



Network South Africa



# Mainstreaming Integrity in Business Practice

COMPANY CASE STUDIES ON  
ANTI-CORRUPTION IN SOUTH AFRICA

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Compiled by:  
Tagbo Agbazue and Sada Vlok  
Blandford Consulting

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# Mainstreaming Integrity in Business Practice

COMPANY CASE STUDIES  
ON ANTI-CORRUPTION  
IN SOUTH AFRICA

# Foreword

Joanne Yawitch

CEO, NATIONAL BUSINESS INITIATIVE (NBI)



The Global Compact Network South Africa, under the auspices of the National Business Initiative (NBI), has in the past four years engaged a broad range of United Nations Global Compact signatories, with a view to implementing strong anti-corruption measures in their operations. We are pleased to present 14 case studies demonstrating how companies operating in South Africa are prioritising and addressing the risk of corruption and related governance challenges.

For most of the companies, the efforts highlighted here are a fraction of a much bigger and integrated approach to building integrity in their operations. As the NBI and the Global Compact Network, we are encouraged by the efforts of these companies and their willingness to facilitate learning and exchange of experiences.

Running through many of the case studies are examples of a holistic approach to managing the risk of corruption, and also a long term view of why it is important to do so. It is no longer sufficient to meet the minimum standards of compliance, but it is necessary that companies strive to create best practice and build ethical supply chains, internal champions and business leaders who are strong advocates of ethical practice.

The NBI/Global Compact anti-corruption project began in January 2011, funded by the Siemens Integrity Initiative through the Global Compact Foundation. With this support, we have worked to enhance the capacity of our signatories to improve implementation of anti-corruption alongside other UNGC Principles.

We also offered a platform for signatories to learn from each other and share their anti-corruption experiences. We have held several learning by sharing dialogues and training workshops over the four years.

Corruption is transactional and this necessitates that our anti-corruption initiatives also explore collective ways that a sector or different sectors

can come together to identify and implement solutions jointly. The UNGC is a multi-stakeholder platform and due to this unique positioning, the project introduced Integrity Pacts as a collaborative model that can bring companies together with government and civil society organizations to strengthen the delivery of large procurement projects in an ethical manner.

Integrity Pacts have been implemented internationally and have demonstrated that best practice is possible in major transactions, especially in large public procurement projects.

With an Integrity Pact in place, companies, especially those that do business with government, would have to meet a set of agreed pre-conditions and demonstrable levels of integrity. The process entails external monitoring for greater accountability and transparency by both companies as service provider and government as the main client.

Our efforts in facilitating company learning on anti-corruption and embedding strong measures in operations has laid the basis for companies to engage meaningfully on Integrity Pacts. In this regard, we acknowledge companies that have

demonstrated commitment to collective action and that are already integrating various versions of integrity measures in managing their supply chains.

In summary, this publication provides a number of case studies on a range of practices by companies in managing corruption-related risk in their day to day operations. These include implementing internal measures and controls; managing procurement and related risks; ensuring effective due diligence in complex supply chains; navigating extra-territorial jurisdictions; and integrating the various governance challenges for more effective management.

The anti-corruption journey is in its early stages for many companies. However the case studies in this publication demonstrate significant commitment by companies to consolidate their gains, implement best practice and lead on anti-corruption in South Africa.

On behalf of the Global Compact Network South Africa and the NBI, I take this opportunity to thank all participating companies, in hope that their commitment to share will catalyse further learning and implementation in an increasing numbers of companies in South Africa.



***Anti-Corruption Collective Action***

# Foreword

## Olajobi Makinwa

HEAD OF TRANSPARENCY AND ANTI-CORRUPTION INITIATIVES, UN GLOBAL COMPACT



The corrosive impact of corruption on the social, economic and political fabric of our world cannot be disregarded. Corruption creates an uneven playing field, leads to loss of revenue and profits for businesses, and deprives individuals of their basic human rights and dignity. It undermines the rule of law and our collective efforts towards achieving sustainable development.

Business plays a critical role in creating a sustainable and inclusive global economy. All businesses—large or small, operating in developed or emerging markets—need to demonstrate an unflinching leadership commitment towards transparency and anti-corruption.

The United Nations Global Compact—the world's largest voluntary corporate sustainability initiative with over 8 000 corporate participants and 4 000 other stakeholders from 150 countries—continues to support the private sector to implement responsible and ethical business practices, including through its Anti-Corruption Working Group. The UN Global Compact's diverse tools and resources provide practical guidance for companies on topics such as anti-corruption risk assessment, fighting corruption in sport sponsorship and hospitality, supply chain, anti-corruption reporting, e-learning on corruption dilemmas, among other key issues.

As more and more corruption scandals come to the fore globally and anti-corruption laws become stringent in their domestic as well as extra-territorial application, it is imperative that companies conduct anti-corruption risk assessments to identify vulnerable areas in their business operations and take action for mitigation. I encourage companies to utilise these tools and resources to develop robust anti-corruption policies as part of their business operations. By doing so, not only will they create a formidable organisation but also rebuild trust and reputation with investors, customers and local communities.

This publication developed by Global Compact Network South Africa and National Business Initiative contains case studies on business actions and internal good practices to eliminate corruption. It covers a wide range of practical issues—from ethical leadership, anti-corruption risk assessment, whistleblowing and supply chain, to monitoring, evaluating and reporting, amongst others, all areas of continuous improvement by all companies. The publication illustrates the successes, challenges and dilemmas faced by the private sector while implementing anti-corruption policies and programmes.

The publication has accomplished the commendable task of bringing together many key stakeholders to share their experiences. It also highlights the importance of collective action and collaborative efforts. I congratulate Global Compact Network South Africa and National Business Initiative on this initiative under the Siemens-supported project on collective action. I commend the companies that have shared their anti-corruption practices in this publication. I urge companies to lead by example in creating a more equal, sustainable and transparent world for future generations and to engage in collective action. Collectively, we can stem the tide against corruption and bring back trust into business.



**Global Compact Network SA**





## Introduction

*This publication aims to build a body of experience to benchmark good practice and to promote anti-corruption practices in business. The purpose of the document is to showcase how companies are implementing anti-corruption processes within their operations. The publication aims to, firstly, highlight the practical risks, challenges and dilemmas that companies in different sectors may face in terms of corruption within the scope of their operations. Secondly, it aims to showcase their respective approaches towards mainstreaming a culture of business integrity.*

*The case studies presented are meant to stimulate learning within the business sector and to facilitate dialogue (through cross-pollination of knowledge, experience and learning) in South Africa. The idea is to build a community of good practice on anti-corruption and to engage in constructive collective action with other key sectors of society such as government, civil society organisations, academia and labour.*

Corruption is a great risk to long-term growth and competitiveness of business in South Africa. Simply stated, corruption means any abuse of a position of trust in order to gain an undue advantage. However, there is no single, concise, comprehensive, universally accepted definition for corruption. Transparency International defines corruption as “abusing entrusted power for private gain”. The United Nations Handbook on Practical Anti-Corruption Measures for Prosecutors and Investigators (2004) defines corruption as “the misuse of a public or private position for direct or indirect personal gain”.

The 2003 United Nations Convention against Corruption (UNCAC), is the umbrella agreement for anti-corruption, that has to date been signed by 172 Parties, making it one of the most global international agreements. South Africa is a state party to the Convention. The Convention cites instances of corruption but does not give a definition.

Bribery is one of the most common forms of corruption. However, extortion, fraud, embezzlement, insider trading, money laundering, tax evasion, bid rigging, nepotism and conflict of interests are amongst some of the issues falling into an inexhaustible list of the types of corrupt practices in the market place.

In South Africa, the main anti-corruption law, The Prevention and Combating of Corrupt Activities Act (2004), inter alia defines corruption as a crime. The Act, which applies to both the public and private sector, also criminalises certain specified corrupt activities. Generally speaking, a person is guilty of an offence in terms of the Act, if he directly or indirectly accepts or offers to accept a gratification (as defined) from another person, or gives or agrees to give a gratification to any other person for his benefit, or that of another. The Act has extra-territorial reach and applies to South African companies with operations beyond the borders.

There are also a number of other anti-corruption related legislation and voluntary frameworks in the country that have significant bearing on the conduct of the private sector. These include: The New Companies Act 2008; The Promotion of Access to Information Act; Prevention of Organised Crimes Act 1998; The Competition Act 1998; The King III Report on Corporate Governance 2009; The Protected Disclosures Act 2000; The Financial Intelligence Centre Act 2001; and The Public Finance Management Act 1999, which applies to public entities.

In addition, South African companies and Multi-National Corporations operating in the country may be bound by the provisions of international statutes that have extra-territorial consequences. The US Foreign Corrupt Practices Act and the UK Bribery Act, would apply particularly to corporations that are listed in those jurisdictions. Furthermore, by virtue of South Africa's adoption of the OECD, the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions applies to South African companies who are then encouraged to implement the OECD's good practice guidance on internal controls, ethics and compliance.

The United Nations Global Compact 10th Principle on Anti-corruption, which is derived from UNCAC 2003, states that "Businesses should work against corruption in all its forms, including extortion and bribery". The Global Compact provides a voluntary framework for businesses that are

committed to aligning their operations and strategies with the Global Compact's universally accepted principles on human rights, labour, environment and anti-corruption. In addition, the recently established UN Guiding Principles on Business and Human Rights, places an expectation on companies to preclude incidences of corruption as part of their obligation to respect human rights within their scope of due diligence, which includes their entire value chain.

The King Report on Corporate Governance for South Africa, 2009 (King III) provides key guidelines for companies in areas such as ethics, risk management, compliance and internal audit etc. This is particularly more stringent for companies listed on the Johannesburg Stock Exchange, who are expected to comply with the King Report or explain any variance in their conduct.

It makes good business sense for companies to implement anti-corruption programmes and comply with local and international regulatory frameworks against corruption. The business case for fighting corruption in South Africa extends beyond the realm of compliance. Corruption can affect the bottom line and damages the reputation of a business.

For instance, if a company engages in corrupt activities to receive a public tender, they put themselves at the risk of extortion, additional costs of doing business due to bribe payments and the legal penalties and reputational damage if found out. Often times, the additional costs of corrupt activities will filter down to the consumer, making the company's goods, products and services more expensive and capable of eroding the trust between the business and its stakeholders including consumers. On the other hand, if a company resists corrupt activities and does not submit to the demand of bribes they may lose the public tender bid.

Corruption is widely recognised as a major obstacle to the stability, growth and competitiveness of economies. Corruption is identified as the top impediment to conducting business in 22 out of 144 economies, as measured in the World Economic Forum's Global Competitiveness Report of 2013-2014.

This publication shares with the reader the journey that various companies have undertaken to implement a sustainable anti-corruption culture within their respective organisations.

The development of the case studies has been guided by thematic areas, such as anti-corruption, corporate governance, ethics, compliance, and business development. The research team has also considered key structures that affect corporate culture, including policies and procedures towards managing risks, challenges and dynamics.

The case study approach adopted by this publication is informed by the following:

- background information on profiled companies;
- an analysis of the risks, challenges and the learning derived from a company's efforts;
- the geographical scope of the whole of South Africa, taking into account companies from different sectors;
- analysis of companies' integration of local and international regulatory environment and best practice standards; and
- the opportunity for participating companies to communicate their challenges and successes in fighting corruption.

In developing this publication, the researchers approached about 50 companies. Thereafter, the team met with the representatives of all interested companies to discuss and share notes regarding their challenges, dilemmas, strategies and approaches in fighting corruption.

The research team subsequently received submissions and background materials from the participating companies. This then formed the basis for the analysis and development of the case studies, which are based on the accounts of the respective participating companies, and have not been externally validated. The finalised case studies were then re-submitted to the respective participating companies for their review and approval.

**The structure and presentation of this document is based on key considerations that are pertinent when mainstreaming anti-corruption into a company's operations:**

- **Ethical Leadership**
- **Risk Assessment**
- **Compliance**
- **Policies and Procedures**
- **Managing Procurement**
- **Supply Chain Management**
- **Whistleblowing**
- **Training, Education and Awareness**
- **Building a Culture of Business Integrity**
- **Monitoring, Evaluation and Reporting**



**AGM: Global Compact Network SA**



# Executive Summary

*This report emanates from an anti-corruption project of the Global Compact Network South Africa that aims to engage with companies across South Africa towards creating a body of knowledge on how companies are mainstreaming business integrity as part of their core business strategy.*

*During this project, a broad range of companies in different sectors volunteered to share their experiences and practices. The companies were mainly drawn from a pool of South African companies that are signatories to the UNGC. This has enabled an understanding of the practical dilemmas and challenges that companies face regarding corruption and secondly, their innovative and practical approaches when implementing an anti-corruption programme. This process has facilitated an analysis of common gaps, trends and emerging best practices in creating a culture of business integrity in South Africa.*

## GENERAL OBSERVATIONS

Companies grow from their past experiences, whether negative or positive. Based on these case studies it is clear that no company can yet lay a claim to having a perfect anti-corruption programme, but there is potential for continuous improvement toward the development of good practice. The market place is not a static environment, and companies continuously have to adjust to evolving operating and legal environments. This is particularly the case in the contemporary global market place, where companies are constantly developing new products and entering into new markets, with significant implications on the anti-corruption landscape.

The digital evolution has brought forth new challenges and opportunities for companies in fighting corruption. On the one hand, technology provides new ways that corruption can be perpetuated but it also enables companies to be innovative in fighting corruption and provides new ways of sensitising stakeholders on their anti-corruption processes.

From this project, it is clear that many companies have recognised that corruption is a cross-cutting theme, which affects different aspects of a company's operations. As a result, many of the companies have adopted an integrated approach to fighting corruption within their respective organisations.

In this regard, while this publication presents the efforts by the respective companies in specific themes, it is important to make mention of the fact that the respective companies that participated in this project have anti-corruption programmes that extend beyond the thematic focus of their respective case studies.

## KEY FINDINGS

### 1. Ethical Leadership

- This is a key corporate governance issue and a fundamental building block for mainstreaming business integrity in an organisation. It influences the vision, mission and strategy of the organisation, and defines the key performance indicators for management and staff.
- Most of the companies in this study have had to establish Social and Ethics Committees (in accordance with the requirements of South Africa's New Companies Act 2008) to provide leadership and oversight functions concerning ethics and a broad range of socio-economic development responsibilities within the context of the organisation.
- There is a need to build more ethical leaders within all levels of responsibility in a

company, through sensitisation and training on the triple bottom line approach to doing business.

### 2. Risk Assessment

- A major area of corruption-related risk that has emerged is with respect to the operations of South African companies in different jurisdictions abroad.
- The companies in this study have extensive risk management functions and have incorporated corruption-related risks into their risk assessment activities. The need to have an integrated approach to risk management cannot be overemphasised, as corruption-related risks can manifest themselves in different business areas.
- In order to effectively combat the risk of corruption, a company must continuously monitor and evaluate its operating and regulatory environment and develop appropriate responses within its anti-corruption programme.

### 3. Compliance

- The focus on compliance has emerged as being one of the key drivers for companies to develop anti-corruption programmes. There also seems to be an overarching feeling that compliance is tedious, given the proliferation of laws, regulations and standards that companies have to mainstream.
- Many of the companies that were engaged with in this study have put robust compliance mechanisms in place, as a result of stringent international laws with extra territorial jurisdiction, notably the US Foreign Corrupt Practices Act, and the UK Bribery Act.
- A major issue that has arisen is whether compliance is enough to combat corruption on its own. It is clear from the case studies in this thematic area that companies need to treat compliance as a minimum requirement for fighting corruption, while ensuring

that their anti-corruption programme is comprehensive enough to manage the risk of corruption.

#### 4. Policies and Procedures

- A key challenge for large companies with an international footprint is how to establish policies and procedures at a group level that will be relevant in different operating, legal and cultural environments.
- It seems to be a general practice for companies to develop anti-corruption related policies and procedures, through processes that include widespread consultation within the company and outcomes of risk assessments.
- The companies are also sensitising their stakeholders to these policies and procedures, through various training and capacity building initiatives.
- As part of a comprehensive anti-corruption programme, it is important that companies follow the good practice of continuously reviewing the adequacy of their policies and procedures against changes in the operating and legal environment.

#### 5. Managing Procurement

- Having the right structures in place, such as delegations of authority frameworks and policies with accompanying processes, can help to manage the risk of corruption in procurement.
- Adequate consideration is needed in understanding and managing the external risk environment for instance, to combat collusive and anti-competitive practices.

#### 6. Supply Chain Management

- The importance for companies to minimise the risk of corruption within the supply chain cannot be overemphasised. Many international standards and guidelines place liability on companies for conduct that may emanate in a company's value chain.

- This publication highlights innovative approaches towards ensuring on-going due diligence, third party certification programmes and technical support to suppliers as necessary in developing good practice in supply chain management.

#### 7. Whistleblowing

- The establishment of whistle-blowing structures has become common practice in South Africa, pursuant to the Protected Disclosures Act 2000.
- Many of these structures, in particular the anonymous hotlines are often outsourced to third party service providers in order to ensure objectivity and to promote confidence on the part of potential whistle-blowers. Despite this, many companies record very few incidences of whistleblower reporting. This, in itself, presents a challenge when analysing the effectiveness of whistleblowing structures, because it is not clear whether the lack of use of these structures results from low levels of corruption or confidence in the existing structures.
- The case study presented on this theme provides a remarkable illustration of the manner in which an effective whistle-blower system can become a strong leverage point in deterring corrupt practices and activities within a company's operations.

#### 8. Training, Education and Awareness

- The effectiveness of an anti-corruption programme within a company is only as strong as the behaviour exhibited by the stakeholders acting on behalf of the company. This means that training, education and awareness on the company's ethos and anti-corruption programme, are essential in order to obtain alignment between structures and outcomes.
- Throughout the respective case studies, a number of innovative approaches have been employed by companies to sensitise both their internal and external stakeholders

on business integrity. A key good practice that has come through is where companies contextualise training to suit employees in high risk corruption-prone areas.

- Despite the opportunity provided by technology (e.g. online training), many companies are still struggling with the logistical challenges of training large workforces across different jurisdictions and operating environments.

## 9. Building the Culture of Business Integrity

- The business case for a culture of business integrity came through strongly.
- Creating and sustaining an ethical culture in an organisation needs appropriate structures and processes that support the company's ethos for doing business.
- Ethical leadership provides a ripple effect that extends throughout the organisation and its sphere of influence.
- The use of integrity pacts to proactively develop ethical behaviour amongst suppliers is a good practice that should be encouraged and mainstreamed within South Africa.

## 10. Monitoring, Evaluation and Reporting

- It is clear that a well-functioning monitoring, evaluation and reporting system is a critical part of a good anti-corruption programme.
- Corporate reporting, in line with the guidelines of the Global Compact Communication on Progress and the Global Reporting Initiative, has become a widespread practice amongst large companies in South Africa.



**Global Compact Network SA: CEO Roundtable**



# 1

## The Importance of Ethical Leadership

*In the ever-changing global economy, leadership and good corporate governance is increasingly more crucial since companies must not only ensure that they are well governed, but also need to be managed in accordance with legislation and standards of internationally recognised best practice.*

*This is essential to attract meaningful levels of investment in order to create employment and wealth across a wider spectrum of society, thereby ensuring the development of viable, sustainable and competitive enterprises capable of participating in the global market place.*

### INTRODUCTION

In order to embed a culture of integrity into a company's strategy and operations, its prioritisation must be driven from the very top of the organisation. The leadership roles incumbent upon the board of directors and senior management in a company's fight against corruption are imperative for the success of an anti-corruption programme within the company.

On the one hand, the Board is the organ that is ultimately accountable for performance and centrally controls all other organs of the organisation. In this regard, Board Directors have specific fiduciary duties as described in the Companies Act 2008 and King III Report. On the other hand, senior management is responsible for the day-to-day stewardship of the company's operations. Therefore, the level of ethical leadership demonstrated by these two organs is a critical success factor in terms of mainstreaming the culture of business integrity throughout the organisation.

The need for ethically driven leadership, in accordance with the requirements of the King III Report, should be premised on the firm belief that adopting sustainable corporate practices as part of core business activities is essential

for ensuring the triple bottom line namely, social and environmental performance, as well as return on investment.

As a practical example, this chapter will highlight Nedbank's transformation journey towards deriving key lessons about pertinent aspects of building ethical leadership in a large banking conglomerate. While governance and ethics have always been embedded in the Bank's business philosophy, these came strongly under the spotlight with the challenges faced by the Bank from 2000 onwards, as a result of key leadership decisions.

## ETHICAL LEADERSHIP: A PRACTICAL APPROACH BY NEDBANK



### Nedbank Group Profile

Nedbank Group Ltd is a bank holding company and one of the four largest banking groups in South Africa measured by assets, with a strong deposit franchise and over six million clients. The principal banking subsidiary is Nedbank Ltd. Old Mutual plc is the majority shareholder, owning 52% of the group.

Nedbank remains one of the top two wholesale banks with a strong market position in commercial-property finance, business banking, investment banking, vehicle finance, card-acquiring, deposit-taking and asset and wealth management.

Nedbank has been on a journey of transformation for many years, especially in the environmental agenda, where they have had a pronounced presence as a responsible corporate citizen in South Africa. However, from the new millennium, there were a number of key business decisions that caused some concern in the market, such as:

- heavily investing in non-core interests; and
- the question about executive bonuses.

These resulted in a substantial drop in Nedbank's share price in addition to negative views from many stakeholders that perceived Nedbank as an 'elitist' bank.

These issues led to a strong introspection by the Bank's leadership. The company's Board had to assess the business philosophy and strategy

at that stage and found that change needed to happen in order to ensure the long-term growth and competitiveness of the company. Following broad-based consultative strategy and scenario planning sessions, the Board adopted a new strategic approach for the company that included the following developments:

- The leadership decided on a business philosophy based on the triple bottom-line, involving social, environmental and financial responsibility. This meant a shift from the core focus on profit to organic growth and sustainability. It also involved articulation of the "Nedbank culture", entailing the development of a shared value between the Board, management and staff premised on business integrity. The new Nedbank

culture became fondly referred throughout the company as the 'Dagwood', implying a commonly accepted set of rules and guidelines.

- The Board and group executive approved the Code of Ethics that placed a huge emphasis on doing the right thing regardless of the consequences to the organisation.
- The Board also decided to strategically re-align the focus of the Bank back to the core business of banking to become a 'bank for all', with the vision of becoming Africa's most admired bank by their staff, clients, shareholders, regulators and communities.
- The Board and senior management made a firm commitment to lead by example and to standardise conduct of behaviour across the organisation irrespective of rank and file. For instance, the Bank had hitherto different applicable gift declaration policies for staff and executives. Thereafter, these two policies were combined into a standardised policy applicable to all staff.
- The Nedbank Group Board Ethics statement was developed and all directors have to recommit to the statement on an annual basis. Directors were also encouraged to raise concerns relating to the non-adherence of the statement in board evaluations.

The turnaround strategy for the company required some very courageous decisions regarding some staff in leadership positions. The alignment to the new business philosophy resulted in some members of the previous leadership contingent having to leave the organisation.

The leadership of the bank strengthened the role of the Nedbank Group Ethics Officer ('the Ethics Officer') who is mandated to work with the Group Executive Committee, business clusters, relevant board committees, the Ethics Panel and general staff.

More recently, the Board created the space for ethical thinking in business as a result of the financial crisis and corporate failures. This resulted in the establishment of new positions for ethics officers in all subsidiaries and business clusters. There are



## **Reuel Khoza**

*Chairman of Nedbank*

*"Awareness around governance matters has increased since the global financial crisis, with unsound practices exposed and with regulatory intervention more strict.*

*"As a board, we take governance, compliance and ethics very seriously – they underpin our deliberations and decision-making and align us with the spirit and guidelines of King III. We are continuously learning and challenging ourselves to strengthen our governance capabilities and recognise that, while much has been achieved, we must drive the organisation to raise its standards further in our aspiration to be world-class at managing risk."*

currently a total of 31 functional business ethics officers in the organisation.

## CONCLUSION

To change the perception of leadership in a relatively large organisation from a profit to a people-centred orientation is a process that takes years to achieve. Leaders need to be courageous and emotionally mature to address concerns with objectivity and fairness.

Creating a culture of inclusivity and cultural sensitivity is a further leadership requirement especially for an organisation emerging from a period of great adversity. Consistency in the treatment of staff members at different levels and in the implementation of policies relating specifically to discipline is important in combatting corruption.

The case study from Nedbank highlights the following truths about ethical leadership:

- Ethical and well governed organisations create trust with stakeholders. Within the organisation, ethical leadership creates an ethical culture giving staff the mandate to exercise their rights regarding ethical conduct.
- Ethical leadership has a ripple effect on all other leaders at all levels in an organisation, creating capacity and providing a mandate to simply do what is right.
- Ethical leadership is not only found at the 'top'. All staff must be encouraged to be ethical leaders even if they are not in management positions.
- Ethical leadership encourages open and safe communication.



**Global Compact Network SA: CEO Roundtable**

# 2

## Anti-Corruption Risk Assessment

*It is advisable for companies to conduct comprehensive corruption risk assessments in order to manage corruption risks within the organisations. Assessments enable a company to determine the level of corruption risk the organisation may be vulnerable to, whether at a specific stage of the business cycle or a particular aspect of a company's interaction with governments, bureaucracy or other private-sector players.*

### INTRODUCTION

The intelligence obtained from risk analysis will act as a foundation for the company's interventions, policies and procedures geared towards protecting itself from exposure to corruption. Anti-corruption risk assessments equip the company's management and employees with the baseline knowledge to respond effectively and consistently with incidences of corruption. This is also important for developing training programmes and tools that are appropriate to the company's political and operating environment.

It is important for companies to be conducting specific risk assessment in terms of all relevant legislation. For instance, companies are more likely to avoid charges for single offences under the UK Bribery Act, if they are able to prove they have 'adequate procedures' in place to mitigate the impact of corruption risk<sup>1</sup>.

Undertaking a comprehensive anti-corruption risk assessment exercise may be a challenge where the risk profile of an organisation changes over time. Therefore, it is crucial for companies to annually perform and review the trends within their operating environment, risk indicators

*The Global Compact provides tools to assist companies to develop their anti-corruption risk assessment. The tools can be found at <https://www.unglobalcompact.org/resources/411>*

<sup>1</sup>Control Risks, "Assessing Corruption Risk", [http://www.controlrisks.com/~/\\_media/Public%20Site/Files/Our%20Thinking/risk\\_assessment\\_published.pdf](http://www.controlrisks.com/~/_media/Public%20Site/Files/Our%20Thinking/risk_assessment_published.pdf) (Accessed 25/09/2014).

and assessment criteria. Communication to the Board during this process will assist in educating them on the potential corruption risks and is key for getting the buy-in of senior management and other employees.

This chapter will explore two case studies. The first is Sanlam's integrated approach to managing the industry-specific risk of financial crime within the financial services sector which poses a threat to the company's business and strategic objectives. The second study showcases Grindrod's approach for managing the risk of corruption within the company's global operations in the logistics sector.

*"The Global Corporate Sustainability Report 2013 shows that only 25% of UN Global Compact business participants conduct anti-corruption risk assessments"*

*Georg Kell / Executive Director  
UN Global Compact Office<sup>2</sup>*

## SANLAM'S INTEGRATED APPROACH TO MANAGING FINANCIAL CRIME RISK

### Sanlam Profile



Sanlam Limited is a South African financial services group with its head office in Cape Town and business interests in Africa, Europe, India, the USA, Australia and South East Asia. Established in 1918, the group is listed on the Johannesburg Stock Exchange (JSE) Limited and the Namibian Stock Exchange. Sanlam provides professional financial advice and financial products to individuals, businesses and institutions.

Combating corruption and financial crime may not be the primary objective of a financial institution; however, the failure to do so effectively may impact on the ability of the institution to achieve its primary strategic objectives.

The abuse of a financial institution in the conduct of a corrupt scheme, for instance tax evasion, inevitably leads to money being laundered through the institution, which may render the financial institution exposed to punitive measures by regulators.

Sanlam regards high ethical standards as non-negotiable and has a set of core values that form the foundation of the group and underpin every aspect of its business dealings. The first of Sanlam's core values is a commitment to act with integrity.

Sanlam's efforts to combat corruption and other financial crimes start by placing the focus on ethical business practices. As part of these efforts, the Group Financial Crime Combating Policy was initially adopted in 2004 to spell out Sanlam's zero tolerance approach to all forms of financial crime. It was reviewed regularly to ensure that it remained up to date with the latest regulatory developments and international guidance in respect of the combating of corruption, money laundering and other types of financial crime.

Subsequently, there was the realisation within the organisation that no two types of financial crime are the same, and that a silo approach ignores the indisputable link between crimes such as corruption, tax evasion and money laundering. This is because individuals who are willing to engage in corruption are often not adverse to fraud and money laundering.

<sup>2</sup> UN Global Compact Office: "A Guide for Anti-Corruption Risk Assessment", Two United Nations Plaza, New York, USA, 2013.

Sanlam therefore recognises the need for applying a holistic approach to implementing controls to prevent financial crime. As a result, the organisation is presently developing a framework for implementing an integrated approach to managing financial crime.

One of the outcomes of the current project was a revised version of the Group Financial Crime Combating Policy in a format that provides for specific action steps to be performed in the identification and assessment of financial crime related risks as well as the design and implementation of measures intended to address such risks.

The integrated framework will support the development of further policies that focus on specific areas of financial crimes, such as insurance fraud, money laundering and corruption that may be identified and deemed to require specific attention.

Combining an uncompromising approach to ensuring ethical business practices and an effective process to manage the risk of financial crime are in Sanlam's view the only sustainable tools that can be effectively employed to combat financial crime. The company believes that these tools however, will not be effective if a once-off development and implementation mentality is displayed.

Ethics and the combating of financial crime go hand in hand, but both require continuous interactions. For this reason Sanlam utilises regular communications on various platforms to assist management with their training and awareness initiatives. This is based on the company's philosophy that fraud prevention is the responsibility of everyone in Sanlam, irrespective of his or her position in the company. For this reason, the company believes that the continuous communication on this issue is absolutely crucial.

Sanlam also strives to create an environment for reporting of financial crime and unethical conduct where the reporter is free of any risk of victimisation or discrimination. The Sanlam Fraud and Ethics Hotline, is available to all staff members in the Group, as a facility for reporting fraud or



## **Johan van Zyl**

*Sanlam Group Chief Executive*

*"Corruption not only attacks the moral fibre of our society and the integrity of our markets, but it also conflicts with the core principles on which Sanlam's business strategy is based.*

*Our commitment to our ethical values and our strategic vision demand that we shall not tolerate any form of corruption in our business dealings."*

unethical conduct. This hotline is managed by an independent third party and allows staff members to make anonymous reports whilst it guarantees the protection of their identity, in accordance with the provisions of whistle-blowing legislation.



### Grindrod Profile

Grindrod Limited is a fully integrated freight, logistics and shipping services provider based in South Africa and listed on the Johannesburg Stock Exchange (JSE) Limited. It is represented by subsidiaries, joint ventures and associated companies in 38 countries worldwide, employing more than 7 000 skilled and dedicated people.

There are two main operating divisions to the business, namely freight and shipping that provide operating and marketing synergies locally and internationally. Grindrod continues to invest in assets and opportunities across the operating divisions with specific focus on dry bulk and bulk liquid commodities, containerised cargo and vehicles.

Any business with a global presence and a significant African footprint is likely to find it challenging to ensure complete and effective compliance with its internal policies designed to combat corruption and fraud. Apart from promoting a culture of awareness, there are logistical constraints in policing each and every individual across the Group's varied businesses. Not surprisingly, the result is that instances of fraud and corruption can and have in fact occurred, notwithstanding the measures taken by Grindrod.

A recent example of a breach was highlighted when an anonymous tip-off was received via the independently operated tip-offs hotline. An allegation was made that employees of a subsidiary company in Mozambique were paying bribes to a certain customs official to secure the release of containers discharged at port. The informant further alleged that the subsidiary in question was under significant pressure to clear the containers timeously as substantial costs were being incurred by each delay. Upon receipt of the tip-off, Grindrod dispatched two of its senior employees to Mozambique to convene an internal enquiry. The individuals were found guilty and appropriately dealt with. News of the incident was formally communicated internally by senior management to all employees within the business to serve as a reminder of the Group's policies and

Grindrod's 'zero tolerance' approach towards fraud and corruption.

As a result, Grindrod has improved its internal control procedures and risk management process, which is aligned to its overall corporate strategy. This is managed in a manner that seeks to convert identified risks into opportunities.

In addition, Grindrod has strengthened its due-diligence processes and has adopted a more robust approach in investigating new business ventures.

The culture of the company is moving towards entrenching enterprise-wide risk management as part of the process of managing operational risk. Further, the company is enhancing its audit processes to become more risk based and increasing its control mechanisms. The company concentrates not only on reporting relevant data but is increasingly looking at business intelligence systems (e.g. software) that can assist in the effective management of operational risk, all in an effort to continuously improve its risk management strategies.

Risk management is a key responsibility of the Board. The Board reviews risk management reports quarterly. In addition, a risk management meeting is held annually. The focus on risk has led



to the development of robust policies at Grindrod, such as the adoption of a revised Code of Ethics as well as separate and precise policies dedicated to dealing with Anti-Corruption, Legal Compliance, Receipt of Gifts and a Whistleblowing policy. These are widely disseminated in all 38 countries in which the company operates. In addition and as part of the company's fraud and corruption risk management strategy, Grindrod subscribes to an independently managed whistleblower service. Awareness campaigns are periodically held to remind employees of the policies in place and to reaffirm the Group's commitment to its Code of Ethics.

Grindrod is constantly evaluating areas of potential improvement to further enhance adherence to the relevant policies and procedures.

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

*Georg Kell / Executive Director  
UN Global Compact*



### **Cathie Lewis**

*Group Company Secretary,  
Grindrod Limited*

*"It is easy to write a policy, but as a company, you have to live it. It's not just about the rules but also about the values of the company. There are three key things that a company in our type of industry must do to fight corruption: firstly, you have to ensure that there is awareness across the company. Secondly, you have to improve your reporting based on your KPI's and business intelligence, which are critical to enable management to identify the gaps after which they have to close the loop and improve. Finally, it is crucial to ensure follow-through by picking up on non-compliance and appropriately dealing with the issues".*

## CONCLUSION

A comprehensive risk assessment should inform a company's approach to managing the risk of corruption. This includes the development of policies and procedures, training and capacity building, as well as monitoring and evaluation programs. A comprehensive risk assessment will also demonstrate the level of awareness and understanding of the company's legal and regulatory obligations, as well as compliance imperatives.

It is important that companies assess where risks are greater and concentrate resources based upon the priorities that have identified from the process. A company should also consider anti-corruption risk when designing new products and services or moving into a new geographical area.

The two case studies explored in this chapter highlight key elements that all companies may consider when undertaking a comprehensive anti-corruption risk assessment:

- Companies should understand risk within their specific sector and operations as a key step towards developing an integrated approach to managing the risk of corruption.
- A company needs to take an integrated approach when tackling the issue of corruption. Sanlam has taken a holistic view towards its risk assessment exercise based on the company's understanding that risk can appear in different facets of the business. In this regard, working in silos may hinder the company from fully combating corruption.
- As in the case of Grindrod, it is clear that a company can strengthen its anti-corruption programme and risk assessment processes based on past experiences.
- The hands-on approach at Grindrod has led to more a robust due-diligence by the company that helps to minimise the risk of corruption.
- Sanlam and Grindrod both have a philosophy towards continuous improvement underpinned by a strong focus on risk. In this regard, anti-corruption risk assessment forms part of their core strategy with significant buy-in by their senior management and the Board.
- Both companies emphasise their uncompromising approach (zero-tolerance policy) towards corruption in all its forms and dimensions.



***Business Training Workshop on Anti-Corruption***

# 3

## The Compliance Imperative

*In general, compliance means conforming to a set of laws, regulations, policies, best practices, or service-level agreements.<sup>3</sup> In this regard, compliance implies the conduct of the activities of an organisation in accordance with the minimal requirements prescribed by their legislative and regulatory environment.*

### INTRODUCTION

As highlighted in the introductory section of this publication, companies operating in South Africa are expected to comply with a wide array of anti-corruption related legislations, such as The Prevention and Combating of Corrupt Activities Act, The Companies Act, The Promotion of Access to Information Act, The Competition Act, The Protected Disclosures Act, and The Public Finance Management Act (for public entities). This is in addition to local and international standards, including the OECD Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions, the Global Compact (for signatories) and the King Report (particularly for JSE-listed companies).

The dynamic global market place in which companies operate in several jurisdictions provide additional compliance imperatives for companies. This means that companies have to comply with legislations that are applicable in the respective jurisdictions in which they have a footprint, including laws that have extra-territorial consequences, such as the US Foreign Corrupt Practices Act 1977 and the UK Bribery Act 2010.

Compliance is one of the highest legal risk areas for companies. Ongoing changes to legislation, over-regulated environments and the introduction of new legislation, place an administrative burden on companies and require a greater emphasis on the formal and structured

<sup>3</sup>University of Washington: "Administrator's Toolkit", <http://f2.washington.edu/fm/toolkit/compliance> accessed 1 October 2014.

monitoring of compliance to statutory and regulatory requirements by companies.

The responsibility for managing the company's business, and hence the duty to comply with all applicable legislative and statutory requirements, rests primarily with its Board of Directors. The responsibility to facilitate compliance throughout an organisation and its subsidiaries may be delegated to a key functionary within the company e.g. the Compliance Officer. However, it must be emphasised that the responsibility for complying with any regulatory requirement lies with all members of staff conducting a particular transaction or activity to which regulation applies.

This chapter highlights the approaches of two companies towards managing compliance. Firstly, discussing Distell's implementation of its compliance project across the company's operations that have been expanding globally. Secondly, unpacking the strategic thrust of Investec which, as a financial institution, strives to move beyond compliance in order to combat corruption and related crimes that may be facilitated by the digital evolution.

## DISTELL ANTI-BRIBERY COMPLIANCE PROJECT

### Distell Profile



Situated in the heart of the Cape Winelands, Distell Group Limited (Distell) is Africa's leading producer and marketer of fine wines, spirits, ciders and flavoured alcoholic beverages.

While the majority of Distell's operations and employees are located in South Africa, Distell has operations elsewhere in Africa and beyond. Across Africa, Distell has offices in Angola, Ghana, Kenya, Nigeria, and additional marketing staff in Mozambique, Tanzania, Uganda and Zambia. Outside of Africa, Distell has offices in China, France, United Kingdom, Taiwan, USA, Brazil and Singapore. These provide support and direction to a network of agents in more than 80 countries.

In Tanzania, Zimbabwe and Mauritius, Distell operates joint ventures, while in Namibia, Botswana, Swaziland, Kenya and Scotland, it has wholly-owned subsidiary companies.

Distell always had anti-bribery provisions in its codes and policies, however during the course of 2013, Distell initiated a process to review and revise its policies to create a robust anti-bribery/corruption policy, underpinned by anti-bribery specific controls.

The Anti-Bribery Compliance Project (Compliance Project) has been designed to ensure compliance with new local South African requirements as well as global requirements which became relevant to the Distell Group.

As a South African company listed on the Johannesburg Stock Exchange, Distell must comply with the Prevention of Combating of Corrupt Activities Act, (Act 12 of 2004) as well as the Anti-Corruption Compliance requirements of the South African Companies Act, (Act 71 of 2008) (Companies Act) and the regulations thereto, promulgated in 2011. The regulations to the Companies Act requires Distell's Social and Ethics committee to monitor the implementation of a series of good corporate governance obligations including the Organisation for Economic Co-operation and Development recommendations

on reducing corruption, as well as the United Nations Global Compact Principles. Key global anti-bribery and corruption laws have also become important to the Distell Group in recent years, through the global expansion of its business.

The Compliance Project kicked off with an anti-bribery risk assessment of Distell's business, which was conducted by its external legal advisors. The external legal advisors are assisting Distell with procedures and controls to mitigate anti-bribery/corruption risks.

Implementing the Compliance Project included that Distell has:

- conducted an anti-bribery risk assessment—this entailed scoping and reviewing Distell's business activities and policies to assess the extent of anti-bribery measures in place, coupled with the identification of key bribery/corruption risk areas and the development of controls and procedures to mitigate the risk;
- designed and developed amongst others the anti-bribery policy document and compliance procedures incorporating the tone from the top;
- designed and developed the anti-bribery due diligence procedures on third party intermediaries and the development of a business partner pre-clearance process and;
- developed training material and is rolling-out training throughout the Distell Group.

Implementing the Compliance Project had not been without challenges. Distell shares some of its experiences below:

- The task to amend Distell's various policy and compliance procedures was undertaken by Distell's Legal and Compliance Department together with support from the external legal advisors. It was challenging to conform the policies to a similar standard (incorporating the tone from the top as well as procedures and guidelines for areas such as travel, entertainment, gifts, corporate sponsorships,



## **Richard Rushton**

*Managing Director, Distell*

*"...Distell has always been committed to doing business with integrity and with proper regard for ethical business practices. Our commitment to doing business ethically is unwavering. There is no room for exceptions. Complying with local and global anti-corruption laws is non-negotiable at Distell and acts of bribery and corruption by personnel or anyone acting on behalf of Distell shall not be tolerated..."*

donations and community upliftment initiatives).

- Co-ordinating the rollout of training throughout the Distell Group and its business partners is challenging in that Distell employs about 5 300 people worldwide. The Africa team and procurement teams at corporate office have received prioritised training.
- While Distell's initial focus is on forward-looking processes and new business partners, Distell has commenced to design and develop the anti-bribery due diligence procedures on existing third party intermediaries. Business partners in the rest of Africa are also being assessed as a priority.

Despite challenges, the senior management team actively and visibly leads Distell's anti-bribery policy and practice and ensures that the policies and procedures are implemented consistently in all countries where Distell conducts business.



### Investec Profile

Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and Australia as well as certain other countries.

The group was established in 1974 and focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking. Embodied in an entrepreneurial culture, the company is geared towards a strong risk management discipline, a client-centric approach and an ability to be nimble, flexible and innovative.

As a licensed bank in South Africa, Investec subscribes to all regulatory requirements that outline the minimum requirements to mitigate the opportunity and occurrence of corruption. The arsenal of anti-corruption legislation enacted by the South African government places a significant obligation on all South African banks to help in the fight to reduce corruption.

At best, the regulatory obligations that are incumbent on financial institutions provide sufficient interruption to corrupt activities. However, as Investec has found over the past two decades, the criminal landscape is continually evolving to overcome the obstacles created by the regulators both locally and globally.

Investec believes that regulators across the globe do not only limit their reach to their respective jurisdictions, but enact legislation that gives them extra-territorial jurisdiction to ensure a global reach so that the phrase "the long arm of law" has real meaning to the criminals. Why is it necessary that regulators need to go to these global lengths? The answer is simple and globally uniform: digital evolution. This presents the most difficult crimes to control in respect of both prevention and investigation and it is even more difficult for a bank when it comes to both employees and clients.

Investec places a strong emphasis on its culture and values to help with their contribution to fight corruption.

To this end, one of the key internal anti-corruption components for banks is the employment of operational risk and fraud specialists. A further component of this effort is significant investment in systems and tools that can, in real time, monitor for indicators that could be used to identify corrupt activities and/or fraud.

Banks have always attracted unwanted attention from the more sophisticated and organised criminals. A key vulnerability for most corporates especially banks is their staff. To address this vulnerability, Investec invests in ongoing training and awareness within its workforce with a strong focus on compliance with laws and regulations to combat fraud and corruption.

Like the criminals, the company is also harnessing the power of the digital evolution in ensuring a robust culture of business integrity. For instance, relevant news articles and blogs are posted on a dedicated internal intranet page. In addition, the company is developing and piloting specific fraud and corruption training material using its in-house E-Learning platform. This provides for the education and evaluation of staff, through self-assessment modules.

The internal sharing of events and trends across all the geographical areas that the company operates in helps to ensure that proactive measures can be implemented to prevent corruption, and similarly fraud or other corrupt activity.

Investec's firm position on addressing any instance of corruption through internal disciplinary processes ensures that the right message is sent to all employees and reinforces the values which are implicit to conducting Investec's business in a manner that promotes trust to both employees and clients.

Investec adopts the model of having several lines of defence against corruption and related activities. This allows for the business owners, as the first line of defence, to consider applying risk practices to their business areas. This is supported by a strong operational risk oriented second line of defence, which includes the independent forensics discipline. The forensics framework (which is continuously reviewed) considers the respective laws, regulations and industry best practice.

Where evidence supports reporting of criminal activities and suspicious transactions, this is done in a responsible manner in compliance with the Financial Intelligence Centre and other relevant legislation.

Another good practice that Investec implements is the "Integrity Line", which is independently managed by one of the big auditing firms and allows for anonymous reporting. It is a toll free line and is structured in line with the requirements of the Protected Disclosures Act.

Investec believes that no one organisation can operate in isolation when it comes to fighting corruption effectively. To this end, Investec subscribes as a member to South African Banking Risk Information Centre (SABRIC), a not-for-profit entity established by the Banking Association of South Africa in 2002. SABRIC is a properly mandated intelligence hub that allows for the collation and analysis of intelligence that is used to fight crime that targets the South African banking industry.



## **Wayne Adams**

*Group Forensics, Investec*

*"Underpinning legislative, regulatory and best practice requirements are Investec's values and philosophies, which provide the framework against which we measure behaviour and practices so as to assess the characteristics of good governance. Our values require that directors and employees act with integrity and conduct themselves to promote and maintain trust. Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures, and a written statement of values serves as our code of ethics."*

## CONCLUSION

The multitude of laws, regulations, standards, guidelines and best practices that companies have to comply with, create significant obligations on the part of companies in order to avoid inherent legal risks.

Companies should ensure that they are aware of and take steps to comply with all anti-corruption laws, rules and regulations that are applicable within all the countries they operate in. The case studies of Distell and Investec provide some important lessons, which include the following:

- Compliance is often a difficult field to navigate. Companies that perform rigorous due diligence and risk assessment, often have a solid foundation in terms of compliance.

- Companies should establish a legal compliance framework, including systems and tools, and policies and procedures that are contextualised to suit their operating environment in order to monitor compliance and mitigate risk.
- Ensuring a compliance culture requires the concerted effort from the Board, management and staff members. Therefore training on compliance is important to reinforce ethical behaviour across the company.
- Compliance alone may not be enough to subvert the risk of corruption. As with the case of Investec, compliance may only be a key foundation towards ensuring business integrity within the company's operations.



*Global Compact Network Business Dialogue on Anti-Corruption*



# 4

## Policies and Procedures

*One of the key lessons established by the preceding chapter is the need for companies to put in place appropriate legal compliance frameworks. These include policies and procedures that are essential tools within an organisation to ensure compliance and mitigate risk. A culture of business integrity cannot be embedded into a company's core business practice without appropriate policies and procedures in place.*

### INTRODUCTION

Anti-corruption policies are clear, simple statements that give effect to an organisation's intention to conduct its business affairs with integrity. These policies provide a set of guiding principles to help standardise decision-making by managers, staff, service providers, partners, suppliers or distributors and other key functionaries that work on behalf of the organisation.

In many instances, anti-corruption policies may be accompanied by procedures, which describe how each policy will be put into action in the organisation. These procedures may be structured as instructions, forms, checklists or flowcharts that outline: who will do what; what steps they need to take; and which forms or documents to use.

It is important that anti-corruption policies and their accompanying procedures reflect the organisation's culture, values, approaches and commitment towards precluding corruption and related crimes. These documents therefore provide the opportunity for the company's Board and senior management to set out the behaviour expected of those acting on behalf of the company.

It is important to note that anti-corruption policies and procedures are not static but rather living documents. This means that the intent of these documents should reverberate throughout the organisation. In addition, anti-corruption policies and procedures should continuously be reviewed and contextualised in accordance with the company's industry, operating environment, changes in the regulatory environment and exposure to bribery and corruption risk. Furthermore, a company's anti-corruption policies and procedures should be: written in a language that is easy to read and understand; easily located and widely accessible within the company; and properly communicated to all employees,

investors and key stakeholders, through outreach, training and capacity building activities.

This chapter firstly showcases the journey by MTN Group to mainstream a zero tolerance to corruption across their global operations, despite the different operating and cultural norms and nuances within their African and Middle East footprint. Secondly, this chapter discusses Netcare's strategic action plan towards managing its anti-corruption policy environment, which is underpinned by a strong focus on the review of its policies and a pro-active training process across the company.

## MTN GROUP'S ANTI-BRIBERY AND CORRUPTION POLICY



### MTN Group Profile

Launched in 1994, MTN Group has grown into a multi-national telecommunications company with a proven track record of technological innovation and corporate culture that thrives on challenge.

MTN has mobile licences in 21 countries and internet service provider (ISP) businesses in 13 countries, mostly in Africa and the Middle East. The company invests significantly in advanced communications networks, connecting more than 215 million people in 22 countries across Africa and the Middle East.

The MTN journey to addressing anti-corruption and bribery started in 2004 when the Group issued a general statement relating to zero tolerance to fraud, bribery and corruption as part of the company's Anti-Fraud Policy.

These broad statements were deemed to be sufficient until the shift of stakeholder requirements brought about the realisation that MTN required a more detailed policy framework that was more specific to preventing bribery and corruption. Thus, during 2012, MTN initiated a process of compiling the MTN Group Anti-Bribery and Corruption Policy, affectionately known as "The ABC Policy".

Their point of departure was to review the relevant international legislation applicable to the ABC Policy, these being: The Foreign Corrupt Practices Act (USA - FCPA); UK Bribery Act (UK); and Prevention and Combating of Corrupt Activities Act (South Africa).

Using the prescriptions of these legislations as a guide, MTN began to craft its ABC Policy to ensure that the policy complied with local and international requirements in terms of best practice. However, it was further identified that in some instances the company required a firmer stance in high-risk areas. In the first instance, MTN had to identify key high-risk areas that required special attention in order to ensure that sufficient

guidance and additional safeguards were implemented. These included areas such as: gifts, entertainment and hospitality; dealings with public officials; political donations; sponsorships and donations; procurement; facilitation payments; and dealings with third parties.

MTN, however, recognises that in certain areas, such as gifts and entertainment, it has to adapt to cultural and country-specific requirements. Accordingly, the Group built in procedures whereby senior management can apply their minds to specific circumstances as to whether, for example, religious gifts are allowed during certain periods of the year as expected by local customs in some jurisdictions, with the caveat that such gifts were not intended to create undue influence and / or be interpreted as bribes.

The policy was then benchmarked against similar ABC Policies publicly available and was then reviewed by an external legal firm. Thereafter, the policy went through several internal approval levels, beginning with the Group Executive Committee and final approval through the Group Board structures. On completion of the policy, several internal policy and guideline documents had to be updated to ensure alignment to the Group ABC Policy.

These are:

- Gifts, Entertainment and Hospitality Policies;
- Political Donations Policy;
- Sponsorships and Donations Guideline;
- Conflicts of Interest Policy;
- Group Humans Rights Policy; and
- Group Procurement Guidelines.

Further, as MTN is embarking on revisiting both its internal cultural operating framework and ethics management framework, it was critical to ensure the ABC Policy and principals are aligned to the global messaging and execution of these frameworks. Once the ABC Policy was approved, a global rollout of the policy was determined to ensure that the ABC Policy was effectively embedded across the MTN Group of Companies. As MTN operates in more than 22 countries with 26 000 employees, effective embedding of the policy proved to be a challenging journey. Further, MTN has recognised that embedding the policy is a journey with a road map spanning about one to five years.



**The MTN Anti-Bribery Environment Map**

The rollout strategy consisted of five core focus areas established towards addressing the following elements:

- Internal and external communications of the Policy;
- General employees training;
- Embedding of ABC Policy into the MTN Cultural Operating System and Ethics Management Frameworks;
- Specific employee risk awareness training; and
- Effective ABC risk management.

As can be seen from the diagram on the previous page, the MTN ABC journey is premised on the recognition that being an ethical corporation is vital to ensuring future sustainability. The path to successfully embedding the ABC principles is through unpacking the relevant risks to MTN by virtue of its operating environments.

## NETCARE'S STRATEGIC ACTION PLAN



### Netcare Group Profile

Netcare Limited is an investment holding company that owns, manages and operates (through its subsidiaries) the largest private hospital networks in South Africa and the United Kingdom.

Netcare was founded in 1994 and listed on the JSE Limited on 4 December 1996 with six hospitals. Since 1996, several other small and independent hospital groups in South Africa were acquired, notably Clinic Holdings Limited and Excel Medical Holdings Limited. It currently manages and owns 54 hospitals. Netcare also acquired Medicross and Prime Cure Holdings. Medicross and Prime Cure which form Netcare's Primary Care division with a total network of 3 300 registered doctors at the time and 177 400 managed care lives. The emergency services operation Netcare 911 and National Renal Care also form part of Netcare's operations.

Netcare prohibits corruption, bribery and economic crime in any form. The company adopted a zero-tolerance stance towards unlawful and unethical behaviour and actions, irrespective whether the influence is internal or external to the organisation.

In furtherance of the public commitment by the company's Board and Executive Committee, Netcare has adopted a cogent strategic action plan against corruption, which is subject to ongoing review. This has led to the company's culture of undertaking comprehensive risk assessments of

potential areas of corruption, through the internal audit function, with oversight by the Risk and Audit Committees.

A key component of the company's strategic action plan against corruption has been the development of detailed policies for high-risk areas, including the supply chain.

The Group's Code of Ethics Policy substantively addresses anti-corruption issues. The intent of the policy is to curb, inhibit and discourage unethical practices, which include the prohibition

of any incentivisation payments to obtain work. In addition, Netcare has adopted an Anti-corruption Policy that is applicable to all employees of the Group and all current and prospective suppliers of the Group. These are also supported by separate policies and guidelines.

Additional control measures adopted by the Group include the enhancement of the Group's Gifting and Hospitality Policy that provides further guidance on sponsorships and conference attendance and the declaration of all gifts (irrespective of value).

In addition, the Group has a Whistleblowing Policy that is enshrined in the Fraud Response Plan. This deals with the responsibility and accountability in managing the Group's Fraud and Ethics Hotline process. This policy requires that all employees report crimes and irregularities at the workplace in good faith and in a proper manner, and in so doing be protected against occupational detriment in accordance with the provisions of the applicable legislation.

All business partners of the Netcare Group receive annual updates on Group policies that relate to anti-bribery and corruption, gifting and the Group's Code of Ethics. Pursuant to the updating of the Group's Public Procurement Policy, annual declarations are obtained from approved suppliers to ensure compliance with the Group's anti-corruption related policies.

The Group believes that employee engagement is necessary to mainstreaming ethical behaviour across the organisation. As such, employees have access to all Group policies via the intranet that provides essential information. Employees are also encouraged to forward suggestions and comments on policies to a central email to ensure that appropriate feedback is received and incorporated.

In order to sensitise its stakeholders, the Group has various anti-corruption initiatives that provides regular fraud directives, road shows, alerts, and communiqués on a group-wide basis throughout

*"Netcare views negative reputation exposure in a serious light as it impacts on the company's trust relationship with its stakeholders."*

*Lynelle Bagwandeem  
Company Secretary & General Counsel*

the year. All changes to policies are communicated in policy bulletins with regular "spot quizzes" issued to test the understanding of these policies. This is usually in the form of self-assessments where incorrect answers automatically link to policy statements to assist employees in increasing their knowledge of Netcare's policies and procedures.

The Group's Anti-corruption Policy has been reviewed in 2014, using a thorough process that involved a formal ethics survey and draft policy awareness towards assessing levels of awareness and concerns regarding the implementation and adherence to the relevant policies.

Netcare's strategy against corruption also includes various internal checks and balances to ensure consistency with the Group's anti-corruption commitment. This includes alignment with human resources processes.

## CONCLUSION

Establishing appropriate policies and procedures are critical tools for mainstreaming a culture of business integrity as part of a company's core business practice. These policies and procedures should clearly set out the behaviour expected of those acting in furtherance of the company's activities, whether employees, partners, suppliers or distributors and other stakeholders.

The case studies of MTN and Netcare provide some important lessons, such as:

- In order to be effective, anti-corruption policies and procedures should be contextualised to suit the company's legal environment and different operating contexts, while recognising cultural norms.

- The process for developing these policies and procedures should include consultative process across the organisation as well as proactive assessments of corruption-prone risk areas within the company and its value chain.
- Companies should periodically conduct a gap analysis of their existing anti-corruption policies and procedures against applicable legislation, regulations and their operating contexts.
- These policies and procedures should be easily accessible and properly communicated to all employees, investors and key stakeholders, including through road shows, alerts, communiqués, training and capacity building activities.



***Business Discussion on Social and Ethics Committee Requirements***

# 5

## Managing the Procurement Process

***Procurement of contracts for goods and services for business use is a necessary activity for many business operations. Whatever the industry, or type of organisation, whether big or small, public or private entity, the procurement cycle presents one of the most fertile grounds in terms of the risk of fraud and corruption.***

### INTRODUCTION

The procurement cycle involves the activities of establishing requirements for sourcing goods and services, as well as other related activities such as market research, establishing product requirements, vendor evaluation and negotiation of contracts. It also includes the purchasing activities required to order and receive the goods and services<sup>4</sup>.

Procurement has long been recognised as being particularly vulnerable to corruption. The process for sourcing goods and services translates into huge amounts of money that provide seemingly endless opportunities for corruption. The increased financial pressure brought about by a volatile economic environment further provides dynamics that increase the instances of fraud and corruption in procurement processes.

Malpractices that are typically associated with the procurement cycle include the misuse of information gap on the price of materials and products; bribes and kickbacks; collusion and price fixing, misrepresentation, undue influence and interference, contract manipulation and conflicts of interest. Therefore, many instances of fraud and corruption in the procurement process are often difficult to detect, prove or prosecute.

Fraud and corruption in the procurement cycle presents massive reputational and financial implications that can be disastrous for any business entity. Therefore, it is more imperative than ever for companies

<sup>4</sup>Purchasing Insight: "Definition of Procurement- Procurement VS Purchasing", <http://purchasinginsight.com/resources/what-is/definition-of-procurement-procurement-vs-purchasing/> accessed on 30 September 2014.

to embed appropriate structures and processes within their operating culture to ensure the proper management of procurement in order to mitigate corruption and related vices.

This chapter will analyse Eskom as an “organ of state” within the procurement and supply chain environment. As a large corporation, Eskom faces the challenge of sourcing goods and services in a manner that is cost effective, fair, competitive, efficient and lawful while using its procurement spend to maximise local content, create jobs and develop skills.



**SA State Owned Companies signing up to the Global Compact**

## THE ESKOM STRATEGIC SOURCING METHODOLOGY

### Eskom Profile



Eskom is a South African electricity public utility, which is classified as an “organ of state” in accordance with the Constitution of the Republic of South Africa.

As a State-owned company, Eskom is required to carry out the statutory duties, responsibilities and liabilities imposed on its Board of Directors by the Companies Act, 71 of 2008 (as amended) as well as those obligations contained in the Public Finance Management Act, 1 of 1999, as amended by Act 29 of 1999 (PFMA).

There are a number of measures to ensure compliance regarding procurement standards at Eskom, which include:

- Eskom’s Delegation of Authority Framework, which creates the financial and commercial parameters for decision-making, approvals and consents within the procurement and supply chain environment.
- Procurement operations within Eskom are furthermore governed normatively by the latest revisions of Eskom’s Conflict of Interest Policy. This requires employees to make annual declarations of interest that must be reviewed by their managers. An example of this is where an employee has interests in a supplier to Eskom. Such employee is not allowed to deal with any strategic sourcing step within which the said supplier is a participant.

- The Ethics Office establishes and reviews the company’s Code of Ethics; provides effective ethics training; and ethics advisory services to assist employees in dealing with ethics issues and solving ethical dilemmas in the workplace. This includes standards on the gifts that can be given to or received from any supplier.

In addition to the above, Eskom has implemented an assurance function that conducts the following proactive and reactive assurance reviews:

- Random audit checks for all tenders less than R35 million;
- Audit checks for all transactions between R35 million and R300 million; and
- Tenders above R300 million will be subject to external audit and probity checks prior to approval. (To be done by an independent audit company).



Eskom has also put in place some proactive assurance initiatives that include the following:

- The Internal Audit function is part of project execution from the beginning of the project until the end;
- Training of tender committee members;
- Training of buyers, project managers and end users on Procurement in Eskom (PIE); and
- Creation of awareness where non-compliance is identified.

In addition, the specific processes and operational aspects of the procurement and supply chain environment within Eskom are set out in detail for use by its Procurement Practitioners within the latest revision of Eskom’s Procurement and Supply Chain Management Procedure and the various Process Control Manuals (PCMs) for the different aspects of the procurement and supply chain function.

Eskom has implemented a Strategic Sourcing Department within its Group Technology and Commercial Division, called Group Commodity Sourcing. The Sourcing Department uses procurement principles and methodologies whose main objectives are to reduce the Total Cost

of Ownership (TCO) of goods and services by applying the 7x7 strategic sourcing methodology. This methodology is an Eskom developed sourcing process that requires members of the cross functional team to implement and document 7 key deliverables and under each deliverable consider 7 key inputs. The strategic sourcing methodology is shown below in *Figure 1* of this chapter.

Eskom has also implemented the Cable and Conductor Category Strategy. In this regard, the Commodity Sourcing team has recently finalised the award of tenders for various medium voltage cables and conductors.

At the time of going to tender for cables and conductors, some local manufacturers were under investigation by the Competition Commission for bid rigging and collusive tendering. The results of these investigations were unknown to the public at the time and therefore the Eskom sourcing team had to proceed with caution. One of the proactive interventions that was put in place was the Declaration of Fair Bidding, to be signed off by persons duly assigned by their respective companies, as a mandatory tender returnable requirement.

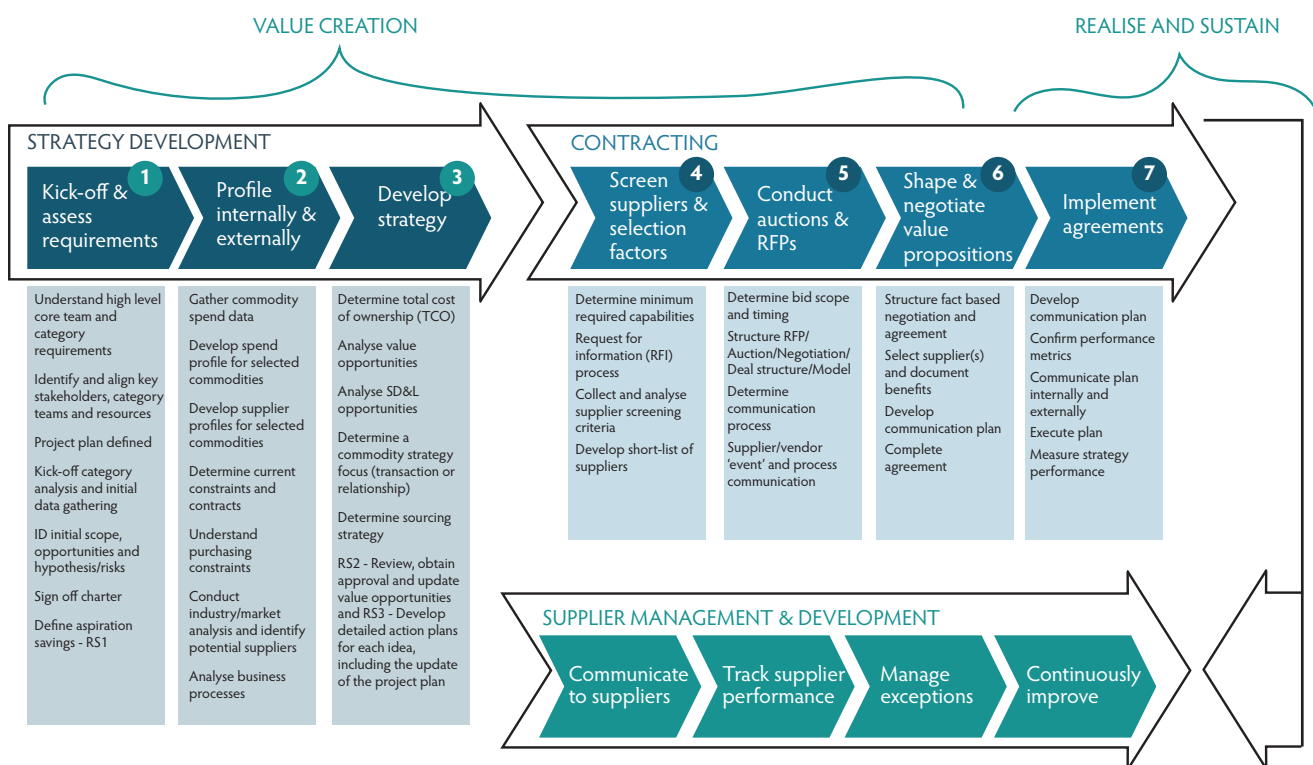


Figure 1 – The Eskom Strategic Sourcing Methodology\*

As the purchase price of Cable raw materials equates to 67% of the TCO, increasing competition, volume bundling and entering into long term contracts is essential to the strategy. The cable strategy consisted of entering into long term contracts (5 years) with local suppliers and international suppliers in order to ensure that the risk is spread and to ensure the security of supply of the commodity.

With a market that was out of balance due to past collusive tendering, the team had to conduct independent Should-Cost models to determine the target cost of each type of Cable and Conductor. These models were then used as aspiration bases during negotiations.

While the local market has the capacity to meet Eskom's requirements for cables and conductors, Eskom noted (pursuant to the country risk analysis for South Africa) that it needed to mitigate against the risk of the local industry retrogressing into collusive tendencies that could lead to high cable and conductor prices. The Cross Functional sourcing team therefore made a recommendation to the adjudication committees to allocate 5% of the cable and conductor requirements to international manufacturers. This recommendation was approved and has been implemented accordingly.

With the above strategy implemented, Eskom has managed to reduce the cost of Cable and Conductor by about 10% compared to the prices of 2010.

## CONCLUSION

It is important for companies irrespective of the industry, or type of organisations, to develop strategies for minimising the vulnerability to corruption in the procurement cycle. This is crucial to managing huge reputational and financial implications that can result from fraud and corruption in the procurement process.

There are numerous lessons that can be taken from the case study of Eskom. For instance, companies should have:

- The right structures in place, such as an appropriate Delegation of Authority Framework and a dedicated department that manages procurement;
- Procurement assurance functions and initiatives;
- Policies to guide behaviour and conduct e.g. Code of Ethics, Conflict of Interest Policy, Procurement and Supply Chain Management Procedure and the various Process Control Manuals;
- Training programmes for buyers, project managers and end users on the company's Procurement Procedures.

Finally, it is important for a company to take into account the external risk environment when engaging with suppliers. This is critical towards developing key strategies (e.g. Eskom Cables and Conductors Category Strategy) for managing corruption in the procurement of goods and services.

# 6

## Supply Chain Management

***Companies may also be vulnerable to the risk of corruption occurring in their supply and value chains. While for many companies, it is an onerous task to implement a robust anti-corruption framework to guide their internal operations, companies are still required to properly manage and monitor the risk of corruption within their supply and value chains. Failure to do this may result in systemic risk, including the likelihood and degree of negative consequences to the corporation.***

### INTRODUCTION

Several laws, standards and guidelines are increasingly requiring corporations to act with due diligence in order to avoid complicity, particularly indirect involvement in corruption where another party that is part of their value chain, commits the actual act or omission.

Companies may source goods and services from different sectors and jurisdictions that may have varying standards of transparency. As such, it may not be easy for the company to enforce best practice amongst its suppliers where many of the variables remain largely outside of the direct control of the company, especially in new and emerging markets. The situation is exacerbated when considering that several external supply chain partners, particularly small and medium-sized enterprises (SMEs), may lack the resources and compliance know-how to manage risks related to corruption.

This therefore increases the existing vulnerabilities in the system. This places some additional responsibility on companies to support their supply chain in terms of managing corruption. In this regard, the G20 recommended in Los Cabos (2012) that “Companies should engage SMEs through their supply chains, and provide them with concrete

support in the adoption of best practices in resisting corruption, including possibly through an industry sector supply chain initiative.”

This chapter will explore the dynamics of managing the risk of corruption within the supply chain of a large retail company, Woolworths Holding Limited (WHL) Group, to draw out key challenges, trends and innovative lessons.

The WHL Group, a leading ethical retailer, faces a number of practical challenges and dilemmas in fighting corruption. This includes combatting bribery and unauthorised outsourcing within its supply chain network that consists of over 1 000 food and clothing suppliers across the world.

## WHL'S GOOD BUSINESS JOURNEY



### Woolworths Profile

Since its inception in 1931, Woolworths has attached great importance to selling quality, innovative and valuable products. It is best known for its exceptional quality, innovation and sustainability-driven business model.

The core business values are driven by the group's leadership and extend into all the areas of its business both in South Africa and its international markets. The group takes great initiative in ensuring that all its stakeholders across the supply chain are compliant with its core values.

WHL has taken a holistic approach in how it deals with issues of governance, business integrity, corruption and compliance. This is in part due to the group's leadership recognising that these are challenges, which require an investment of time, and partnering with stakeholders to create an environment whereby all are aware of the positive gains to be made through non-corrupt and ethical business practices.

In 2007, Woolworths formalised its existing social and environmental work in a programme called the Good Business Journey (GBJ) with the aim of establishing itself as an ethical and sustainable organisation, by integrating six key areas into the company's Environment, Social and Governance objectives: Energy, Water, Waste, Sustainable Farming, Sustainable Fishing, Transformation and Social Development.

The GBJ is a partnership between WHL, its suppliers and various other stakeholders to

encourage the production and sourcing of goods in an ethical manner that places minimal impact on the environment, encourages social and community development and is fair upon workers.

The GBJ is at the heart of Woolworths' business integrity strategy. It is unique in that it places emphasis on a value-based system rather than a prescriptive policy-based approach, in order to achieve ethical behaviour within the business chain. Since WHL is made up of a significant portion of external suppliers, it is necessary that the business has in place a uniform code of ethics and standards.

According to its 2012 Good Business Journey Report, Woolworths achieved 96.1% compliance with the Code of Business principles for food. For clothing, the 90% compliance target was achieved, but perfect scores remain hindered by challenges in supplier turnover.

The WHL Supplier Code of Conduct is the key mechanism upon which the group ensures compliance with company values and anti-corruption activities of all its suppliers, service providers, franchisees and contractors within its supply chain. All stakeholders are bound by the Code's policies and their performance is continually assessed on compliance with the policies. The Code includes key ethical areas such as preventative corruption policies and strategies, as well as compliance in site inspection and appropriate legal documentation requirements. WHL offers technical support to suppliers, partnering with suppliers through enterprise development programmes and through the implementation of annual supplier audits and visits.

## A "ZERO-TOLERANCE" STANCE

As a company, Woolworths follows a "zero-tolerance" policy with regards to all forms of corruption, including bribery, fraud and related illicit activities. The WHL "zero-tolerance policy" on unethical behaviour is communicated to all staff, suppliers and stakeholders through training programmes and manuals, which form part of the induction process into the business.

Through these mechanisms, the Group is able to minimise illegal activity, as well as evaluate suppliers on their performance and suggest improvement strategies in line with the business values. These activities are managed by the Group's Sustainability and Social and Ethics Committees, which are both sub-committees of the WHL Board.

The company tries to work with specific suppliers on a range of ethical, social and environmental issues that are pertinent in terms of the specific industry and geographical jurisdiction.

WHL trains its buying and sourcing teams to enforce its zero tolerance policy for bribery by conducting regular audits into supplier practices. When improvement areas are highlighted through the audit processes, the company, depending on the strategic nature of the relationship will:

- give the supplier some time to address the identified areas;
- help the supplier put in place the requisite mechanisms to rectify the problems; and
- terminate the relationship if the problem is of a grievous nature that cannot be addressed.

As part of Woolworths' comprehensive Quality Assurance (QA) process, the company utilises various credible external initiatives that promote and reward sustainable business practice within the retail sector.

This includes the integration of a number of third party certification programmes as prerequisites for their supply chain, such as:

- Fair Trade;
- Better Cotton in Clothing;
- Forest Stewardship Council (FSC);
- Programme for the Endorsement of Forest Certification (PEFC);
- Roundtable on Sustainable Palm Oil (RSPO);
- Marine Stewardship Council in terms of the fishing industry.

## INVESTING IN HONEST PARTNERSHIPS

Woolworths attaches importance to building relationships with suppliers that possess a rounded approach to procurement.

An example is that of Groupe Socota, a Madagascar-based textiles group and supplier of Woolworths, which places sustainability at the forefront of its operations by committing to preserving the environment and to social development. Having such values and commitments helps to reduce the propensity for the development of corruption in the supply chain.

## CONCLUSION

It is important for companies to develop strategies for minimising the risk and vulnerability to corruption in the supply chain. From the above case study, it is pertinent for companies to:

- Develop a holistic approach to promoting business integrity across its operations, including its supply chain;
- Establish appropriate structures and procedures to enable the company to manage its suppliers e.g. Supplier Code of Conduct;
- Ascertain benchmarks for evaluating the performance of suppliers;
- Determine suitable technical support to suppliers on anti-corruption, including training and capacity building;
- Ensure on-going due-diligence (including annual supplier audits and visits) that can help the company to avoid complicity; and
- Consider third party certification programmes as pre-requisites for vetting suppliers.



# 7

## Whistleblowing

***The term whistleblowing can be defined as raising a concern about a wrong doing within an organisation. The concern must be a genuine apprehension about a crime, corruption and any other criminal offence, miscarriage of justice, dangers to health and safety and of the environment.***

### INTRODUCTION

In South Africa, the Protected Disclosures Act (No. 26 of 2000) makes provision for procedures in terms of which employees in both the public and private sector who disclose information of unlawful or corrupt conduct by their employers or fellow employees, are protected from occupational detriment. The main objective of this law is to encourage employees who, acting in good faith, wish to voice their concerns and report wrongdoing within the workplace without fear.

Whistleblowing is consistently the most common detection method for cases of occupational fraud by a significant margin. More frauds are uncovered through reports made by whistleblowers than through activities such as internal audits. As such, Whistleblowing arrangements are increasingly seen to be an important component of the corporate governance and business integrity framework within an organisation.

Many companies establish Whistleblowing mechanisms through anonymous third-party tip-off hotlines.

These hotlines are often outsourced to a third party and intentionally kept at arms-length to gain the confidence of those reporting and requiring their identity to be kept confidential.

One of the biggest success factors of a Whistleblowing programme is often management's responses to genuine and legitimate concerns raised by employees. This is because many staff will not report wrong doing if

they have assessed that nothing would be done or believed that they would be exposed to and not protected by management.

This chapter will unpack the critical success factors of the Whistleblowing system at the Richards Bay Coal Terminal (Pty) Limited (RBCT), which historically encountered a number of corruption incidences that were subsequently curbed through a successful reporting system.

## IMPLEMENTING AN EFFECTIVE WHISTLEBLOWING SYSTEM AT RBCT



### RBCT Profile

Richards Bay Coal Terminal is the single largest export coal terminal in the world.

Positioned at one of the world's deep sea ports, RBCT is able to handle large ships and subsequent large volumes. As such, it has gained a reputation for operating efficiently and reliably. The 276 hectare site currently boasts a quay 2.2 kilometres long with six berths and four ship loaders, with stockyard capacity of 8.2 million tons. RBCT shares a strong co-operative relationship with South Africa's national utility, Transnet, which provides the railway services linking the coal mines to the port, and the shipping coordination of more than 700 ships per annum.

As part of a robust Anti-Fraud Policy and a Fraud Response Plan, RBCT has developed a reporting mechanism which is available to all stakeholders to disclose any known or suspected acts of fraud, bribery, corruption and other irregularities through an anonymous hotline facility. RBCT has an on-going service contract with Whistleblower (Pty) Ltd, whereby individuals may access this free hotline facility to report any of the above mentioned irregularities.

The reporting mechanism at RBCT is governed by a cogent Whistleblower Procedure, which covers the following aspects:

- Logging of a call by an RBCT stakeholder;
- Reporting of the logged call to management;
- Investigating the call; and
- Concluding the investigation and reporting a response to "Whistleblowers".

A fully trained operator will field the call in any official South African language and may request further information if necessary. Once the call has been logged, Whistleblowers will provide the caller with a unique and confidential reference number. All calls logged are reported by the Whistleblower hotline via e-mail to the Risk Specialist; General Manager: Legal, Risk and Compliance; General Manager: Finance; and the Chief Executive Officer. These members form part of the RBCT Whistleblower Committee. Should a situation arise where irregularities implicate any of the Whistleblower Committee member(s), that person will be excluded from receiving the Whistleblower report. Whistleblowers have been instructed not to include that person in any correspondence to RBCT as per the terms and conditions of the service contract. Within 48 hours, the initial way forward must be determined



by these individuals. The action to be undertaken is then communicated to the Third Party Service Provider and the Senior Internal Auditor, who coordinates the investigation.

Based on the nature of the call, the investigation is the responsibility of either the applicable section's General Manager; General Manager: Legal, Risk and Compliance; and the Senior Internal Auditor. All responses, depending on the nature, are open to investigation by the Whistleblower Committee. Depending on the nature and severity of the call, the responsible General Manager and / or Senior Internal Auditor will endeavour to close out the investigation accordingly. Irrespective of the person's rank or position within RBCT, all investigations receive the same priority.

Upon conclusion of the investigation, a report is issued to the respective parties, i.e. Chief Executive Officer, relevant General Manager(s) and Senior Manager(s). Feedback is formally provided once the report has been issued to management through to the Third Party Service Provider. On a quarterly basis, a summary of all investigations (whistleblowers and tip-offs) are formally reported at the Finance Committee for notification.

The success of the Whistleblowing system at RBCT has been a key milestone for the company in its fight to reduce all forms of fraud and corruption in line with industry best practice.

Since the inception of the Whistleblower system on 1 June 2006, the company has over the years experienced a fluctuating number of logged calls.

In 2012, however, the number of the whistleblower calls increased immensely, with a total number of 18 calls reported by the end of 31 December 2012. The Whistleblower reports that were made during this period were vital in enabling the company to successfully investigate several cases of corruption and fraud, which resulted in a number of dismissals and prosecutions. The success of the Whistleblowing system in 2012 immensely contributed to the company's culture of business integrity resulting from the renewed widespread awareness amongst management and staff about the efficacy of the company's protected disclosure mechanisms.

Building on the successes of the company's Whistleblowing system, the company's Risk Management Unit developed an Integrated Business Policy in 2013, which incorporates the governance of ethics and explicitly communicates the "DOs and DON'Ts" for RBCT employees while conducting the company's business.

This policy, which is reviewed annually or on a need basis, was rolled out through presentations and training to all RBCT employees. It now forms part of the new employees' induction program. All employees now undergo refresher training, on the policy, every two years. Subsequent to this awareness programme, the company has seen the number of the whistleblower calls decrease in relation to historical data, which is also a result of the ethical practices and values driven by the Chief Executive Officer.

## CONCLUSION

Effective Whistleblowing reporting mechanisms are essential parts of a robust Anti-corruption programme within a company. In the case of RBCT, this has become a strong deterrent against corruption, fraud, theft or other irregular practices within the company.

As illustrated in this case study, a comprehensive Whistleblowing reporting mechanism includes the following aspects:

- A positive reporting climate is reflected by the level of trust reposed by potential whistleblowers.
  - It is pertinent to define authority levels, responsibilities for action and reporting lines within a company's Whistleblowing mechanism.
- When assessing disclosures and undertaking and overseeing internal investigations, a company should ensure that whistleblowers' expectations of and understandings about internal processes are as realistic as possible.
  - Investigating officers should regularly communicate with whistleblowers as to what action is being taken with respect to their disclosures.
  - It is important for companies to ensure that wrongdoing is identified and addressed early, rather than allowing the culture of business integrity within the company to further degenerate.
  - Companies should continuously monitor and evaluate their Whistleblower structures and processes.



# 8

## Education, Training and Awareness: a Key Pillar of a Compliance Programme

*The effectiveness of an anti-corruption programme can be measured by the level of business integrity demonstrated by the company's managers, employees, suppliers and other key functionaries who act on behalf of the organisation. Experience shows that while a company may have very strong anti-corruption policies and procedures, this does not automatically translate into practice. Therefore, it is pertinent to have a robust education, training and awareness programme as the link between policy and practice.*

### INTRODUCTION

It is important to sensitise both internal and external stakeholders about the company's approach to business integrity, particularly about its Code of Ethics and anti-corruption policies and procedures. The intent of these documents should reverberate throughout the organisation, and as such they should be: provided in a language that is easy to read and understand; easily located and widely accessible within the company; and properly communicated to all employees, investors and key stakeholders, through outreach, training and capacity building activities.

A company should provide quality, standard training on anti-corruption and fraud prevention for all staff. The training should be an appropriate mix of live, web-based or other media based training. Employees in high-risk areas or key positions of authority should receive specialised training that is contextualised to suit their responsibilities. A company should keep its training material up to date and have an appropriate strategy for the refreshment of skills and knowledge of its staff and other stakeholders. It is also useful for the company to consider innovative ways to structure awareness raising initiatives, such as roadshows, ethics quizzes, online training, special campaigns and events to support

routine training. This is particularly important for large organisations which may face certain practical logistical challenges in training their entire workforce across different jurisdictions.

All company training, education and awareness should take the following points into account when planning training:

- high-risk positions;
- customised content for employees in different countries;
- a high-level awareness course for all employees; and
- contextualised training for employees in key positions.

This chapter presents the case study of the training, education and awareness initiatives of Aveng, a company operating in the construction industry, amongst others. At a global level, this sector is usually considered to be vulnerable to corrupt business practices as the result of widespread use of third party contractors, participation in joint ventures, operations in high-risk countries, negotiations and engagement with government officials as well as the prevalence of anti-competitive behaviour. Therefore, it is useful to showcase how Aveng has been sensitising its stakeholders to its anti-corruption programme.

## THE AVENG GROUP'S DNA MODEL



### The Aveng Group's Profile

The Aveng Group celebrates its 125<sup>th</sup> anniversary this year. It is active in over 30 countries around the world, and employs approximately 27 000 people. Aveng is one of the largest infrastructure development companies in South Africa with a proven track record and presence in key target geographies across the globe. With a broad exposure across the infrastructure value chain, the group has the capacity to deliver multi-disciplinary projects in construction, engineering, mining, water, transportation infrastructure, power, energy, rail, steel and manufacturing.

Aveng has been prolific in using innovative ways to communicate and promote its strong moral standards as reflected in the Aveng DNA. The DNA consists of the key activators and key inhibitors to Aveng's long term business success. As an example, the "bad apple" is used as a symbol for unscrupulous business practices which is one of the key inhibitors for Aveng's success. The Aveng DNA model is presented in several forms including through posters (as seen at the end of the chapter) and clay models in the public areas.

Aveng has a cogent orientation programme for training new staff, who are expected to sign a declaration specifically pertaining to anti-corruption and anti-competition.

Aveng creates awareness and educates its staff through:

- Mandatory online training;
- Face-to-face training for new employees and certain employees in high-risk areas;
- Anti-corruption posters;
- Communications on ethical practices through the quarterly newsletter;
- Ethics surveys;
- Promotion of the anonymous reporting tool; and
- Circulation of a user-friendly booklet on the company's anti-corruption framework.

In addition, Aveng provides anti-corruption and anti-competition training to middle management and employees whose positions are considered to be high-risk corruption areas (e.g. sales, procurement). The online mandatory training is monitored through a report generated for the compliance team. Employees are required to complete the training with an examination and ethics pledge/declaration at the end. They are encouraged to continuously update their knowledge around anti-corruption and anti-competition using the Aveng intranet, which provides a professional standards framework as well as guidance for Aveng employees to make ethical decisions in their day-to-day professional activities.

Aveng's anti-corruption framework consisting of policies pertaining to prohibited practices, gifts and amenities, facilitation payments, political contributions and sponsorships has been circulated to senior management and is also available on the Aveng Intranet. A booklet summarising the framework and containing the "DOs and DON'Ts" has been circulated to employees.

This innovative approach has been extended to promoting global best practice. For instance, Aveng has been instrumental in helping to develop the World Economic Forum's Good Practice Guidelines on conducting Third Party Due Diligence, which has been used (including by Aveng itself) as an educational guideline for companies using sub-contractors.

Aveng has extended its awareness and education capabilities by co-ordinating and managing a Multi-National Quarterly Compliance Forum with other compliance officers at other multi-national corporations. This forum shares best practice, learnings and challenges within the anti-corruption space.

In accordance with the Aveng Code of Business Conduct, all laws must be complied with and Aveng has a zero tolerance for corruption. In respect of new tenders it is a requirement that all bid submissions

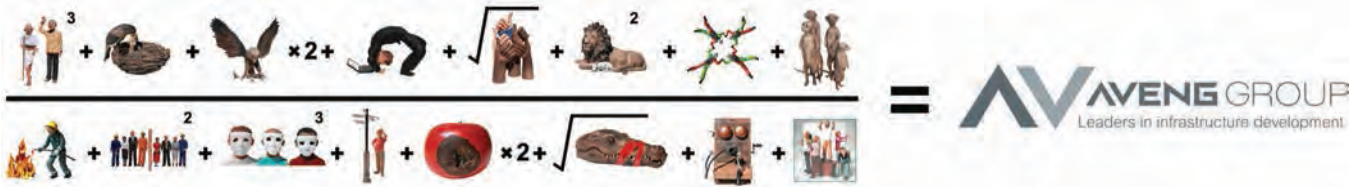


### **Farzana Mohomed**

*Group Compliance Officer,  
The Aveng Group*

*"The Aveng Group's vision is to continue to build a legacy that every employee, their families and future generations can be justly proud of and at its very foundation it assumes that everything we do is of the highest ethical standards. We expect every person in the Aveng Group to adhere not only to the letter, but also to the spirit of our code of business conduct and all relevant legislation."*

are accompanied by a declaration by the Business Unit senior management that there have been no anti-competitive practices and no contraventions of the Aveng Code of Business Conduct. The Aveng's anti-corruption compliance programme is reviewed regularly pending risk assessments to ensure that an appropriate and sustainable compliance framework is in place at Aveng.



### The Aveng DNA Model

If you see something, say something

By doing the right thing, we are holding wrong-doers accountable.  
Say NO to: theft, fraud, corruption, extortion, forgery, anti-competitive behaviour and other misconduct.

Report the above to: Tip-offs Anonymous\*  
24 hours a day. 7 days a week. 365 days a year.

|               |                                     |
|---------------|-------------------------------------|
| FreeCall      | 0800 003 323                        |
| FreeFax       | 0800 00 77 88                       |
| FreePost      | KZN 198, Umhlanga Rocks, 4320       |
| Email         | talk@tip-offs.com                   |
| Website       | www.tip-offs.com                    |
| HR matters    | HR BU Executive                     |
| Other matters | speakup@aveng.co.za (not anonymous) |

\*Tip-offs Anonymous is designed to help you report workplace dishonesty, while remaining totally anonymous.

If you see something, say something

By doing the right thing, we are strengthening our core values.  
Say NO to: theft, fraud, corruption, extortion, forgery, anti-competitive behaviour and other misconduct.

Report the above to: Tip-offs Anonymous\*  
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### Creating Awareness of the Aveng DNA

#### CONCLUSION

The efficacy of a company’s anti-corruption programme, including the policies and procedures, is directly related to the extent to which internal and external stakeholders understand the ethos of business integrity which the anti-corruption programme seeks to promote.

The case study of Aveng has highlighted a number of innovative good practices. These include:

- a cogent orientation programme for training new staff;
- innovative ways to communicate and promote its strong moral standards as reflected in the Aveng DNA training model, e-learning systems and online training in different geographical areas etc.;
- a training programme based on risk assessment and contextualised for different functionalities and high-risk areas; and
- involvement in activities that promote global best practice.

# 9

## Building the Culture of Business Integrity

*The previous chapters provide important building blocks for establishing appropriate structures and processes towards precluding corruption from a company's operations. In this regard, it is clear that ethical leadership, improved compliance, anti-corruption policies and procedures, comprehensive risk assessments, managing procurement and suppliers, training and capacity building are all crucial towards minimising the risk of corruption within an organisation. All of these help to build a culture of business integrity.*

### INTRODUCTION

The business culture of an organisation is usually underpinned by its ethos for doing business. This encompasses the vision and mission of the organisation as established by its Board of Directors, which then defines the strategy and key performance indicators for senior management. This ultimately translates into the shared values, attitudes, standards and beliefs that characterise the behaviour exhibited by managers, staff, partners, service providers, suppliers or distributors and other key functionaries that act on behalf of the organisation.

A company builds a culture of business integrity when its ethos for doing business is based on the fundamental pillars of good corporate governance: transparency, accountability, responsibility and fairness. This is also evident when the company's core business strategy focuses on achieving the triple-bottom line: economic, social and environmental performance. There is a growing body of both research and anecdotal evidence that indicate that companies that mainstream business integrity as part of their culture for business benefit in the long-term. The business case for having a culture of business integrity includes: optimising operational and financial efficiency; improving access to funding; mitigating risks, including adverse legal

*"Ethics, anti-corruption and corporate governance practices figure today as mainstream considerations in business decisions about competitive advantage and financial performance."*

*Georg Kell  
Executive Director /  
UN Global Compact Office<sup>5</sup>*

<sup>5</sup>Sullivan, J D: "The Moral Compass of Companies: Business Ethics and Corporate Governance as Anti-Corruption Tools", International Finance Corporation, Washington, DC 2009.

action and fines; opportunity creation; building and improving the organisation's reputation and trust; ensuring long-term growth and competitiveness; and building the organisation's brand image by creating confidence as well as establishing goodwill and trust of key stakeholders.

This chapter profiles two practical examples. Firstly, Altron, a global telecommunications company, which is embedding an ethical culture as an integral

part of doing business, particularly when working with several distributors and suppliers operating in difficult environments. Secondly, Transnet, a State-owned logistics company, is mainstreaming ethical behaviour throughout its operations as a means of discharging its mandate of providing Fraud Risk Management Plans to the Minister of the Department of Public Enterprises.

## ALTRON'S JOURNEY TO ETHICAL CULTURE



### Profile of Altron

Allied Electronics Corporation Limited (Altron) is the holding company of three major subsidiaries, namely, Allied Technologies (Pty) Ltd (Altech), Bytes Technology Group (Pty) Ltd (Bytes) and Power Technologies (Pty) Ltd (Powertech). The group operates in the telecommunications, multimedia, information technology and power electronics sectors. As the only listed entry point for the group, Altron carries the responsibility for establishing and ensuring good governance and ethical behaviour to resonate not only through the group, but to all stakeholders.

Altron believes that an ethical culture can only be created within an organisation if its leadership concentrates on upholding business ethics and implementing practical initiatives or programmes to facilitate its natural growth. A positive ethical culture was established from Altron's inception.

As a company listed on the Johannesburg Stock Exchange, Altron is required to comply with various legislation and governance codes, which incorporate ethics. By establishing the adequate and practical governance structures, identifying the ethical culture in the Altron group and introducing initiatives unique to the Altron Group, ethics has been taken beyond the compliance element.

In furtherance of Altron's commitment regarding business integrity, the Board appointed a Social and Ethics Committee with a mandate that was extended beyond the requirements listed in Section 72(4) and Regulation 43 of the Companies Act.

The extended mandate of the Committee (pursuant to the recommendations of King III) relates to providing strategic guidance for the integration of an ethical culture across the Group, including:

- developing a strategy for managing ethics that is informed by the negative and positive risks the Altron group faces;
- ensuring that ethical standards are articulated in a code of ethics and supporting ethics policies;
- establishing appropriate structures, systems and processes to ensure that the various boards, employee and supply chains are familiar with and adhere to the Group's ethical standards; and
- ensuring that ethics are embedded in the corporate culture.



Pursuant to this mandate, the Social and Ethics Committee has established the Altron Code of Conduct, which is presently endorsed and guided by the Boards of Altron, Altech, Bytes and Powertech and commits all employees, senior management and the Boards to the highest standards of ethical behaviour. This Code of Conduct forms part of the Group Policy Manual and outlines Altron's ethos for doing business.

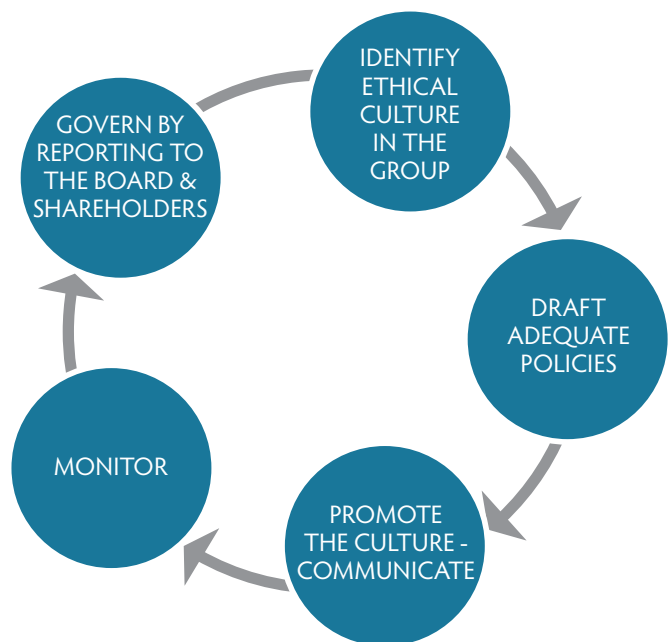
In addition, the Social and Ethics Committee has instigated a number of key initiatives within the Group towards enhancing ethical behaviour:

- Altron embarked on a group wide Ethics Awareness Campaign, based on a questionnaire to assess, monitor, and report on ethics performance.
- Internally, the audit and tax departments check and recheck ethical issues within the Group.
- All material risks and liabilities are reported on a bi-annual basis to the Altron Risk Management committee, which monitors all risks throughout the Altron group and which reports to the Board.
- Tip-off Tim' is an initiative created by Altron to deal with theft, fraud, dishonesty and anti-corrupt behaviour within the Group. The hotline has been out-sourced to a third-party and intentionally kept at arms-length to gain the confidence of those reporting and requiring their identity to be kept confidential. There is also a secure and strictly confidential internal email facility to the Altron ethics department, where staff can seek advice or guidance on ethical dilemmas which they may encounter in the workplace. This is run under the auspices of the chief ethics office and nobody else has access thereto.

The key to success has been that each of the above mentioned programmes introduced, has a communication and on-going reinforcement tool incorporated into the initiative. While addressing strategies to combat unethical behaviour in the group and promote a positive culture, Altron identified the need to address human rights abuses, not only internally, but also externally and specifically in their supply chain.

To initiate the process, they identified a list of Altron's suppliers operating in countries that are prone to and known for corruption and human rights abuses, as well as countries without any anti-corruption or human rights legislation and/or policies.

A survey addressing the ten UN Global Compact principles was compiled and distributed to the identified suppliers. The survey was an attempt to analyse suppliers' engagement in corruption malpractices, human rights abuses and unethical practices. As a result of the feedback from the survey, Altron embarked on revising all contracts with their suppliers to incorporate standard clauses to encourage suppliers to commit themselves



**Diagram showing Altron's Approach to Ethical Culture**

to Altron's Code of Ethics when dealing with the Group. The revision of the suppliers' contracts was a catalyst for introducing new procurement contracts and encouraging the same ethical commitment to business.

The survey facilitated a better understanding of the level of ethical culture within the Altron Group, which enabled the development of a cogent model for training employees on ethics. To date approximately 12 800 employees have been trained on ethics.

## EVOLUTION OF TRANSNET'S ANTI-FRAUD AND ANTI-CORRUPTION LANDSCAPE



### Transnet Profile

Transnet SOC Limited is a state-owned freight transport and logistics company and is the custodian of the country's rail, ports and pipelines networks. It consists of five operating divisions, namely: Transnet Freight Rail, Transnet National Ports Authority, Transnet Port Terminals, Transnet Pipelines and Transnet Engineering.

In line with Government's New Growth Path (NGP) and the National Development Plan (NDP), state owned companies are required to contribute to economic growth through the provision of world-class infrastructure and technologies; expansion of economic infrastructure; job creation and skills development; as well as industrial capacity building through a strategic approach to procurement and operations.

Transnet has a responsibility to unlock economic, social and environmental value through the execution of its mandate whilst building a commercially viable business enterprise.

In order to achieve this mandate, Transnet recognised the importance of managing its fraud and corruption risks in a challenging environment. In order to stay relevant, Transnet's anti-fraud and anti-corruption strategy has therefore evolved with business requirements over the last eight years.

### THE EVOLVING YEARS

Transnet commenced its journey in attaining a world class internal audit environment by outsourcing the Transnet Internal Audit ("TIA") function in November 2005.

In 2006/07 the first priority for Transnet in terms of the Fraud Risk Management (FRM) environment was to get the foundation right by developing and implementing a fraud risk management strategy. This included revising Transnet's then current Fraud Prevention Plan (FPP), which included the implementation of appropriate governance structures relating to the management of fraud and corruption as well as the implementation of a hotline mechanism. The FPP was later transformed into a Fraud Risk Management Plan (FRMP), which included the four elements of an effective fraud risk management strategy i.e. tone at the top, prevention, detection and reaction.

## TRANSNET'S STRATEGY

Since 2006, when Transnet first prepared its FRMP, proactive anti-fraud and anti-corruption activities have been aligned to the company's strategy. Transnet has continued this practice on an annual basis, in order to ensure that fraud and corruption risks that may arise as a result of the implementation of the strategy are adequately addressed and controlled. The enhancement and alignment of Transnet's FRMP to its strategies has been significant in ensuring that good corporate governance is upheld and that Transnet employees are aware of the FRM strategy.

The alignment of strategies included the 4-Point Turnaround Plan in 2005-7, as well as the Quantum Leap and Growth strategy in 2008-11. In 2012, Transnet launched its R300 billion Market Demand Strategy (MDS), to boost infrastructure development and to assist with the creation of jobs and investment in South Africa.

The MDS places an emphasis on Procurement, Human Capital and Information Technology in that it requires Transnet to grow, not only in physical numbers, but also skills and infrastructure, in order to service the intended client market. Transnet's anti-fraud and corruption initiatives contained within its FRMP are critical in this entire process to ensure that the identified fraud and corruption risks are effectively addressed timeously throughout the MDS rollout.

## FRAUD RISK MANAGEMENT PLAN

As per section 29.1.1 of the Treasury Regulations prescribed under the Public Finance Management Act (No.1 of 1999), state owned entities and therefore, Transnet is required to submit a detailed FRMP to the Minister of the Department of Public Enterprises, on an annual basis. Transnet's comprehensive FRMP addresses and aims to decrease the negative impact of fraud and corruption within the organisation and those companies with whom it interacts.

In order to fully appreciate the impact and importance of the FRMP, we discuss briefly the main elements below:

### ***Tone at the top***

By applying a sound approach to corporate governance, supported by clearly defined and well-executed internal controls, Transnet executives are able to provide an example for their employees to follow. Forensic Working Group Committee meetings have been implemented and are being held monthly across all Operating Divisions. This greatly assists Transnet with monitoring and coordinating forensic efforts (both from a reactive and proactive perspective) and ensuring the effective and efficient execution of the FRMP and investigation activities.

Transnet's anti-fraud and whistle-blowing policies aim at effectively managing Transnet's exposure to fraud and at building employee, employer and supplier relationships through identifying and reducing unethical practices. Transnet acknowledges the need to create a culture where suspicions of irregular transactions or conduct can be reported safely, without the fear of reprisal or victimisation. The related policies provide the necessary support and protection for Transnet employees, in line with the Protected Disclosures Act.

Other anti-fraud policies with their respective objectives are briefly set out below:

- The Fraud Response Plan has been developed to provide guidance to employees and third parties on how to manage allegations of fraud.
- The Code of Ethics sets out the ethical standards that should be applied in all business practices.
- The Gifts Policy provides assistance in regulating and controlling the acceptance and providing of gifts within the Transnet environment.
- The Declaration of Interest and Related Party Disclosures policy informs employees about what constitutes a conflict of interest and provides guidance on disclosures and consequences, should employees not comply with the policy.

### **Preventative, detective and reactive initiatives**

Transnet implemented the Tip-Offs Anonymous Hotline as a mechanism for employees and third parties to report any suspicions of fraud, corruption and unethical behaviour that may have occurred within the Transnet environment. Allegations received via the Tip-Offs Anonymous Hotline are analysed and logged onto the Forensic Case Management System by Transnet Internal Audit. The allegations received are then used to inform future proactive initiatives to enhance the FRMP.

Transnet's investigation methodology commits to actively fighting fraud and responding to allegations of fraud and corruption timeously, in the most effective manner possible, thus limiting the occurrence of any potential or actual losses or damage. Through the investigation of allegations, a number of outcomes may result namely: disciplinary, criminal and/or civil action. Subsequent to an investigation, all internal control weaknesses or breakdowns in processes are rectified accordingly. This ultimately assists in preventing repetition of the irregularity in the future.

Transnet has successfully investigated numerous high profile investigations by taking prompt and appropriate action where the fraud and corruption was detected or suspected. Certain of these were publicised in the press, which further illustrates that fraud and corruption will not be tolerated by Transnet for any employee, at any given level. Transnet is truly living up to their strategy of a "zero tolerance approach to fraud, theft, corruption and other economic crime".

The fraud and corruption preventative methodology enables Transnet to discover and reduce the occurrence of fraud and corruption. Fraud and corruption risk assessments, are conducted on an annual basis to assist in identifying potentially high risk areas of fraud and corruption within Transnet. As part of this process, mitigating controls are identified and implemented to address these potential risks.

Transnet's Forensic Data Analytics methodology is continuously leveraged to support the prevention and detection of fraud in a continuously evolving information technology environment. Forensic data analytics are executed on a monthly basis by Transnet Group's Continuous Controls Monitoring team. This is done for each of the Operating Divisions, in order to identify any potential anomalies within Transnet data, which may be indicative of potential fraud, corruption and/or other economic crime. Anomalies identified from the forensic data analytics executed are followed up by the Operating Divisions and any breakdowns in controls are reported, tracked and rectified.

As part of the FRMP, fraud resistance assessments are conducted and assist in identifying fraud risk weaknesses in the policies and procedures that govern Transnet processes, as well as the actual processes followed by the respective Operating Divisions. Fraud compliance checks further assist in identifying whether or not the mitigating controls are robust enough to address the possible risk of fraud and corruption.

More recently Transnet has added a new weapon to its existing anti-corruption arsenal, by developing an anti-corruption compliance programme. This has included the development of an Anti-Corruption Policy and the introduction of integrity pacts. Transparency International recommends that integrity pacts be implemented as a tool for preventing corruption when contracting with the public. Integrity pacts are essentially agreements between Transnet and its bidders / suppliers that are signed during the bidding process. The purpose of these pacts is for all parties to agree to avoid any unethical or collusive behaviour between the contracting partners. All the parties also undertake to follow procedures that are fair and transparent and free from influence during the procurement process.

In line with Transnet's proactive approach to fraud and corruption, several awareness initiatives are rolled out by Transnet in this regard on a regular basis. The initiatives include, but are not limited to, fraud and corruption awareness training for both non-bargaining and bargaining council employees, hotline and fraud awareness emails, posters, screen savers, the anti-fraud homepage, Fraud Talk articles, wristbands and z-cards. To date Transnet has trained 11 000 bargaining council employees and 12 000 non-bargaining council employees.

The robust initiatives mentioned above continuously emphasise Transnet's commitment to zero-tolerance towards fraud, theft, corruption and other economic crimes.

## WAY FORWARD

In an attempt to further strengthen Transnet's zero tolerance approach to fraud and corruption, Transnet has undertaken several new FRM initiatives as part of the 2014/15 financial year. These include inter alia the following:

- *Ethics related activities:* Transnet is committed to enhancing its ethical culture as ethics has a direct impact on the fraud and corruption environment. Ethics related activities are being rolled out to assist Transnet in obtaining a broader understanding of its ethical requirements in order to plan

future interventions that will enhance the effectiveness of the Transnet Ethics Strategy;

- *An anti-corruption compliance programme:* including the development of an Anti-Corruption Management Plan and Project Anti-Corruption System to assist in the prevention of corruption on construction projects;
- *Fraud Triangle Analytics:* to identify potential anomalous employee behaviour through the analysis of communication data by means of keywords that are associated with the elements of the fraud triangle; and
- *Expense Analytics:* to identify anomalous behaviour with the processing of expense claims.

## CONCLUSION

Transnet has positioned itself as a leading company with a robust anti-fraud and anti-corruption risk management strategy.

It has evolved and is continuously working towards strengthening its fraud and corruption control environment, by utilising lessons learned, benchmarking against better practice and continuously preventing and detecting fraud, corruption and other economic crimes through the modification, implementation and maintenance of its FRMP.



## SUMMARY

The case studies of Altron and Transnet have highlighted key lessons, which include:

- A culture of business integrity can be sustained for the long-term. It is interesting to see the internal memorandums by the founder of Altron that date back to 1977, advocating for ethical behaviour.
  - Ethical leadership plays a crucial role in fostering integrity and provides a ripple effect that extends throughout the organisation and its sphere of influence.
  - The vision to have a culture of business integrity is only as strong as the pillars that support it. In this regard, the standard of ethical behaviour expected of internal and external stakeholders should be appropriately prescribed in a Code of Conduct and Ethics, supported by specific anti-corruption policies and procedures for key areas e.g. gifts, conflicts of interests and whistleblowing. This has come through substantially in both case studies.
  - A company, whose anti-corruption programme extends beyond compliance, is more equipped to mitigate the risk of corruption throughout the organisation. This is a strong point in terms of the approach taken by Altron to extend the mandate of its Social and Ethics Committee beyond the prescriptions of the Companies Act. On the other hand, Transnet has used its reporting obligations as a strong leverage to build its ethical culture.
- All contracts with suppliers should incorporate standard clauses to encourage suppliers to commit themselves to the company's Code of Ethics, in dealings with the organisation.
  - The use of integrity pacts by Transnet to proactively preclude unethical or collusive behaviour amongst its supply chain is a good practice that should be encouraged and mainstreamed within South Africa.
  - Training and awareness of all staff, stakeholders and suppliers is a crucial aspect of creating the culture of integrity throughout the organisation and its sphere of influence.
  - Continuous assessments assist a company in monitoring and evaluating the effectiveness of its policies and procedures, as well as current initiatives. This helps to identify gaps and potential risk areas.
  - Transnet has a robust anti-corruption and anti-fraud control environment. This appears to be a very strong deterrent for unethical behaviour or conduct at the company.

*"Integrity is the rock upon which we build our business success. Nothing – not customer service, competitiveness, direct orders from a superior or making the numbers – is more important than integrity."*

*Dr WP Venter / Altron's Founder  
Excerpt from Altron Staff Information  
Notices written in 1977*

## Monitoring, Evaluation and Reporting

***Monitoring and evaluation of anti-corruption policies, procedures and performance is essential for every company. This assists a company to understand the impact of its anti-corruption strategies and programmes in relation to the company's operating and regulatory environment.***

### INTRODUCTION

The monitoring process involves the collection and analysis of information to track progress against set objectives and check compliance in terms of established standards.

This is usually complemented by evaluation, which involves identifying and reflecting upon the company's anti-corruption performance, particularly in terms of relevance, effectiveness, efficiency, impact and sustainability. This thereby enables the lessons learned to feed into the decision-making process and improve future interventions.

It is also important for companies to report on their practices and performance. Transparency is a key principle of corporate governance and is measured by the level of information that is provided about an organisation in order to enable a meaningful analysis of the company's progress in preventing corruption.

Companies can report on their anti-corruption performance in various ways. This could be a sustainability report, annual reports to shareholders or other regulatory or voluntary reports, which should be widely distributed.

It is also pertinent for senior management to ensure that the Board (through the Social and Ethics Committee) is regularly informed of developments with regards to the company's progress in combating corruption.

*“Senior management should implement a systemic approach to monitoring the Programme, periodically reviewing the Programme's suitability, adequacy and effectiveness in preventing, detecting, investigating and responding to all types of misconduct.”*

*World Bank Group Integrity Compliance Guidelines<sup>6</sup>*

<sup>6</sup>OECD, UNODC, World Bank, “Anti-Corruption Ethics and Compliance Handbook for Business” World Bank, 2013.

By focusing on a turnaround strategy of Cricket South Africa, this chapter explores monitoring, evaluation and reporting in the sports industry, which is traditionally associated with low levels of corporate governance as the sector is not often regarded as mainstream business. The sector faces unique challenges in terms of corruption, such as match fixing, ball tampering and sports betting.

## CRICKET SOUTH AFRICA'S JOURNEY TO REDEMPTION



### Cricket South Africa's Profile

Cricket South Africa is a non-profit company designed to develop, administer and control all aspects of the sport in South Africa. CSA is the custodian of the game in this country in other words. Cricket in South Africa ranges from KFC Mini-Cricket on the one end of the continuum, to the professional national team, the Proteas, on the other. CSA also runs all forms of amateur and professional cricket. Branching out from the CSA Head office are the twelve Affiliates and the four Associates. The financial relationship between CSA and the Affiliates has over recent years, come under review. The creation of a funding model acceptable to both parties is currently under discussion.

In February 2013, the annual general meeting of Cricket South Africa (CSA) ushered in a new dispensation in the history of cricket in South Africa and sport in general. CSA saw the emergence of a new governance model for cricket after a year-long restructuring process. During the restructuring phase CSA was motivated by the commitment they had made to the South African public in the wake of the Nicholson Enquiry, which had both far-reaching and profound impacts.

Monitoring, evaluation and reporting has been a key component in CSA's journey to redemption in terms of its anti-corruption programme, reputation and brand image. Following the restructuring of the organisation, CSA appointed an Audit and Risk Committee, which is an independent statutory committee appointed by the Members' Forum, to oversee its corporate governance, anti-corruption processes and structures.

The Committee regularly evaluates the effectiveness of risk management, controls and governance processes. It considers all reports relating to legal compliance and litigation, reported cases of fraud, and whistle-blowing reports. It also reviews sustainability requirements for external assurance of material sustainability issues. During the year the Audit and Risk Committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

The committee also undertakes a comprehensive risk assessment categorising high-risks towards the business each year. This forms the basis of their strategy and engagement for the following year. It forms part of the monitoring, evaluating and reporting of their business.



In 2013 the Committee inter alia:

- Reviewed the Board-approved terms of reference (ToR) and recommended amendments / revisions to the Board;
- Reviewed and approved the internal audit plan; and
- Reviewed internal audit and risk management reports and, where relevant, made recommendations to the Board.

CSA went a further step in its monitoring and evaluation process by setting up a Social and Ethics sub-committee. This committee was formed at the Board of Directors' meeting held on 10 May 2013.

The purpose of the Social and Ethics Committee is inter alia to regularly monitor and evaluate the company's activities with regards to relevant legislations and applicable prevailing codes of best practice, such as the principles of the UN Global Compact Principles and the OECD Recommendations. The Committee also undertakes investigations of ball tampering and evaluates the corporate governance standards at CSA's affiliates. Aside from reporting to the Board, the Social and Ethics Committee raises any concern regarding anti-corruption within the company's operations.

In terms of reporting, CSA has been completely transparent in recent years, by reporting on their challenges, results, work progress and corruption allegations in their Integrated Report, which is produced for the public of South Africa.

The Cricket SA case study proves that an organisation irrespective of the sector can always implement an effective monitoring, evaluation and reporting system towards mainstreaming business integrity practices within the organisation.

Cricket SA, for example, is now seen as the pillar and benchmark in terms of measuring anti-corruption in sports in South Africa, and sponsors are taking notice. Currently Cricket SA has redeemed all their sponsorship that was lost through the previous corruption scandal, with a stronger brand image and reputation today.

*“As a result of our own restructuring and the interaction we had with SASCOG, we currently have a board that has a significant component of independent directors with a wide variety of business disciplines.”*

*Chris Nenzani  
President of CSA*

## CONCLUSION

A turnaround strategy can always be implemented at any stage to repair any reputational damage. In South Africa it would appear that cricket is one of the key sports codes with the capacity of addressing anti-corruption.

From this case study it is clear that well-functioning monitoring, evaluation and reporting systems are a critical part of a good anti-corruption programme. This has the following advantages:

- Supporting the implementation of anti-corruption programmes with accurate, evidence-based reporting that informs management and decision-making to guide and improve the performance;
- Contributing to organisational learning and knowledge sharing by reflecting upon and sharing experiences and lessons;
- Providing opportunities for stakeholder feedback; and
- Promoting and celebrating the company's work by highlighting its accomplishments and achievements, building morale and contributing to resource mobilisation.



# Participating Companies





Network South Africa



*“Businesses should work against corruption in all its forms, including extortion and bribery”*

*United Nations Global Compact 10<sup>th</sup> Principle*

The Global Compact Network South Africa works with companies to develop good practice on anti-corruption and collaborates with other key sectors for greater collective impact.

## **NBI CONTACT DETAILS:**

**Dr Achieng Ojwang** - Programme Manager (Global Compact Network SA)

✉ [AchiengO@nbi.org.za](mailto:AchiengO@nbi.org.za)

**Mashadi Mokone** – Project Intern (Anti-Corruption Collective Action Project)

✉ [MashadiM@nbi.org.za](mailto:MashadiM@nbi.org.za)

[www.nbi.org.za](http://www.nbi.org.za)