 2009 Anti-Bribery Recommendation takes into account the Good Practice Guidance on Internal Controls, Ethics and Compliance, included as Annex II to the 2009 Anti-Bribery Recommendation. This Good Practice Guidance is addressed to enterprises as well as business organizations and professional associations, and highlights good practices for ensuring the effectiveness of their internal controls, ethics and compliance programs or measures to prevent and detect foreign bribery.

**UN Global Compact**

The UN Global Compact supports companies to:

1. Do business responsibly by aligning their strategies and operations with **Ten Principles** on human rights, labor, environment and anti-corruption; and

2. Take strategic actions to advance **broader societal goals**, such as the **UN Sustainable Development Goals**, with an emphasis on collaboration and innovation.

248 The formal launch of the Global Compact was held on 26 July 2000 at the UN, bringing together 44 global companies, two labor and 12 civil society organizations, as well as 6 business associations. The UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. The UN Global Compact aims to mobilize a global movement of sustainable companies and stakeholders to create a better world.
The United Nations Global Compact’s Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. They focus on four broad areas: human rights, labor rights, environment and anti-corruption.

The Ten Principles are:

**Human Rights:**
- “Principle 1: Businesses should **support and respect** the protection of internationally proclaimed human rights;
- Principle 2: Businesses should make sure that they are not complicit in human rights abuses.”

**Labor:**
- “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 labor**;
- Principle 5: the effective abolition of **child labor**;
- 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;
- 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.”

**UN Guiding Principles on Business and Human Rights**

The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.

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They were proposed by UN Special Representative on business and human rights advocate John Ruggie and endorsed by the UN Human Rights Council in June 2011. In the same resolution, the UN Human Rights Council established the UN Working Group on Business and Human Rights.\textsuperscript{254}

The Guiding Principles contain three chapters, or pillars: \textit{protect}, \textit{respect} and \textit{remedy}. Each defines concrete, actionable steps for governments and companies to meet their respective duties and responsibilities to prevent human rights abuses in company operations and provide remedies if such abuses take place.\textsuperscript{255} These Guiding Principles apply to all States and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure.

Businesses must act with due diligence to avoid infringing on the rights of others and to address any negative impacts. The UN Guiding Principles on Business and Human Rights hold that companies have the power to affect virtually all of the internationally recognized rights. Therefore, there is a responsibility of both the state and the private sector to acknowledge their role in upholding and protecting human rights. In conducting due diligence, the UN Guiding Principles on Business and Human Rights encourage companies to conduct a Human Rights Impact Assessment through which they assess their actual and potential human rights impacts.

The Guiding Principles include:

1) \textbf{The State Duty to Protect:} The Guiding Principles affirm that under existing international human rights law, States have the duty to protect against human rights abuses by all actors in society, including businesses. This means States, through regulation, policymaking, investigation, and enforcement, must prevent, investigate, punish and redress human rights abuses that take place in domestic business operations. Furthermore, The Guiding Principles recommend that States set clear expectations that companies domiciled in their territory/jurisdiction respect human rights in every country and context in which they operate.

2) \textbf{The Corporate Responsibility to respect Human Rights:} The Guiding Principles include operational provisions that recommend concrete actions for States to meet their duty to protect human rights in the context of business operations. This includes enacting and enforcing laws that require businesses to respect human rights; creating a regulatory environment that facilitates business respect for human rights; and providing guidance to companies on their responsibilities. The Guiding Principles also stipulate that States should ensure that policies are coherent across departments and functions, and that their participation in multilateral institutions is aligned with their human rights obligations. The human rights obligations of States, from providing security to delivering utilities, are not voided when such functions are carried out by state-owned or private business enterprises. As conflict-affected areas pose a heightened risk of gross human rights abuses, including by businesses, the Guiding Principles stipulate that States (home and host) should provide guidance, assistance and enforcement mechanisms to ensure that business enterprises are not involved with such abuses


\textsuperscript{255} \url{file:///C:/Users/WB545590/Downloads/Intro_Guiding_PrinciplesBusinessHR.pdf}. NOT WORKING LINK
in conflict-affected areas. The responsibility to respect applies to all internationally recognized human rights expressed in the International Bill of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. To meet the responsibility to respect, business enterprises must have the necessary policies and processes in place. The Guiding Principles identify three components of this responsibility. First, companies must institute a policy commitment to meet the responsibility to respect human rights. Second, they must undertake ongoing human rights due diligence to identify, prevent, mitigate and account for their human rights impacts. Finally, they must have processes in place to enable remediation for any adverse human rights impacts they cause or contribute to.

3) **Access to Remedy:** One of the fundamental principles of the international human rights system is that when a right is violated, victims must have access to an effective remedy. The Guiding Principles affirm that the State duty to protect rights includes ensuring that when human rights are violated by companies within their territory and/or jurisdiction, the State must ensure access to an effective remedy for those affected. The state duty to provide access to effective remedy includes taking appropriate steps to ensure that State-based domestic judicial mechanisms are able to effectively address business-related human rights abuses, and do not erect barriers that prevent victims from presenting their cases. The access to remedy principles do not only apply to States. They also stipulate that business enterprises should provide for, or participate in, effective mechanisms for fielding and addressing grievances from individuals and communities who may be adversely impacted by the company’s operations.

**ICC Guidelines**

The International Chamber of Commerce (“ICC”) was founded in 1919 in the aftermath of the First World War when no world system of rules governed trade, investment, finance or commercial relations. Without waiting for governments to fill the gap, ICC’s founders acted on their conviction that the private sector is best qualified to set global standards for business, calling themselves “the merchants of peace”. ICC aims to promote international trade and investment as vehicles for inclusive growth and prosperity.

The ICC has three main activities: rule setting, dispute resolution, and policy advocacy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of international trade.

The ICC has adopted over the years a series of guidelines relating to various aspects of business ethics, including the ICC Guidelines on Conflicts of Interest in Enterprises, the ICC Advertising and Marketing Communications Code, the ICC Rules on Combating Corruption.

The ICC Guidelines are intended to supplement legal obligations that most jurisdictions have in place and can be applied by all organizations, from SMEs to MNEs, for profit
or non-profit alike. They provide a good guidance for enterprises that intend to follow the HCBM.

**ICC GUIDELINES ON CONFLICTS OF INTEREST IN ENTERPRISES**

The ICC issued in 2018 the Guidelines on Conflicts of Interest in Enterprises, as preventing conflicts of interest can also prevent corrupt practices that can impair an organization.

Conflicts of interest may not be illegal *per se*. However, they may lead to corrupt practices *e.g.* where an individual uses his/her official authority and grants, by exercising his/her decision-making power, an undue advantage to himself/herself, a relative or the enterprise with which he/she is associated. This means that if a conflict of interest is not dealt with properly, the associate and enterprise may be subject to investigation and prosecution with potentially serious legal, financial and reputational consequences. Put positively, preventing conflicts of interest can be viewed as preventing corrupt practices, fraud and other illegal behavior, and can promote more generally an ethical business culture.

By advising enterprises on how to put in place a policy preventing and resolving conflicts of interest, the ICC aimed to help them deter corrupt practices and other illegal behavior and promote an ethical business culture.

The ICC defines “conflict of interest “as any situation where there is a risk that a private interest (political, business or commercial, etc.) of an employee interferes or has the appearance of interfering with the legitimate interest of the enterprise or entity for which that employee works.

The ICC Guidelines recommend that enterprises establish, as part of their overall compliance program, a policy relating to conflicts of interest which is adapted to their size, the nature of their business activities, locations where they operate, the complexity of their legal environment and their governance structure. This policy should also address the use of agents and representatives to facilitate business for the enterprise and provide guidance as to how to prevent potential conflicts of interest to the benefit of the enterprise. The compliance officer or another manager who is a specialist from the ethics and compliance department, the legal department or from the human resources department should be responsible for the policy.

The ICC Guidelines set out some common measures to prevent conflicts of interest, including:

- Introducing a clear policy on conflicts of interest and implement an obligation for associates to promptly disclose a conflict of interest to their line manager or compliance officer, as soon as such a situation occurs.
- Clear internal communication and training on conflicts of interest.
- Strong tone at the top on ethical values and compliance.

*256 MISSING FOOTNOTE IN MANUSCRIPT

257 Conflicts of Interest can occur on all levels of governance and in all areas of human relationships. There will also be a Conflict of Interest if the Associate or one of his/her Relatives breaches his/her loyalty towards a third party by influencing a business decision of that third party to the benefit of the Enterprise.*
• Communication that any misconduct or non-compliance may lead to disciplinary actions.

• Mitigation of conflicts of interest. As a general rule, an associate shall abstain or withdraw from debating, voting, or taking part in any decision-making processes or activities where a conflict of interest exists or might arise.

The Guidelines recommend that enterprises consider taking the following actions when facing a conflict of interest:

• **Avoidance**: a conflict of interest or potential conflict of interest could be avoided, for example by giving up a role with a competing business or selling a shareholding in a supplier.

• **Disclosure**: if a conflict of interest is known to all parties involved through disclosure of it to them, this may allow the relationship to go ahead (for example, making it known that a relative is applying for a job).

• **Stepping back**: it may be appropriate for someone subject of a conflict of interest not to become involved in a decision that may be affected by the conflict of interest. For example, where a relative of an associate applies for a job in the same enterprise, arrangements could be made to ensure the associate does not become involved in, or would not be in a position to influence any decision whether to hire the relative or not.

• **Refusal**: rejecting the circumstance creating a conflict of interest will, in effect, eliminate the conflict of interest all together. This would e.g. be the case by refusing a personal gift. Although compliance with the policy is the responsibility of the associate, the appropriate action to be taken after disclosure should be decided by the line manager and/or the compliance officer.

ICC recommends that enterprises closely monitor and regulate actual or potential conflicts of interest, or the appearance thereof, of their directors, officers, employees, agents and representatives and do not take advantage of conflicts of interest of others.

**ICC CORPORATE RESPONSIBILITY**

ICC promotes the role business can and should play in respecting human rights and encourages governments to engage with the business community to learn from the experiences of the private sector in dealing with human rights commitments. Respect for human rights is a key vehicle through which business can help achieve the broader vision of peaceful and inclusive societies embraced by the United Nations Sustainable Development Goals (SDGs).

ICC continues to be at the forefront in pushing for business implementation of the United Nations (UN) Guiding Principles on business and Human Rights, a blueprint for what governments and companies need to do to put in place appropriate policies to respect human rights.

ICC plays a pivotal role in promoting business implementation of the UN Guiding Principles, a crucial companion to the SDGs. For example, the ICC Guidelines for
International investment, call on investing companies to respect the human rights of those affected by their activities, consistent with the UN Principles.

A broad range of businesses are already taking strong actions to support implementation of the Guiding Principles and many ICC member companies have already taken action to put in place access to remedy through company grievance mechanisms. But the role of the state in protecting human rights is paramount.

For businesses to appropriately assume corporate responsibility in relation to the respect of human rights, governments must fulfill their roles to implement national action plans.

With only eight countries having implemented national action plans, ICC leverages its global network of national representatives, known as national committees, to call on their respective governments to develop national plans in order to align national laws with global standards.  

**ICC ADVERTISING AND MARKETING COMMUNICATIONS CODE**

The ICC is uniquely positioned to provide insightful guidance on marketing and advertising around the globe. As the world business organization, whose membership is composed of thousands of enterprises from all sectors and regions, ICC has been a major rule-setter in marketing and advertising since 1937 when it issued the first ICC Code on Advertising Practice. Over the years, the ICC Code has served as the inspiration of self-regulatory codes and building block for self-regulatory structures around the world. These self-regulatory systems have built trust with consumers by assuring them of advertising that is honest, legal, decent and truthful as well as quick and easy redress when transgressions occur. The Code also has served business and society by providing ethical guidelines that create a level playing field and minimize the need for legislative or regulatory restrictions. As new practices and technologies have evolved, ICC has revised and extended the scope of the Code to assure its usefulness and relevance. This revision is in line with changes in behavior resulting from the ongoing digital revolution and sets a gold standard for modern rule-making.

**General provisions and definitions on advertising and marketing communications**

**Article 1 - Basic Principles:** “All marketing communications should be legal, decent, honest and truthful. All marketing communications should be prepared with a due sense of social and professional responsibility and should conform to the principles of fair competition, as generally accepted in business. No communication should be such as to impair public confidence in marketing.”

**Article 2 - Social Responsibility:** “Marketing communications should respect human dignity and should not incite or condone any form of discrimination, including that based upon ethnic or national origin, religion, gender, age, disability or sexual orientation. Marketing communications should not without justifiable reason play on fear or exploit misfortune or suffering. Marketing communications should not appear to condone or incite violent, unlawful or anti-social behavior. Marketing communications should not play on superstition.”

Article 4 - Honesty: Marketing communications should be so framed as not to abuse the trust of consumers or exploit their lack of experience or knowledge. Relevant factors likely to affect consumers’ decisions should be communicated in such a way and at such a time that consumers can take them into account.

Article 5 - Truthfulness: Marketing communications should be truthful and not misleading. Marketing communications should not contain any statement, claim or audio or visual treatment which, directly or by implication, omission, ambiguity or exaggeration, is likely to mislead the consumer, in particular, but not exclusively, with regard to:

- characteristics of the product which are material, i.e. likely to influence the consumer’s choice, such as: nature, composition, method and date of manufacture, range of use, efficiency and performance, quantity, commercial or geographical origin or environmental impact;
- the value of the product and the total price to be paid by the consumer;
- terms for the delivery, provision, exchange, return, repair and maintenance;
- terms of guarantee;
- copyright and industrial property rights such as patents, trade-marks, designs and models and trade names
- compliance with standards
- official recognition or approval, awards such as medals, prizes and diplomas
- the extent of benefits for charitable causes.

Article 7 - Identification and Transparency: Marketing communications should be clearly distinguishable as such, whatever their form and whatever the medium used. When an advertisement, including so-called “native advertising”, appears in a medium containing news or editorial matter, it should be so presented that it is readily recognizable as an advertisement and where appropriate, labelled as such. The true commercial purpose of marketing communications should be transparent and not misrepresent their true commercial purpose. Hence, a communication promoting the sale of a product should not be disguised as, for example, market research, consumer surveys, user-generated content, private blogs, private postings on social media or independent reviews.

Article 17 - Safety and Health: Marketing communications should not, without justification on educational or social grounds, contain any visual portrayal or any description of potentially dangerous practices, or situations which show a disregard for safety or health, as defined by local national standards. Instructions for use should include appropriate safety warnings and, where necessary, disclaimers. Children

259 Refer to the ethical principles of Truthfulness and Honesty described in section 1 of this report.
260 Id.
should be shown to be under adult supervision whenever a product or an activity involves a safety risk. Information provided with the product should include proper directions for use and full instructions covering health and safety aspects whenever necessary. Such health and safety warnings should be made clear by the use of pictures, sound, text or a combination of these."

**Article 20 - Transparency on Cost of Communication:** “Where the cost to consumers of accessing a message or communicating with the marketer is higher than the standard cost of that mode of communications, e.g. “premium rate” for an online message, connection or telephone number, this cost should be made clear to consumers, expressed either as “cost per minute,” “cost per message,” “message or data rates may apply,” or other similar means likely to be understood by the consumer. When this information is provided on-line, consumers should be clearly informed of applicable charges at the time when they are about to access the message or online service, and be allowed a reasonable period of time to disconnect without incurring the charge. Where a communication involves such a cost, the consumer should not be kept waiting for an unreasonably long time in order to achieve the purpose of the communication and calls should not be charged until the consumer can begin to fulfill that purpose.”

**Article 22 - Environmental Behavior:** “Marketing communications should not appear to condone or encourage actions which contravene the law, self-regulatory codes or generally accepted standards of environmentally responsible behavior. They should respect the principles set out in chapter D, Environmental Claims in Marketing Communications.”

**Article 26 - Respect for Self-Regulatory Decisions:** “No marketer, communications practitioner or advertising agency, publisher, media owner or contractor should be party to the publication or distribution of an advertisement or other marketing communication which has been found unacceptable by the relevant self-regulatory body. All parties are encouraged to include in their contracts and other agreements pertaining to advertising and other marketing communication, a statement committing the signatories to adhere to the applicable self-regulatory rules and to respect decisions and rulings made by the appropriate self-regulatory body and support its operation. Where no effective self-regulatory codes and arrangements are in place in a particular country, all parties are encouraged to include in their contracts and other agreements pertaining to advertising and marketing communication a statement committing the signatories to respect the current ICC Code.”

**ICC ETHICS AND COMPLIANCE**

Fighting corruption and building an even stronger sense for corporate responsibility and good corporate governance is an ongoing process and requires sustained efforts from all parties—whether they are public officials or business people, and at all levels of the corporate world. ICC is committed to contribute to this daunting task namely in part by continuing to raise awareness worldwide on the role of business in this process. In 1977 the ICC issued the ICC Rules on Combating Corruption, which have been reissued in 2011.

International Organizations for Standardization (ISO)

ISO is an independent, non-governmental international organization with a membership of 164 national standards bodies, founded in 1947. Since then, it has published over 22571 International Standards covering almost all aspects of technology and manufacturing.

Today it has members from 164 countries and 786 technical committees and subcommittees to take care of standards development. More than 135 people work full time for ISO's Central Secretariat in Geneva, Switzerland. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

ISO International Standards ensure that products and services are safe, reliable and of good quality. For business, they are strategic tools that reduce costs by minimizing waste and errors and increasing productivity. They help companies to access new markets, level the playing field for developing countries and facilitate free and fair global trade. Its standards are developed by the people that need them, through a consensus process. Experts from all over the world develop the standards that are required by their sector. This means they reflect a wealth of international experience and knowledge.

ISO 26000 – SOCIAL RESPONSIBILITY

ISO 26000 was prepared by ISO/Technical Management Board working group on social responsibility and published in 2010. ISO 26000 is defined as the international standard developed to help organizations effectively assess and address social responsibilities that are relevant and significant to their mission and vision; operations and processes; customers, employees, communities, and other stakeholders; and environmental impact. It is characterized by being a voluntary guidance standard, was developed by a multi-stakeholder process and is designed for use by all types of organizations in the private, public and non-profit sectors, whether large or small, and whether operating in developed or developing countries. While not all parts of this international standard will be of equal use to all types of organizations, all core subjects are relevant to every organization. All core subjects comprise a number of issues, and it is an individual organization’s responsibility to identify which issues are relevant and significant for the organization to address, through its own considerations and through dialogue with stakeholders. Governmental organizations, like any other organization, may wish to use this international standard. However, it is not intended to replace, alter or in any way change the obligations of the State. The beginner may find it useful to read and apply this international standard as a primer on social responsibility, while the experienced user may wish to use it to improve existing practices and to further integrate social responsibility into the organization.

The ISO 26000 standard provides guidance on:

- Recognizing social responsibility and engaging stakeholders.

262 ISO 26000, Guidance on social responsibility, was published in November 2010.
- Ways to integrate socially responsible behavior into an organization.

ISO 26000 sets out seven key underlying principles of social responsibility:

- Accountability
- Transparency
- Ethical behavior
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behavior
- Respect for human rights

The ISO 26000 then presents seven core subjects and issues pertaining to social responsibility:

- Organizational governance
- Human rights
- Labor practices
- The environment
- Fair operating practices
- Consumer issues
- Community involvement and development

In addition to providing definitions and information to help organizations understand and address social responsibility, the ISO 26000 standard emphasizes the importance of results and improvements in performance on social responsibility.

**Global Sullivan Principles (GSP)**

Leon Sullivan, a native of West Virginia coal-mining country, came to Philadelphia in 1950 to pastor Zion Baptist Church on North Broad Street by way of a stop in Harlem, where he served as assistant minister to Adam Clayton Powell Jr. (1908-72) at the Abyssinian Baptist Church. Sullivan believed that Christian ministry needed to be geared to action and described himself as preaching a “pragmatic gospel.”

Sullivan had honed his economic activism through what he called the “selective patronage” campaign, begun in 1958. Dissatisfied with the economic opportunities open to minorities and women, he helped to organize a coalition of 400 black
ministers across Philadelphia to address discrimination in employment. If companies declined appeals from the coalition to hire blacks into professional and managerial positions, the ministers would urge their congregants to withhold their patronage.\textsuperscript{264}

The Sullivan principles are the names of two corporate codes of conduct, developed by the African-American preacher Rev. Leon Sullivan, promoting corporate social responsibility:

The original Sullivan principles were developed in 1977 to apply economic pressure on South Africa in protest of its system of apartheid. The principles eventually gained wide adoption among United States-based corporations.

The new global Sullivan principles were jointly unveiled in 1999 by Rev. Sullivan and United Nations Secretary General Kofi Annan. The new and expanded corporate code of conduct, as opposed to the originals’ specific focus on South African apartheid, were designed to increase the active participation of corporations in the advancement of human rights and social justice at the international level.\textsuperscript{265}

The objectives of the Global Sullivan Principles (GSP), originally named Sullivan Principles in 1977 and then was added the world global in 1999, are the most well-known formula for addressing social responsibility within a business organization’s governance documents, codes of conduct and operating procedures. They are based on the United Nations (UN) Universal Declaration of Human Rights.

The principles are reproduced below:

1. “Express our support for universal human rights and, particularly, those of our employees, the communities within which we operate, and parties with whom we do business.

2. Promote equal opportunity for our employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse.

3. Respect our employees’ voluntary freedom of association.

4. Compensate our employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability to raise their social and economic opportunities.

5. Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.

6. Promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.

\textsuperscript{264} https://philadelphiaencyclopedia.org/archive/sullivan-principles/.
\textsuperscript{265} http://csridentity.com/globalsullivanprinciples/index.asp.
7. Work with governments and communities in which we do business to improve the quality of life in those communities - their educational, cultural, economic and social well-being - and seek to provide training and opportunities for workers from disadvantaged backgrounds.

8. Promote the application of these principles by those with whom we do business.

We will be transparent in our implementation of these principles and provide information which demonstrates publicly our commitment to them.”

The eight main principles address companies to conduct their business objectives in a socially responsible way in the global market. Besides, businesses are meant to maintain these standards not only in their domestic operations but also in foreign ones.

### TABLE 1. International Ethical Standards Compared

<table>
<thead>
<tr>
<th></th>
<th>OECD</th>
<th>UN GC</th>
<th>UN Guiding Principles</th>
<th>ICC</th>
<th>ISO 26000</th>
<th>GSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compliance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2. Corporate governance</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>Organizational governance</td>
<td></td>
</tr>
<tr>
<td>3. Corporate responsibility</td>
<td></td>
<td></td>
<td>Environmental responsibility</td>
<td>✓</td>
<td>Social responsibility</td>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>4. Fairness</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5. Health &amp; Safety</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>6. Honesty</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>7. Integrity</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>Ethical behavior</td>
<td></td>
</tr>
<tr>
<td>8. Respect for human rights</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>9. Sustainable development</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Environmental behavior</td>
<td>✓</td>
</tr>
<tr>
<td>10. Transparency</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

- **OECD**, Organization for Economic Co-operation and Development
- **UN GC**, United Nations Global Compact
- **UN Guiding Principles**, United Nations Guiding Principles on Business and Human Rights
- **ICC**, International Chamber of Commerce
- **ISO 26000**, International Organization for Standardization
- **GSP**, Global Sullivan Principle
In addition to initiatives with a global scope, a sample of regional and national organizations/associations working at the national level to promote ethical conduct were examined, such as: the Ethics and Compliance Initiative (ECI), the European Business Ethics Network (EBEN), the Business Ethics institute of Malaysia (BEIM), the Business Ethics Network of Africa (BEN-Africa), the Canadian Centre for Ethics Corporate Policy, the Hong Kong Ethics Development Centre (HKEDC) and the Australasian Business Ethics Network (ABEN); besides, the last part of the paper concentrates on the Institute of Global Ethics (EGI). Moreover, it aims to compare their code of conducts in order to understand how each organizations/associations could be different and the manner that guidelines are applied in their country.

Ethics and Compliance Initiative (ECI)

The Ethics & Compliance Initiative (ECI) is a best practice community of organizations that are committed to creating and sustaining high quality ethics & compliance programs. With a history dating back to 1922, ECI brings together ethics and compliance professionals and academics from all over the world to share techniques, research and, most of all, exciting new ideas.

ECI is the leading provider of independent research about workplace integrity, ethical standards, and compliance processes and practices in public and private institutions. Our research includes the long-standing National Business Ethics Survey (NBES) of workplace conduct in the United States and the more recent Global Business Ethics Survey (GBES) of workplaces in leading world economies.

ECI assists organizations in building strong cultures and developing High Quality Ethics & Compliance Programs (HQPs) in line with the five pillars identified by an ECI Blue Ribbon Panel. Embracing these pillars as our own operational standard, ECI provides organizations with tools and benchmarking services that enable them to assess the relative strength of their culture and program, identify areas for attention and stay abreast of new developments and best practices.

ECI also supports E&C officers, individual practitioners, academics and thought leaders with a full calendar of educational programming, networking and idea exchange opportunities and professional certification services. Ours is a vibrant and active community of professionals that shares knowledge, encourages thoughtful innovation and explores new ideas to help organizations and individuals meet key objectives.

266 O.C., Ferrell, Historical Developments of Business Ethics: Then to Now, University of New Mexico.
The Ethics & Compliance Initiative (ECI) is a non-profit organization that empowers its members across the globe to operate their businesses at the highest levels of integrity. The organization provides research and a best practice community, as well as certification opportunities for ethics & compliance professionals. Through its membership, ECI represents entities across nearly every industry, located in 37 countries on six continents each dedicated to promoting the highest levels of integrity.

**ECI Membership Guidelines:**

1. Membership in ECI is available only to persons recognized by their organization as having the assigned role and responsibility for designing, implementing, or administering its ethics, compliance, or business conduct program. Individuals with even part-time sales or marketing responsibilities, including those who otherwise would qualify for ECI membership, may not join ECI.


3. ECI prides itself on being a community in which every member enjoys the freedom to network and interact freely and respectfully. Individuals may not use information gained via their ECI membership to solicit business with the intent to profit. In addition, members cannot provide any nonmember with member-contact or other information.

4. To protect the confidentiality of all members, ECI member lists or personal information may not be distributed to nonmembers at any time.

5. Member benefits are individual and cannot be shared or transferred to other individuals, even within the same organization.

6. In the event a member leaves her/his organization before the end of the membership term, the balance of the membership remains with the organization, not the individual. Membership dues are not refundable in whole or in part at any time.

7. Members are expected to contribute samples of their organization's code of conduct, surveys, charters, policies, training, and other materials to ECIconnect's online resource library. ECI will work to protect contributed information from dissemination outside ECI membership.

8. Members are encouraged to share their knowledge, expertise, and experience with other members and we welcome speaker proposal submissions from members for many types of ECI events, from conferences to webcasts to seminars.

9. Organizational Members and ECI Fellows are encouraged to participate in the leadership and strategic planning of the association. To this end, we encourage both Organizational Members and ECI Fellows to nominate and self-nominate Organizational Members and ECI Fellows for membership in the Board of Directors. Individual Members are not eligible to vote for board members nor stand for election to the board.
10. Experience over 25 years has proven that, the greater the extent of members’ participation in ECI activities, including benchmarking groups, industry groups, working groups, resource-sharing, events, and online networking opportunities, the greater the member’s value from membership.

**ECIconnects Guidelines:**

1. All participation in ECIconnects, ECI’s members-only online resource and networking center, must reflect ECI’s values: community, integrity, trust, respect, mutual support, and professional excellence.

2. Members must not inappropriately disparage others within ECIconnects or any ECI-sponsored environment. Online discussions are intended to stimulate networking and learning, not to harm others.

3. Participants may not post commercial messages or any communication that gives the appearance of soliciting business. This includes promoting, marketing, or selling products, services, or the providers of either.

4. Members are accountable for reading, understanding, and honoring ECI’s Antitrust Guidelines. While access to ECIconnects is restricted to members, and all communications are protected by ECI’s standards of confidentiality, ECI cannot promise that content will never be requested by enforcement authorities.

5. All materials added to ECIconnects are subject to copyright protection laws. On submitting content to the Resource Library, members will be asked to confirm their knowledge of their right to contribute the content to the library.

6. All defamatory, abusive, profane, threatening, offensive, or illegal materials are strictly prohibited.

7. To promote a trusting, collegial environment, most features of ECIconnects (including the resource library) are provided for the sole use of the ECI member community. Sharing of materials with non-members without the prior authorization of ECI is not allowed.²⁶⁷

**European Business Ethics Network (EBEN)**

The European Business Ethics Network (EBEN) founded in 1987 as a non-profit association, it is a cross-national network dedicated to the promotion of business ethics, in academia, business, public sector and civil society. It aims to promote business ethics in all sectors of society all over Europe. EBEN tries to increase knowledge about corporate responsibility and encourage higher standards by facilitating dialogue and research on various topics relating to corporate ethics with local, national, and regional actors. Its Annual Conference brings academics from different areas of Europe to analyze new ideas and methods for the ethical practice of business.

Moreover, EBEN's Research Conference joins practitioners and academics to share findings and experiences in an effort to advance socially responsible practices in European businesses.\textsuperscript{268}

Its mission is to promote ethics and excellence in businesses, to increase knowledge about ethical challenges in the global marketplace and to enforce dialogue on the role of business in society.

According to Samuel Johnson, an English writer and lexicographer (1709-1784), "Integrity without knowledge is weak and useless, and knowledge without integrity is dangerous and dreadful" it is important to know how integrity can survive with knowledge. Knowledge has helped us survive far longer than we should, and also prevented us from repeating the mistakes of the past, and integrity is important to gain the trust of others.\textsuperscript{269}

The European Business Ethics Network supports initiatives at cross-European, National and regional levels. It has 18 National Networks established in several countries.

EBEN's main activities are:

- **EBEN Annual Conference**: hosted by a national team this conference brings academics and practitioners around a central theme.

- **EBEN Research Conference**: build around a central theme and aimed at academics in particular, this conference presents recent research or research in progress. It allows business ethicists from all fields to interchange their scientific work.

- **EBEN Doctoral Workshop**: aimed at those undertaking a PhDs in business ethics this yearly event usually precedes the annual conference.

- **EBEN Interest Groups**: Within EBEN several interest groups concentrate on one specific topic (e.g. SRI, CSR in SME's etc.). These interest groups organize all kinds of activities open to everybody.\textsuperscript{270}

\textit{In accordance to the Corporate Code, promoted by the management, accepted by employees, supported by Shareholders, noted by Stakeholders and today it includes the following rules:}

1. Integrity: thinking and doing in accordance with accepted principles and values;

2. Compliance: with laws, rules and regulations;

3. Independence: prompt reporting appropriately;

4. Confidentiality: enforceable without side effects;

\textsuperscript{268} https://berkleycenter.georgetown.edu/organizations/european-business-ethics-network.
\textsuperscript{269} https://www.careerride.com/view/integrity-or-knowledge-what-is-more-important-25535.aspx.
\textsuperscript{270} http://www.eben-net.org/content/our-mission.
5. Competency: full, fair, accurate, timely, understandable report disclosures;

6. Accountability: adherence to the code;

7. Sustainability: regarding environmental, economic and social development;

8. Respect for Human Life: protect human dignity and respect the human rights;

9. Protect the Environment: resolve former environmental damage, reduce current pollution and prevent future environmental impacts;

10. Pursue Economic Justice: our welfare is always part of world welfare; optimum profits taking into account the triple bottom line are preferred to short-sighted maximum profits.

In addition, it clearly supports the Global Compact 10 Principles with respect to human rights, labor, environment and anti-corruption.271

**Business Ethics Institute of Malaysia (BEIM)**

The Business Ethics Institute of Malaysia (BEIM), founded in 1997, is an independent non-profit organization that was formed with the purpose of driving greater business ethics on the national forefront. BEIM promotes ethics through education, inculcation, and nurturing of values such as honesty, fairness, integrity, and self-regulation among businesses in Malaysia.

Its objectives are:

- To foster an ethical marketplace.
- To educate and encourage the public and private sectors in ethical business practices.
- To promote honesty and transparency in business.
- To create public awareness on unethical practices in the marketplace.
- To participate and support national, regional and international organizations that encourages similar goals.
- To recognize individuals and organizations that champion the cause of good business ethics.
- To promote awareness and understanding on general accepted business norms, ethical precepts, human values and social expectations of society.272

272 http://beim.my/about-us/.
Business Ethics Network of Africa (BEN-Africa)

The Business Ethics Network of Africa (BEN-Africa) was formed in 1999. The founding conviction of BEN-Africa is to share an interest in business ethics, business ethics will be expanded on the African continent. It aims that through interaction, both theoretical knowledge and practical skill in managing ethics will be enhanced. BEN-Africa facilitates interaction between its members including its website and social media. Like the above-mentioned organizations, BEN-Africa also establish an annual conference, in different cities in the African continent.

BEN-Africa is committed to diffuse information, knowledge and expertise on business ethics to its members through its open-access, electronically published journal, the African Journal of Business Ethics (AJOBE).

BEN-Africa also provides members with the opportunity to participate in generating new knowledge and expertise. This is done through a number of research projects including, amongst others, the Whistle Blowing Project, the Business Ethics Case Study Project and the HIV/AIDS project. In 2015 BEN-Africa partnered with KPMG South Africa in hosting business ethics forums across South Africa aimed at ethics practitioners.

BEN-Africa mission is to enforce Africans’ competence to do business with moral integrity by facilitating interaction between academics and practitioners who share an interest in business ethics.

Its focal areas are:

- The development and maintenance of a network of people with either a theoretical and/or practical interest in business ethics;
- The facilitation of interaction between people with either a theoretical and/or practical interest in business ethics; and
- The initiation of research in business ethics that is either of practical or theoretical interest.273

Canadian Centre for Ethics Corporate Policy (Ethics-Centre CA)

The Canadian Centre for Ethics Corporate Policy (Ethics-Centre CA), founded in 1988, is a registered charity governed by volunteers and supported by organizations and individuals who share a commitment to ethical values. It is an independent ethics center. It aims to promoting and maintaining an ethical orientation and culture in Canadian organizations. Its mission is to champion the application of ethical values in the decision-making process of business and other organizations.

It operates in an inclusive way to explore and develop the positive role of ethical decision making.

Ethics-Centre CA organizes presentations and relevant seminars and conferences on issues of organizational ethics. Also, it hosts roundtables where business leaders, ethics practitioners and others can share their views on ethical issues and dilemmas. Ethics-Centre CA has a newsletter management ethics that including some important articles on ethics, corporate governance and corporate responsibility and is published across Canada and around the world.

Moreover, Ethics-Centre CA supports people to resolve ethical problems and offer a home for organizations to implement various aspects of ethical decision-making.

In conclusion, it offers a roster of leading experts available to speak on ethical issues and government conferences and provide details on researches on ethics and corporate responsibility.  

Hong Kong Business Ethics Development Centre (HKBEDC)

The Hong Kong Business Ethics Development Centre (HKBEDC), originally named Hong Kong Ethics Development Centre (HKEDC) and changed to better reflect its scope of services, is a non-profit making organization established under the auspices of the Community Relations Department of the Independent Commission Against Corruption (ICAC), in Hong Kong. Since its inception in 1974, the Independent Commission Against Corruption (ICAC), has incorporated three approaches: law enforcement, prevention and community education to fight corruption. The ICAC also firmly believes that to fight corruption is needs a high ethical standard with an open, clear and fair business environment in Hong Kong.

The work of HKBEDC is operated by the Hong Kong Business Ethics Development Advisory Committee (BEDAC) which comprises representatives of ten major chambers of commerce in Hong Kong. It highlights how ethical business practices and good corporate governance are the cornerstones for maintaining a level-playing field and also sharpening our competitive advantage. HKBEDC’s mission is to promote business and professional ethics on a long-term basis to sustain a level-playing field in Hong Kong through three strategies:

- **Alliance**: to build strategic alliance with the business community to achieve best results
- **Client-focused**: to offer pragmatic and client-focused services to cater for specific needs
- **Enlightenment**: to draw on ICAC cases to heighten awareness of corruption risks and ethical dilemmas.  

274 [http://www.ethicscentre.ca/EN/about/](http://www.ethicscentre.ca/EN/about/).
Australasian Business Ethics Network (ABEN)

The Australasian Business Ethics Network (ABEN) was founded in Melbourne (Australia) in 2010 by Jan Schapper, Campbell Jones and Michelle Greenwood. It is a community of scholars and practitioners from a variety of institutions across Australia, New Zealand and Oceania with a passion for increasing and extending the Australasian business ethics agenda. It recognizes the uniqueness of the Australasian approach, experience and contribution to the field of business ethics.

Moreover, its network aims to be organic and evolving, with an emphasis on dialogue and collaboration. ABEN focalizes its work on creativity, pluralism, tolerance, sharing, openness, reflexivity, inclusivity, interdisciplinarity, critical enquiry, and its Australasian ‘voice’. ABEN uses a consultative approach where all members can share their comments or opinions with the Steering Committee.

In conclusion, ABEN focalizes its topics of interest in business-society relationships, corporate responsibility, environmental ethics, indigenous ethics, social and environmental sustainability, globalization, spirituality, business ethics education.

Institute for Global Ethics (IGE)

The Institute for Global Ethics (IGE), founded in 1990 in Middleton, Wisconsin, aims at helping people reason through the ethics of daily living by offering effective tools and frameworks in every sector of society around the world.

Moreover, with an easily-adapted and inquiry-based approach, the IGE focuses on individuals' behaviors by helping them and every kind of organizations to improve their decision-making and their relative behaviors. IGE’s mission includes building ethical fitness and cultures of integrity at home, at school, in the workplace and in society.

Besides, building a Code of Ethics is the key to share common values which people can apply in their labor toward a common vision.

According to the IGE, there are five values have typically dominated the landscape:

- **Honesty**
- **Responsibility**
- **Respect**
- **Fairness**
- **Compassion**

In addition, the mere respect of these values is not enough, a fair organization needs to go beyond and requests employees at all levels to decide how to apply those values in their everyday activities. They will look at how the values will affect planning and the process of determining organizational strategy. The values will also function as analytical tools in decision making regarding the mission and in setting policy for personnel.\(^{276}\)

\(^{276}\) [https://www.globalethics.org](https://www.globalethics.org).
**Purpose of the analysis**

The analysis aimed to show how the Ethics and Compliance Initiative (ECI) is the leading provider of independent research about workplace integrity, ethical standards, and compliance processes and practices in public and private institutions, also is an organization that empowers its members across the globe to operate their businesses at the highest levels of integrity. Instead, the European Business Ethics Network (EBEN), in the European context, seeks to strengthen the dialogue and the promotion of ethical principles, supporting different initiatives at global level. An innovative initiative may be the publication of online newspaper articles, such as the African Journal of Business Ethics, by the BEN-Africa, in order to share an interest in business ethics.

In addition, the Ethics-Centre CA aims to maintain an ethical orientation in Canadian organizations, operating in an inclusive way to enforce cooperation across the country.

Moreover, the Hong Kong Business Ethics Development Centre (HKBEDC), under the supervision of the ICAC which fights corruption, aims to promote business ethics on a long-term period.

The last community mentioned in this paper, the Australasian Business Ethics Network (ABEN), uses a consultative approach focusing in a large scale of topics.

In conclusion, building an ethics code should be the main step for sharing a common vision on behavior among individuals in businesses; as the Institute for Global Ethics (IGE) points out, building values is not enough, it is essential to develop tools for implementing ethical and social responsibility so as to improve the behavior in the global market.

The concepts used in the survey above are explained below:

- **Compliance**: is either a state of being in accordance with established guidelines or specifications, or the process of becoming so and a conformity in fulfilling official requirements (applicable laws and standards).  

Ethics and Compliance Initiative (ECI) provides of independent research about workplace integrity, ethical standards, and compliance processes and practices in public and private institutions. In the ECI *Membership Guidelines* members are expected to contribute samples of their organization’s code of conduct, surveys, charters, policies, training, and other materials to ECIconnect’s online resource library.

In accordance to the Corporate Code of European Business Ethics Network (EBEN) compliance needs to be conform with laws, rules and regulations.  

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The Business Ethics Institute of Malaysia (BEIM) includes compliance principle in its objectives by promoting awareness and understanding on general accepted business norms, ethical precepts, human values and social expectations of society.

- **Corporate governance:** is a term that refers broadly to the rules, processes or laws by which businesses are operated, regulated and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients and government regulations.

The Canadian Centre for Ethics Corporate Policy (Ethics-Centre CA) CA has a newsletter management ethics that including some important articles on ethics, corporate governance and corporate responsibility and is published across Canada and around the world.

The Hong Kong Business Ethics Development Centre (HKBEDC) highlights how ethical business practices and good corporate governance are the cornerstones for maintaining a level-playing field and also sharpening our competitive advantage.

- **Corporate responsibility:** Corporations have a responsibility to those groups and individuals that they can affect, i.e., its stakeholders, and to society at large. Stakeholders are usually defined as customers, suppliers, employees, communities and shareholders or other financiers. The responsibility to society at large may well be identical with the responsibility to its various communities. Researchers have suggested that corporations have a special “social responsibility” over and above its business purpose. In any case corporate responsibility consists of earning a license to operate by creating value for stakeholders, including shareholders, and society. Corporate responsibility includes being consistent with ethical principles and conduct such as honesty, integrity and respect for others. By voluntarily accepting responsibility for its actions corporations earn their license to operate in society.\(^\text{279}\)

The European Business Ethics Network (EBEN) tries to increase knowledge about corporate responsibility and encourage higher standards by facilitating dialogue and research on various topics relating to corporate ethics with local, national, and regional actors.

The Canadian Centre for Ethics Corporate Policy (Ethics-Centre CA) has a newsletter management ethics that including some important articles on ethics, corporate governance and corporate responsibility and is published across Canada and around the world. Besides, it offers a roster of leading experts available to speak on ethical issues and government conferences and provide details on researches on ethics and corporate responsibility.

The Australasian Business Ethics Network (ABEN) focalizes its topics of interest in: business-society relationships, corporate responsibility, environmental ethics, indigenous ethics, social and environmental sustainability, globalization, spirituality, business ethics education.

- **Fairness**: is the quality of being reasonable, right, and just.\(^{280}\)

The European Business Ethics Network (EBEN) in accordance to the Corporate Code, promoted by the management, accepted by employees, supported by shareholders, noted by stakeholders and it includes the following rules: 5. Competency: full, fair, accurate, timely, understandable report disclosures.

The Business Ethics Institute of Malaysia (BEIM) promotes ethics through education, inculcation, and nurturing of values such as honesty, fairness, integrity, and self-regulation among businesses in Malaysia.

The Hong Kong Business Ethics Development Centre (HKBEDC) under the auspices of the Community Relations Department of the Independent Commission Against Corruption (ICAC). The ICAC also firmly believes that to fight corruption is needs a high ethical standard with an open, clear and fair business environment in Hong Kong.

The Institute for Global Ethics (IGE) aims to promote that a fair organization needs to go beyond and requests employees at all levels to decide how to apply those values in their everyday activities.

- **Health & Safety**: the laws, rules, and principles that are intended to keep people safe from injury or disease at work and in public places.\(^{281}\)

- **Honesty**: fairness and straightforwardness of conduct.\(^{282}\)

The Business Ethics Institute of Malaysia (BEIM) BEIM promotes ethics through education, inculcation, and nurturing of values such as honesty, fairness, integrity, and self-regulation among businesses in Malaysia and one of its objectives is to promote honesty in business.

According to the Institute for Global Ethics (IGE) there are five values have typically dominated the landscape and includes the term “honesty”.

- **Integrity**: making choices that are consistent with each other and with the stated and operative values one espouses. Striving for ethical congruence in one’s decisions.\(^{283}\)

The Ethics & Compliance Initiative (ECI) is the leading provider of independent research about workplace integrity, ethical standards, and compliance processes and practices in public and private institutions. It also empowers its members across the globe to operate their businesses at the highest levels of integrity.

In the European Business Ethics Network (EBEN) in accordance to the Corporate Code, promoted by the management, accepted by employees, supported by Shareholders, noted by Stakeholders and today it includes the Integrity term as “thinking and doing in accordance with accepted principles and values”.

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The Business Ethics Institute of Malaysia (BEIM) promotes ethics through education, inculcation, and nurturing of values such as honesty, fairness, integrity, and self-regulation among businesses in Malaysia.

The Business Ethics Network of Africa (BEN-Africa) aims to do business with moral integrity by facilitating interaction between academics and practitioners who share an interest in business ethics.

The Institute for Global Ethics (IGE) mission includes building ethical fitness and cultures of integrity at home, at school, in the workplace and in society.

- **Respect for Human Rights:** Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death. They apply regardless of where you are from, what you believe or how you choose to live your life.

They can never be taken away, although they can sometimes be restricted – for example if a person breaks the law, or in the interests of national security.

These basic rights are based on shared values like dignity, fairness, equality, respect and independence.  

The European Business Ethics Network (EBEN) in accordance to the Corporate Code, promoted by the management, accepted by employees, supported by Shareholders, noted by Stakeholders includes the respect for Human Life: protect human dignity and respect the human rights; In addition, it clearly supports the Global Compact 10 Principles with respect to human rights, labor, environment and anti-corruption.

The Business Ethics Institute of Malaysia (BEIM) refers to the human rights principle as the promotion of awareness and understanding on general accepted business norms, ethical precepts, human values and social expectations of society.

- **Sustainable development:** Sustainable development has been defined in many ways, but the most frequently quoted definition is from *Our Common Future*, also known as the Brundtland Report:

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".  

The Ethics & Compliance Initiative (ECI) in the ECIconnects Guidelines aims to promote a trusting, collegial environment, most features of ECIconnects (including the resource library) are provided for the sole use of the ECI member community. Sharing of materials with non-members without the prior authorization of ECI is not allowed.

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• **Transparency:** in a business or governance context, is honesty and openness. Transparency and accountability are generally considered the two main pillars of good corporate governance.\(^{286}\)

The Business Ethics Institute of Malaysia (BEIM) also aims to promote honesty and transparency in business.

**TABLE 2. Regional and National Organizations’ standards**

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- **ECI**, Ethics and Compliance Initiative
- **EBEN**, European Business Ethics Network
- **BEIM**, Business Ethics Institute of Malaysia
- **BEN-Africa**, Business Ethics Network of Africa
- **Ethics-Centre CA**, Canadian Centre for Ethics Corporate Policy
- **HKBEDC**, Hong Kong Business Ethics Development Centre
- **ABEN**, Australasian Business Ethics Network
- **IGE**, Institute for Global Ethics

Collective Action Against Corruption in Thailand

Since 2010, under the guidance of CIPE, the Thai Institute of Directors (IOD) has built a coalition of Thailand’s largest businesses and most influential business associations united in their commitment to tackle the supply side of corruption.

Coalition members all sign the Collective Action Against Corruption Declaration and pledge to take tangible, measurable steps to proactively reduce corruption-related risks. These steps include implementing anti-corruption policies and compliance programs, providing guidance on business conduct to managers and employees, and disclosing internal policies and experiences to help disseminate and promote best practices. Companies also agree to an external evaluation of their anti-corruption practices.

IOD estimates that member companies now represent nearly 20 percent of the Thai economy and more than one million employees. These anti-corruption efforts in Thailand are unprecedented and speak to the power of an organized private sector to tackle one of the most ingrained and challenging political and economic problems, while increasing transparency and accountability.

MSMEs Fight Corruption in Armenia

Since gaining independence from the Soviet Union in 1991, Armenia has suffered from widespread corruption and the dominating role of oligarchs in politics. In 2001, 95 percent of all business entities in the country lacked any kind of formal representation to advocate for business reforms. To address these challenges, CIPE partnered with the Association of Foreign Investment and Cooperation (AFIC) in order to combat corruption and improve the environment for small and medium-sized enterprises (SMEs).

CIPE and AFIC galvanized small business engagement in the policy process through collective action. The outcome of these efforts is an improved operating environment for SMEs in Armenia with a reduction in corruption risks and lower costs of doing business. Regulatory improvements included the adoption of a new SME law, a reformed law on state inspections of private sector entities, and improved regulations.

287 The case studies are meant to be merely illustrative and does not reflect any official position on the prevalence of corruption in the countries cited.
protecting the rights of SMEs in commercial property transactions.

**Case Studies and Scenarios (Hypotheticals) from: Anti-Corruption Manual for MSMEs**

**Scenario 1**

Ms. Malou Cruz is an importer and distributor of processed deli meats from Spain. She has been anticipating the release of her latest shipment in order to meet her delivery deadlines with her customers. Upon following up the release of her cargo with her broker, she was informed that her entry documents were being held up at the Bureau of Customs. When she approached the customs official to inquire about her shipment, the official said there were problems with the documentation but suggested that they might be able to reach an arrangement for resolving the problems.

Possible Responses:

- Make sure all your documents are in order and that you have followed all required procedures.
- When you meet with the customs official, bring someone with you to act as a witness. Having a witness will make it more difficult for the official to solicit a bribe. At the meeting, ask the official to explain exactly what the problems are with the documentation.
- Do not give the impression that you are under a tight deadline. Be calm and gentle, yet persistent.
- Take everything the official says at face value and ignore hints for a bribe. The official may not ask for a bribe directly, since he or she knows it is illegal. If you do not pick up on hints and if all your documentation is in order, the official may just give up and release your shipment.
- Let the customs official know that paying a bribe is not an option for you.
- If the customs official is unreasonable, ask to speak to his or her supervisor or somebody higher.
- Discuss the problem with your customers and ask for extra time for delivery.

**Scenario 2**

Mr. Clarito Villarta, manager of a furniture and upholstery shop, is visited by inspectors from the Bureau of Fire Protection and told that he needed to buy additional fire extinguishers.

and refill existing units. Before leaving, the inspectors gave him the calling cards of two companies that were their recommended suppliers. Mr. Villarta was concerned that if he did not buy additional fire extinguishers or refill his existing units from one of those two suppliers, he might not receive his fire safety clearance which he needs for renewing his business permit.

Possible Responses:

- Review the Fire Code to determine whether your business is in compliance with its requirements.
- Have at least one witness when you meet with the BFP inspectors.
- If your business is in compliance with the Fire Code's requirements, politely advise the fire inspectors that you have reviewed the Fire Code and are confident that you are not required to purchase any additional fire extinguishers or to refill your existing units.
- If your business in fact needs to increase the number of its fire extinguishers, let the inspectors know that you will be purchasing the units from your own accredited supplier.
- If your fire safety clearance is delayed, pay a personal visit to the supervisor of the BFP inspectors and report the incident. Bring all necessary documentations with you.
- If your business still does not receive its fire safety clearance, bring your case to the Mayor's Office.

Standing Up to Inspectors

The manager of an SME based in Davao recalled that inspectors from the Bureau of Fire Protections visited his company and told him that the company needed to increase the number of its fire extinguishers to obtain a fire safety clearance. The inspectors also gave him the name of a certain supplier from which the company had to purchase the fire extinguishers. The fire extinguishers from that supplier, however, carried a price that the manager believed was way above market value. His company then canvassed for market prices of fire extinguishers in Davao and General Santos and showed it to the fire safety inspectors. The manager told them firmly that his company will only buy at the market price. The inspectors relented and eventually issued the company's fire safety clearance.

Scenario 3

Eric’s small video editing company was finally accredited by a big telecommunications company to bid for a P500,000 project. Getting this contract would mean a big break for his company. Aside from the revenue, it would give the company the track record and credibility to bid for contracts with other large companies. A few days after they had presented their bid, the procurement officer of the telecommunications company approached one of Eric’s employees claiming that he can assure the awarding of the contract to his company if he gives him a percentage of the project budget.
Potential Responses:

- Inform the procurement officer that your company is subject to regular audits from auditors who require official documentation for all payments, fees, or commissions.

- Review the Government Procurement Reform Act so you can challenge any actions taken by the procurement officer that is not in accordance with the regulations.

- Cease further discussions with the procurement officer. Immediately report the incident to the supervisor of the procurement officer or someone higher up. Ask that the procurement officer in charge of the bid be replaced.

- Prepare an internal memorandum setting forth the circumstances of the bribery demand.

- If changes are made to technical specifications in what appears to be an effort to favor one bidder, demand to know the grounds for the changes.

- Contact a civil society organization about sending someone to monitor the bidding process.

- Be prepared to lose the bid. Losing the bid is preferable to getting involved in an illegal arrangement that will lead to a bad reputation for your business.

**Scenario 4**

Helen’s drug store has been in operation for the past three years. She has been religiously declaring and paying the correct taxes ever since she started operations. This year, she received a Letter of Authority from the BIR, together with an exorbitant tax assessment computation. Her accountant was informed that the assessment can be lowered if they agree to pay a “fee” to the tax assessor. Helen cannot afford to pay the current assessment. If she did, she would end up having to close her store, but she also does not want to pay a bribe to the tax assessor.

Possible Responses:

- Meet with the tax assessor, together with your own accountant, and ask him or her to explain the basis for the tax assessment. Bring all the backup documents for your own tax computation.

- Review the BIR rules and regulations to make sure your business is in compliance with all requirements.

- Consult with an outside accountant or lawyer to confirm that your own tax computation is correct.

- Communicate to the tax assessor that you will never resort to bribery to resolve an issue and instead will use all available channels for challenging the assessment.
• If the BIR officer insists on the assessment, bring the case up to his or her superior.

• If you are able to negotiate a lower tax assessment, ensure that it is properly documented.

• Do not give in to any bribery demands. Once you start, the tax assessor may keep coming back with bribery demands in ever increasing amounts.

Scenario 5

Manuel, a computer sales representative secretly approaches Elena, the IT Manager of a small business process outsourcing company and offers to give her a “commission” for each computer that the company buys from his company.

Possible Responses:

• Inform the sales representative that your company strictly prohibits kickbacks and you could lose your job if you take part in what he is proposing.

• Immediately report the incident to your superior and to the supplier. Ask the supplier to replace the sales representative.

• If the sales representative persists and the supplier does not replace their sales representative, look for another supplier.

• Write an internal memorandum recording the incident and how it was handled.

Case Studies and Scenarios (Hypotheticals) from: Business Without Corruption: An Action Guide

After losing five lawsuits in a case against a businessperson in Novorossiysk, a bureaucrat in the tax service finally left him alone. Of course, the businessperson spent a lot of time and money, but that was a small price to pay to achieve increased independence and security, and to maintain a sense of dignity. Soon after, this businessperson became the leader of a grassroots group to protect small business.

In one region, a bureaucrat who was the head of the regional office of Gosstroy (the State Construction Committee) also ran a private firm that performed expert analysis of license applications. The two doors, with the same person’s name on each, were across the hallway from each other. No application could get through without going through this set procedure. After a long period of time and with significant effort, local business associations were finally able to break this vicious cycle. The attorney

for a business association gave a legal opinion on the practice, and requests were sent to higher authorities at the regional and federal levels. Ultimately, the public outcry over this conflict of interest forced the bureaucrat to resign from his position as head of the Gosstroy office.

A company in the cosmetics industry was accused of violating applicable licensing requirements. The stated fine for the violations was 70,000 rubles. A bureaucrat told the company he would not refer the case to court if the company gave him a notebook computer as a “present.” The company manager correctly concluded that good arguments could be made against most of the claims in court, and that it was a bad idea to create a precedent for the bureaucrat to continually “eat at the company table.” As a result of the litigation, only one of the five original allegations remained. The fine was reduced to 30,000 rubles. And in the process, the company gained valuable experience in organizing its affairs. It no longer fears auditors, because absolutely everything is above board. The manager acknowledged that 30,000 rubles was a fair price for this knowledge, and the situation would have been much worse if the matter had ended with a banal bribe.

A businessperson in the restaurant industry was in a difficult situation. A fairly high ranking bureaucrat had gotten into the habit of coming in for a free lunch. After a while, since the businessperson tolerated this behavior in silence, the bureaucrat started to bring large parties in for dinner, calling it “charitable meals for the underprivileged.” After almost a year, the businessperson decided that he had fed all the underprivileged and bravely tried to protest. This brought a furious reaction from the bureaucrat, along with a flurry of unfounded claims and threats. Only then did the businessperson consult an attorney. A few properly worded letters to the appropriate authorities was all that was needed to stop the shakedown and put the bureaucrat in his place. Of course, there is no comparison between the amount of losses the business incurred during all that time and the cost of professional attorney’s services.

The accountant for a small business filed reports with the tax office, and a documentary audit revealed a technical error in the reporting documents. A fine of 13,000 rubles was imposed on the business. The business owner decided not to hire a lawyer, and represented himself in the appeal of the decision before the arbitration court. After a lengthy correspondence with the court, which returned the complaint several times for failure to meet the filing requirements, a hearing was set, at which the small business was shown to be completely unprepared legally. Moreover, the business failed to file its appeal in a timely fashion, so enforcement proceedings had already begun. Only then did the business hire an attorney, who was able to offer real assistance. However, the business’s costs to prepare the documents and travel to the regional center for the hearing exceeded the amount in dispute, totaling 14,800 rubles. If the business owner had hired a lawyer before drafting the appeal, the costs would have been minimal.
A small business that produces honey was confronted with demands that it donate money to hold a ballroom dancing contest. After negotiation, a compromise acceptable to both sides was found. The company paid a far smaller amount but became an official sponsor of the event, during which it could display its name, promote its products free of charge and supply honey for a banquet.
ANNEX IV

QUOTATIONS FROM THE WORLD’S RELIGIONS ON INTERDEPENDENCE AND UNITY IN DIVERSITY OF MANKIND

Every kingdom divided against itself is laid waste, and no city or house divided against itself will stand.
*Christianity* Mtw. 12.25

Ye have heard that it hath been said, thou shalt love thy neighbour, and hate thine enemy. But I say unto you, love your enemies, bless them that curse you, do good to them that hate you, and pray for them which despitefully use you, and persecute you.
*Christianity*, Mat 4:43-44

Meet together, speak together, let your minds be of one accord, as the Gods of old, being of one mind, accepted their share of the sacrifice. May your counsel be common, your assembly common, common the mind, and the thoughts of these united. A common purpose do I lay before you, and worship with your common ablation. Let your aims be common, and your hearts of one accord, and all of you be of one mind, so you may live well together.
*Hinduism*

...That all nations should become one in faith and all men as brothers; that the bonds of affections and unity between the sons of man should be strengthened; the diversity of religion should cease, and differences of race be annulled...
*The Bahá’í Faith, Bahá’u’lláh*

This is the day in which God’s most excellent favors have been poured out upon men, the Day in which His most mighty grace hath been infused into all created things. It is incumbent upon all the peoples of the world to reconcile their differences, and, with perfect unity and peace, abide beneath the shadow of the Tree of His care and loving kindness. It behooveth them to cleave to whatsoever will, in this Day, be conductive to the exaltation of their stations, and to the promotion of their best interests.
*The Bahá’í Faith: Bahá’u’lláh*

Indeed, the world of humanity is like one kindred and one family. Because of the climatic differences of the zones, through the passing of ages colors have become different. In the torrid zone, on account of the intensity of the effect of the sun throughout the ages the black race appeared. In the frigid zone, on account of the severity of the cold and the ineffectiveness of the heat of the sun throughout the ages the white race appeared. In the temperate zone, the yellow, brown and red race came into existence. But in reality mankind is one race. Because it is of one race unquestionably there must be unity and harmony and no separation or discord. Gracious God! The animal, notwithstanding, that it is a captive of nature and nature completely dominateth it, attacheth no importance to color. For instance, thou dost behold that the black, white, yellow, blue and other colored pigeons are in utmost harmony with one another. They never give importance to color. Likewise sheep and
the beasts, despite differences in color, are in utmost love and unity. It is strange that man hath made color a means of strife.

*The Bahá’í Faith: Abdu’l Baha*

All humanity are the children of God; they belong to the same family, to the same original race. There can be no multiplicity of races, since all are the descendants of Adam. This signifies that racial assumption and distinction are nothing but superstition. In the estimate of God there are no English French, Germans, Turkish or Persians. All these in the presence of God are equal; they are of one race and creation; God did not make these divisions. These distinctions have had their origin in man himself. Therefore, as they are against the plan and purpose of reality, they are false and imaginary. We are of one physical race, even as we are of one physical plan of material body—each endowed with two eyes, two ears, one head, two feet.

*The Bahá’í Faith: Abdu’l Baha*

O mankind! We created you from a single pair of a male and a female and made you into nations and tribes, that you might know each other. Verily the most honored among you in the sight of God is he the most righteous.

*Islam, The Qur'an 49.13*

Behold, how good and pleasant it is when brothers dwell in unity! It is like the precious oil upon the head, running down upon the beard, upon the beard of Aaron, running down on the collar of his robes! It is like the dew of Hermon, which falls on the mountains of Zion! For there the Lord has commanded the blessing, life for evermore.

*Judaism and Christianity: Psalm 133*

O contending peoples and kindreds of the earth! Set your faces towards unity, and let the radiance of its light shine upon you. Gather ye together, and for the sake of God resolve to root out whatever is the source of contention amongst you. Then will the effulgence of the world’s great Luminary envelop the whole earth, and its inhabitants become the citizens of one city, and the occupants of one and the same throne.

*The Bahá’í Faith: Gleanings, page 217*

Hold fast, all together, to God’s rope, and be not divided among yourselves. Remember with gratitude God’s favor on you, for you were enemies and He joined your hearts in love, so that by His grace you became brethren. You were on the brink of the fiery Pit, and He saved you from it. Thus does God make His signs clear to you, that you may be guided. Let there arise out of you one community, inviting to all that is good, enjoining what is right, and forbidding what is wrong: those will be prosperous. Be not like those who are divided amongst themselves and fall into disputations after receiving clear signs: for them is a dreadful penalty.

*Islam. Qur’an 3.103-5*

Let us have concord with our own people, and concord with people who are strangers to us; The Divine Twins create between us and the strangers a unity of hearts. May we unite in our minds, unite in our purposes, and not fight against the divine spirit within us. Let not the battle-cry arise amidst many slain, nor the arrows of the War-god fall with the break of day.

*Hinduism. Atharva Veda 7.52.1-2*
My children, war, fear, and disunity have brought you from your villages to this sacred council fire. Facing a common danger, and fearing for the lives of your families, you have yet drifted apart, each tribe thinking and acting only for itself. Remember how I took you from one small band and nursed you into many nations. You must reunite now and act as one. No tribe alone can withstand our savage enemies, who care nothing about the eternal law, who sweep upon us like the storms of winter, spreading death and destruction everywhere. My children, listen well. Remember that you are brothers, that the downfall of one means the downfall of all. You must have one fire, one pipe, one war club.

Native American Religions. Hiawatha (Iroquois)

Every kingdom divided against itself is laid waste, and no city or house divided against itself will stand.

Christianity. The Bible, Matthew 12.25

Let all mankind be thy sect.

Sikhism. Adi Granth, Japuji 28

Consider the family of humankind one.

Jainism. Jinasena, Adipurana

My house shall be called a house of prayer for all peoples.

Judaism: Isaiah 56.7

O contending peoples and kindreds of the earth! Set your faces towards unity, and let the radiance of its light shine upon you. Gather ye together, and for the sake of God resolve to root out whatever is the source of contention among you. Then will the effulgence of the world’s great Luminary envelop the whole earth, and its inhabitants become the citizens of one city, and the occupants of one and the same throne.

The Baha’i Faith. Gleanings from the Writings of Baha’u’llah 217

When one finger is sore you do not cut it off.

African Traditional Religions. Njak Proverb (Nigeria)

May God be gracious to us and bless us and make his face to shine upon us, that they may be known upon earth, thy saving power among all nations,

Let the peoples praise thee, O God; let all the peoples praise thee!
Let the nations be glad and sing for joy, for thou dost judge the peoples with equity and guide the nations upon earth.
Let the peoples praise thee, O God; let all the peoples praise thee!

The Old Testament, Psalms 67: 1-5

And hold fast, all together, by the rope which God stretches out for you, And be not divided among yourselves;
And remember with gratitude God’s favor on you;
For ye were enemies and He joined your hearts in love,
So that by His Grace, Ye became brethren;
And ye were on the brink of the Pit of Fire,
And He saved you from it.
Thus doth God make His Signs clear to you;
That ye may be guided.
Let there arise out of you a band of people inviting to all that is good,
Enjoining what is right, and forbidding what is wrong:
They are the ones to attain felicity.
Be not like those who are divided among themselves
and fall into disputations after receiving Clear Signs...
*The Holy Qur’an, Sūrā II: 103-105*

O mankind! We created you from a single pair of a male and a female,
and made you into nations and tribes,
That ye may know each other, not that ye may despise each other.
Verily the most honoured of you in the sight of God is he who is
The most righteous of you.
And God has full knowledge and is well acquainted with all things.
*The Holy Qur’an, Sūrā XLIX: 13*

Mankind was one single nation, and God sent Messengers
With glad tidings and warnings;
And with them He sent the Book in truth,
To judge between people in matters wherein they differed;
But the People of the Book after the clear Signs came to them,
Did not differ among themselves, except through selfish contumacy.
God by His Grace guided the Believers to the Truth,
Concerning that wherein they differed.
For God guides whom He will to a path that is straight.
*The Quran, Sūrā II: 213*

It is incumbent upon every man, in this Day, to hold fast unto whatsoever will promote
the interests, and exalt the station, of all nations and just governments. Through each
and every one of the verses which the Pen of the Most High hath revealed, the doors
of love and unity have been unlocked and flung open to the face of men. We have
erewhile declared - and Our Word is the truth - : "Consort with the followers of all
religions in a spirit of friendliness and fellowship."  Whatsoever hath led the children
of men to shun one another, and hath caused dissensions and divisions amongst
them, hath, through the revelation of these words, been nullified and abolished. From
the heaven of God's Will, and for the purpose of ennobling the world of being and of
elevating the minds and souls of men, hath been sent down that which is the most
effective instrument for the education of the whole human race. The highest essence
and most perfect expression of whatsoever the peoples of old have either said or
written hath, through this most potent Revelation, been sent down from the heaven
of the Will of the All-Possessing, the Ever-Abiding God. Of old it hath been revealed:
"Love of one's country is an element of the Faith of God." The Tongue of Grandeur
hath, however, in the day of His manifestation proclaimed: "It is not his to boast who
loveth his country, but it is his who loveth the world."
*Bahá’u’lláh: Gleanings, pages 94-95*

The Purpose of the one true God, exalted be His glory, in revealing Himself unto
men is to lay bare those gems that lie hidden within the mine of their true and inmost
selves. That the divers communions of the earth, and the manifold systems of religious
belief, should never be allowed to foster the feelings of animosity among men, is, in
this Day, of the essence of the Faith of God and His Religion. These principles and laws, these firmly-established and mighty systems, have proceeded from one Source, and are the rays of one Light. That they differ one from another is to be attributed to the varying requirements of the ages in which they were promulgated.…..

The utterance of God is a lamp, whose light is these words: `Ye are the fruits of one tree, and the leaves of one branch. Deal ye one with another with the utmost love and harmony, with friendliness and fellowship. He Who is the Day Star of Truth beareth Me witness!` So powerful is the light of unity that it can illuminate the whole earth. The one true God, He Who knoweth all things, Himself testifieth to the truth of these words.

_Bahá’u’lláh: Gleanings, pages 287-288_

_O CHILDREN OF MEN! Know ye not why We created you all from the same dust? That no one should exalt himself over the other. Ponder at all times in your hearts how ye were created. Since We have created you all from one same substance it is incumbent on you to be even as one soul, to walk with the same feet, eat with the same mouth and dwell in the same land, that from your inmost being, by your deeds and actions, the signs of oneness and the essence of detachment may be made manifest. Such is My counsel to you, O concourse of light! Heed ye this counsel that ye may obtain the fruit of holiness from the tree of wondrous glory._

_Bahá’u’lláh: Hidden Words (Arabic), No. 68_

_O Thou kind Lord! Thou hast created all humanity from the same stock. Thou hast decreed that all shall belong to the same household. In Thy Holy Presence they are all Thy servants, and all mankind are sheltered beneath Thy Tabernacle; all have gathered together at Thy Table of Bounty; all are illumined through the light of Thy Providence._

_O God! Thou art kind to all, Thou hast provided for all, dost shelter all, conferrest life upon all. Thou hast endowed each and all with talents and faculties, and all are submerged in the Ocean of Thy Mercy._

_O Thou kind Lord! Unite all. Let the religions agree and make the nations one, so that they may see each other as one family and the whole earth as one home. May they all live together in perfect harmony._

_O God! Raise aloft the banner of the oneness of mankind._

_O God! Establish the Most Great Peace._

_Cement Thou, O God, the hearts together._

_O Thou kind Father, God! Gladden our hearts through the fragrance of Thy love. Brighten our eyes through the Light of Thy Guidance. Delight our ears with the melody of Thy Word, and shelter us all in the Stronghold of Thy Providence._

_Thou art the Mighty and Powerful, Thou art the Forgiving and Thou art the One Who overlooketh the shortcomings of all mankind._

_`Abdu’l-Bahá: Bahá’í Prayers, pp. 101-102_

_Seeest thou not that God sends down rain from the sky? With it We then bring out produce of various colours. And in the mountains are tracts white and red, of various shades of colour, and black intense in hue. And so amongst men and crawling creatures and cattle, are they of various colours. Those truly fear God, among His Servants, who have knowledge: for God is Exalted in Might, Oft Forgiving._

_Mohammad (Islam): Qur’an 35:27-28_
Thence did arise, to fill this world, the races of mankind....
Yea! knowing Me the source of all, by Me all creatures wrought....
And, all for love of them, within their darkened souls I dwell,
And, with bright rays of wisdom's lamp, their ignorance dispel.

_Bhagavad Gita, from Chapter X_

O ye discerning ones! Verily, the words which have descended from the heaven of the Will of God are the source of unity and harmony for the world. Close your eyes to racial differences, and welcome all with the light of oneness.


The tabernacle of unity hath been raised; regard ye not one another as strangers. Ye are the fruits of one tree, and the leaves of one branch.

_Gleanings from the Writings of Baha’u’llah, p. 218_

...Difference of race and color is like the variegated beauty of flowers in a garden.... Bahá’u’lláh hath said that the various races of humankind lend a composite harmony and beauty of color to the whole. Let all associate, therefore, in this great human garden, even as flowers grow and blend together side by side without discord or disagreement between them.


O Son of Man! Veiled in My immemorial being and in the ancient eternity of My essence, I knew My love for thee; therefore I created thee, have engraved on thee Mine image and revealed to thee My beauty.

_Baha’u’llah, Arabic Hidden Words, No. 3_

And God said, Let us make man in our image, after our likeness:

_Judaism: The Old Testament, Genesis 1:26_

...Every man imbued with divine qualities, who reflects heavenly moralities and perfections, who is the expression of ideal and praiseworthy attributes, is, verily, in the image and likeness of God. ...Man is not man simply because of bodily attributes. The standard of divine measure and judgment is his intelligence and spirit. Therefore, let this be the only criterion and estimate, for this is the image and likeness of God.... The character and purity of the heart is of all importance. The heart illumined by the light of God is nearest and dearest to God, and inasmuch as God has endowed man with such favor that he is called the image of God, this is truly a supreme perfection of attainment, a divine station which is not to be sacrificed by the mere accident of color....


There can be no doubt whatever that the peoples of the world, of whatever race or religion, derive their inspiration from one heavenly Source, and are the subjects of one God....

_Bahá’u’lláh, Proclamation of Baha’u’llah, p. 114_

...All men are the sheep of God, and God is their loving Shepherd, caring most tenderly for all without favouring one or another. “No difference canst thou see in the creation of the God of mercy” [Qur’an 67:3]; all are His servants, all implore His grace.

_The Bahá’í Faith: Selections from the Writings of Abdu’l Baha, p. 248_
Concerning the prejudice of race: it is an illusion, a superstition pure and simple! For God created us all of one race. There were no differences in the beginning, for we are all descendants of Adam. In the beginning, also, there were no limits and boundaries between the different lands; no part of the earth belonged more to one people than to another. In the sight of God there is no difference between the various races.


By the righteousness of the Lord! Ye were created to show love one to another and not perversity and rancour. Take pride not in love for yourselves but in love for your fellow creatures. Glory not in love for your country, but in love for all mankind.

*Bahá’u’lláh, Tablets of Baha’u’llah, p. 138*

Effort must be exerted that the East and West may be reconciled, that the darkness of bigotry may vanish, that the unity of mankind may be made manifest and that East and West, like unto two longing souls, may embrace each other in the utmost love, for all are the sheep of God and God is the Real Shepherd and is kind to every one.

*The Bahá’í Faith: ‘Abdu’l-Baha, Japan Will Turn Ablaze, p. 14*

How conducive to peace, confidence and happiness if races and nations were united in fellowship and accord! The Prophets of God were sent into the world upon this mission of unity and agreement: that these long separated sheep might flock together. When the sheep separate, they are exposed to danger, but in a flock and under protection of the shepherd they are safe from the attack of all ferocious enemies. ...Under the leadership and training of God, the real Shepherd, all will be protected and preserved. He will lead them in green pastures of happiness and sustenance, and they will attain to the real goal of existence....


God is not partial and is no respecter of persons. He has made provision for all. The harvest comes forth for everyone. The rain showers upon everybody and the heat of the sun is destined to warm everyone. The verdure of the earth is for everyone. Therefore there should be for all humanity the utmost happiness, the utmost comfort, the utmost well being.

But if conditions are such that some are happy and comfortable and some in misery; some are accumulating exorbitant wealth and others are in dire want under such a system it is impossible for man to be happy and impossible for him to win the good pleasure of God. God is kind to all. The good pleasure of God consists in the welfare of all the individual members of mankind.

*The Bahá’í Faith: ‘Abdu’l Bahá, Foundations of World Unity, p. 41*

The Faith of Bahá’u’lláh has assimilated, by virtue of its creative, its regulative and ennobling energies, the varied races, nationalities, creeds and classes that have sought its shadow, and have pledged unswerving fealty to its cause. It has changed the hearts of its adherents, burned away their prejudices, stilled their passions, exalted their conceptions, ennobled their motives, coordinated their efforts, and transformed their outlook. While preserving their patriotism and safeguarding their lesser loyalties, it has made them lovers of mankind, and the determined upholders of its best and truest interests. While maintaining intact their belief in the Divine origin of their respective religions, it has enabled them to visualize the underlying purpose of these religions, to discover their merits, to recognize their sequence, their interdependence, their
wholeness and unity, and to acknowledge the bond that vitally links them to itself. This universal, this transcending love which the followers of the Bahá’í Faith feel for their fellow men, of whatever race, creed, class or nation, is neither mysterious nor can it be said to have been artificially stimulated. It is both spontaneous and genuine. They whose hearts are warmed by the energizing influence of God’s creative love cherish His creatures for His sake, and recognize in every human face a sign of His reflected glory.

*The Bahá’í Faith: Shoghi Effendi, The World Order of Baha’u’llah, pp. 197-198*

If you desire with all your heart, friendship with every race on earth, your thought, spiritual and positive, will spread; it will become the desire of others, growing stronger and stronger, until it reaches the minds of all men.

*The Bahá’í Faith: ‘Abdu’l Bahá, Paris Talks, pp. 29-30*

Be ye kind to the human world, and be ye compassionate to the race of man, deal with the strangers as you deal with the friends, be ye gentle toward the outsiders as you are toward the beloved ones...

Become ye a shelter and asylum to the fearful ones,...impart ye strength to the helpless ones, be ye a remedy and antidote to the afflicted ones, and a physician and nurse to the sick ones. Serve ye for the promotion of peace and concord and establish in this transitory world the foundation of friendship, fidelity, reconciliation and truthfulness....

O my God! The desire of this Servant of the Threshold is to see that the friends of the West have embraced the beloved of the East, and the individuals of the world of humanity are with the utmost kindness the members of one assemblage, the drops of one ocean, the birds of one rose garden, the pearls of one sea, the leaves of one tree and the rays of one sun.

*The Bahá’í Faith: Tablets of Abdu’l Baha, pp.43, 47-48*

We desire but the good of the world and the happiness of the nations... that all nations should become one in faith and all men as brothers; that the bonds of affection and unity between the sons of men should be strengthened ... and differences of race be annulled.

*The Bahá’í Faith: The Advent of Divine Justice, page 37*

The sheep, black and white, associate without discord. Birds of various species and colors wing their flight and feed together without a trace of enmity or disagreement. Therefore, in the world of humanity it is wise and seemly that all the individual members should manifest unity and affinity. In the clustered jewels of the races may the blacks be as sapphires and rubies and the whites as diamonds and pearls. The composite beauty of humanity will be witnessed in their unity and blending. How glorious the spectacle of real unity among mankind! How conducive to peace, confidence and happiness if races and nations were united in fellowship and accord! The Prophets of God were sent into the world upon this mission of unity and agreement: that these long-separated sheep might flock together.

*The Bahá’í Faith: Promulgation of Universal Peace, page 57*

Prejudices of all kinds – whether religious, racial, patriotic or political – are destructive of divine foundations in man. All the warfare and bloodshed in human history have been the outcome of prejudice. This earth is one home and native land.... In the
animal kingdom the doves flock together in harmony and agreement. They have no prejudices. We are human and superior in intelligence. Is it befitting that lower creatures should manifest virtues which lack expression in man?

*The Bahá’í Faith: Promulgation of Universal Peace, pages 287-288*

O contending peoples and kindreds of the earth! Set your faces towards unity, and let the radiance of its light shine upon you. Gather ye together, and for the sake of God resolve to root out whatever is the source of contention amongst you.

*The Bahá’í Faith: Gleanings, page 217*

O humankind! Verily, ye are all the leaves and fruits of one tree; ye are all one. Therefore, associate in friendship; love one another; abandon prejudices of race; dispel forever this gloomy darkness of human ignorance, for the century of light, the Sun of Reality hath appeared. Now is the time for affiliation, and now is the period of unity and concord. For thousands of years ye have been contending in warfare and strife. It is enough. Now is the time for unity. Lay aside all self-purposes, and know for a certainty that all men are the servants of one God Who will bind them together in love and agreement.


My object is none other than the betterment of the world and the tranquillity of its peoples. The well-being of mankind, its peace and security, are unattainable unless and until its unity is firmly established. This unity can never be achieved so long as the counsels which the Pen of the Most High hath revealed are suffered to pass unheeded.

*The Bahá’í Faith: Gleanings, p. 286*

The various races of humankind lend a composite harmony and beauty of color to the whole. Let all associate, therefore, in this great human garden even as flowers grow and blend together side by side without discord or disagreement between them.

*The Bahá’í Faith: The Advent of Divine Justice, page 37*

Baha’u’llah, once compared the colored people to the black pupil of the eye surrounded by the white. In this black pupil is seen the reflection of that which is before it, and through it the light of the spirit shineth forth.

*The Bahá’í Faith: The Advent of Divine Justice, page 37*

The only division that is real is this: There are heavenly men and earthly men; self-sacrificing servants of humanity in the love of the Most High, bringing harmony and unity, teaching peace and goodwill to men. On the other hand there are those selfish men, haters of their brethren, in whose hearts prejudice has replaced loving kindness, and whose influence breeds discord and strife. To which race or to which colour belong these two divisions of men, to the White, to the Yellow, to the Black, to the East or to the West, to the North or to the South? If these are God’s divisions, why should we invent others?

*The Bahá’í Faith: Paris Talks, pages 146-151*
### HCBM INTEGRITY PRINCIPLES (IP) AND PERFORMANCE INDICATORS (IPI)

<table>
<thead>
<tr>
<th>#</th>
<th>Integrity Principles (ISP)</th>
<th>IP Indicators (ISPI)</th>
<th>IPI Metrics/Measurement Protocol</th>
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<tbody>
<tr>
<td></td>
<td><strong>IPG -1.1.</strong> Businesses abide by values of interdependence and unity in diversity of humanity, honesty and trustfulness, justice and fairness.</td>
<td>Management and teams (particularly leadership) include people of different genders, races, and backgrounds (particularly women, minority, previously excluded populations, people with disabilities, and/or individuals living in lower income communities). Incentives and compensation packages that are in line with the principles of the HCBM framework.</td>
<td>Stakeholder survey — Grade given (out of X points on integrity assessment, developed in collaboration with stakeholders and local HCBM oversight body) by stakeholders in business’ community, as identified by local gov’t HCBM oversight committee or relevant body. Annual/semiannual/quarterly survey of employees, VP, and others to assess employee satisfaction with aspects of company culture including transparency, ease of reporting on integrity issues, as well as other listed principles.</td>
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<td><strong>IPG -1.2.</strong> Businesses implement a company culture that includes the golden rule and fosters kindness and mutual respect.</td>
<td>Business regularly uses consultation as a mechanism to solve problems. Active listening is employed. Employees turn towards each other to solve problems and learn from each other rather than competing. Business has cultivated goodwill amongst employees and its employees/ customers.</td>
<td>X % of employees and management participates regularly in consultations. Staff survey shows all feel that they had an opportunity to share and contribute and were heard. X% of project results show team successes rather than one individual taking credit. High Net Promoter System (NPS) score.</td>
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<td><strong>IPG -1.3.</strong> Businesses transform these principles into actions.</td>
<td>Business holds regular meetings for reflection on action, consultation, planning, action again, and then repeating the cycle with reflection, consultation, planning, and action.</td>
<td># of reflection spaces for teams to discuss application of principles to specific projects in the form of townhalls, spaces and retreats outside the Company etc.; # of associated reports showing clear results of such discussions and plans to implement; # project reports showing implementation, M&amp;E guidelines and outcomes for implemented principle-driven projects.</td>
</tr>
</tbody>
</table>

**TABLE 3. HCBM Social Sustainability Principles (SSP), Goals (GSSP) And Performance Indicators (SSPI)**

**ANNEX V**

INTEGRITY PRINCIPLES AND PERFORMANCE INDICATORS
**HCBM INTEGRITY PRINCIPLES (IP) AND PERFORMANCE INDICATORS (IPI)**

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<tr>
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<tbody>
<tr>
<td>IPG -2.1.</td>
<td>Businesses abide by the highest standards of business ethics, including compliance with applicable laws, good corporate governance, corporate responsibility, fairness, concern for the health and safety of employees and stakeholders, honesty and integrity, transparency, respect for human rights and sustainable development.</td>
<td>Business complies with all applicable legal obligations.</td>
<td># of reported violations of the law, nature of violations; # of civil actions against business and outcome; # of criminal actions against management and employees, # of convictions.</td>
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<td></td>
<td>A clear governance structure including a board of directors (or equivalent) and senior management positions with clear TORs established (Y/N).</td>
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<td></td>
<td># of communications, trainings on corporate responsibility.</td>
<td># of communications, trainings on corporate responsibility.</td>
<td>Provision of positive and negative incentives (including censuring) in.</td>
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<tr>
<td></td>
<td>Provision of positive and negative incentives (including censuring) in.</td>
<td>Provision of positive and negative incentives (including censuring) in.</td>
<td>See Social Sustainability paper for detailed indicators and metrics relating to health and safety of employees and stakeholders, respect for human rights and sustainable development.</td>
</tr>
<tr>
<td>IPG -3.1.</td>
<td>Businesses abide by the values, norms and rules and applicable laws governing matters of integrity, including anti-corruption/bribery, fraud, embezzlement and collusion, and to that end establish a robust anti-corruption compliance program, including clear policies and procedures, due diligence aimed at avoiding business partners (suppliers, contractors, intermediaries, agents, subsidiaries, affiliates, joint ventures) involved in corruption practices, and clear messaging to, and training of, employees, as well as incentives (both positive and negative) to promote integrity.</td>
<td>Robust integrity compliance program in place and fully operational.</td>
<td>Clear policies and procedures, including Code of Conduct, adopted and posted on business intranet or otherwise available to all employees (Y/N).</td>
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<td># of communications from senior and middle management to employees clearly referencing integrity compliance program during the reporting period (disaggregated by level) during reporting period.</td>
<td># of communications from senior and middle management to employees clearly referencing integrity compliance program during the reporting period (disaggregated by level) during reporting period.</td>
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<td># of company-wide surveys or assessments implemented to assess awareness of/proficiency in integrity compliance program during reporting period.</td>
<td># of company-wide surveys or assessments implemented to assess awareness of/proficiency in integrity compliance program during reporting period.</td>
<td>X% of company achieving “pass” (X% or higher) on (annual/semiannual/quarterly/etc) integrity compliance program assessments.</td>
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<td></td>
<td>X% of company achieving “pass” (X% or higher) on (annual/semiannual/quarterly/etc) integrity compliance program assessments.</td>
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<td>X% of company achieving “pass” (X% or higher) on (annual/semiannual/quarterly/etc) integrity compliance program assessments.</td>
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<td># of meetings between CEO/other senior management and officers in charge of carrying out integrity compliance during reporting period.</td>
<td># of meetings between CEO/other senior management and officers in charge of carrying out integrity compliance during reporting period.</td>
<td># of meetings between CEO/other senior management and officers in charge of carrying out integrity compliance during reporting period.</td>
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<td># of events/workshops/trainings dedicated in whole or in part to integrity during the reporting period.</td>
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<tr>
<td>IPG-3.1.</td>
<td><strong>IP-3 ANTI-CORRUPTION AND POLITICAL INFLUENCE PRINCIPLE</strong> (Continued)</td>
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<td># of board of director (or equivalent) meetings dedicated in whole or in part to discussion of integrity matters.</td>
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<td># of integrity training sessions held during reporting period.</td>
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<td># and/or percentage of staff trained during reporting period on business’s anti-corruption rules.</td>
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<td>Percentage of staff aware of business’s anti-corruption policies and procedures, as measured by staff survey conducted at least once during reporting period.</td>
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<td>Percentage of employees recruited subject to integrity due diligence during reporting period.</td>
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<td>Percentage of prospective and actual business partners subject to integrity due diligence.</td>
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<td># of incidents occurring during reporting period vs # of employees subject to discipline.</td>
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<tr>
<td>IPG-3.2.</td>
<td><strong>Businesses avoid seeking undue political influence through unethical lobbying.</strong></td>
<td>Business complies with all applicable laws on lobbying and other forms of political activity.</td>
<td># of actions against business for violation of competition laws. Reports by compliance officer.</td>
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<td>Full transparency in the business’s lobbying activities.</td>
<td>Register of lobbying activities online or otherwise publicly available, including any lobbying firms engaged, government agencies contacted, forms of contact, projects and other benefits sought.</td>
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<td>Business publicly discloses any political contributions and other political activities.</td>
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<td>Adoption of a Code of Conduct on lobbying and other political activity, including a clear prohibition on illicit influence and seeking advantage for business to the detriment of the public good.</td>
<td>Code of Conduct on political activity adopted and publicly disclosed.</td>
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<td>#</td>
<td>Integrity Principles (ISP)</td>
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<td><strong>IPG -4.1. BUSINESSES AVOID MONEY LAUNDERING AND REFRAIN FROM TAX EVASION AND AGGRESSIVE TAX AVOIDANCE.</strong></td>
<td>Business adopts and implements risk-based AML policies and internal controls, including (i) appropriate due diligence in respect of third parties, including customers/clients and business partners, as well as managers and employees and (ii) appropriate record keeping and retention procedures.</td>
<td>Policy adopted and publicly disclosed on business’s website. Compliance officer reports on functioning of AML policies. Percentage of customers/clients subject to due diligence (where appropriate). Percentage of business partners subject to due diligence.</td>
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<td>Business adopts internal policies and internal controls embracing ethical tax planning, whereby the amount of taxed paid by the HCBM enterprise is consistent with the underlying business profits and costs.</td>
<td>Tax policies and internal controls adopted.</td>
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<td>Businesses abide by all applicable tax laws and regulations and international tax treaties.</td>
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<td>Businesses abide by the arms length principle within associated enterprises.</td>
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<td>Businesses provide public engagement and disclosure in their tax dealings.</td>
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<td><strong>IPG -5.1. BUSINESSES AVOID ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES.</strong></td>
<td>Business complies with applicable competition laws.</td>
<td># of actions against business for violation of competition laws. Reports by compliance officer.</td>
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<td>Business engages in full transparency.</td>
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<td>Business puts into place effective employee and senior management training.</td>
<td># of trainings given during reporting period</td>
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<td>Percentage of managers and employees trained at least once during reporting period</td>
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<td></td>
<td>Business engages in collective action aimed at fighting anti-competitive practices (optional).</td>
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