TRANSPARENCY INTERNATIONAL
the global coalition against corruption

WORLD ECONOMIC FORUM

Business Integrity: A Toolkit for Medium-Sized Enterprises

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Foreword

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The foundations of strong, resilient economies and peaceful, inclusive societies are built upon good governance and trust. Bribery, corruption and the abuse of entrusted power for private gain cause them to crumble. It is imperative, therefore, that business, civil society and governments come together and tackle this systemic challenge. Given this context, it has become increasingly clear that achieving integrity beyond compliance is essential. Sustainability practices, anchored by robust anti-corruption initiatives, may help ensure that businesses commit to ethical practices that resonate throughout their operations.

Small and medium enterprises (SMEs) are the backbone of our global economy and key to this endeavour. They serve as vital links in value chains that stretch across continents while generating jobs and driving growth within local communities. According to the World Trade Organization, they represent over 90% of the business population, 60-70% of employment and 55% of gross domestic product (GDP) in developed economies. Yet, they often operate with limited resources and in challenging business environments, where the risks of corruption can hinder their success and access to opportunities, and at times, threaten their very survival.

To help address these challenges, Transparency International and the World Economic Forum have joined forces. As the leading organization globally dedicated to promoting transparency and accountability in governance, and renowned for its flagship Annual Corruption Perceptions Index, Transparency International plays a pivotal role in raising awareness, shaping policy and driving reforms that combat corruption across the world. Since its inception, the World Economic Forum has convened leaders from all sectors of society to form communities of action to build initiatives for cooperation and progress.To this end, the Forum is bringing together companies, civil society, academia and governments to create solutions that build on efforts by Transparency International to provide SMEs with the tools and resources needed in order to actively mitigate bribery and corruption-related risks. Together Transparency International and the World Economic Forum have developed *Business Integrity: A Toolkit for Medium-Sized Enterprises*. This practical guide empowers medium-sized enterprises with the knowledge and resources to embed integrity at the core of their operations. By doing so, they can not only protect their reputation, but also enhance their competitiveness, and increase their resilience in a demanding global market.

Finally, the importance of multistakeholder collective action cannot be overstated; by working together, businesses, governments and civil society can amplify shared impact, driving systemic change for better business environment.

Preface

The World Economic Forum's Good Governance Community strives to fortify governance frameworks to promote a landscape of certainty, resilience and reliability. Led by the Community of Chief Legal Officers, it champions collective action with the aim of driving progress towards United Nations (UN) Sustainable Development Goal 16: Peace, Justice and Strong Institutions. Addressing business integrity challenges is a key priority for the community.

Integrity is not just a moral imperative; it is a proven driver of business success. Conversely, corruption and bribery are detrimental to business health, acting as significant barriers to growth and investment. In some contexts, corruption is the single most critical factor hindering investment growth. Recognizing this, Transparency International and the World Economic Forum have joined forces to support companies globally in cultivating the skills necessary to prevent corruption and enhance business integrity.

This report functions as a toolkit specifically designed for small- and medium-sized enterprises (SMEs) to embed integrity into their business strategies effectively and help drive their business growth, especially by integrating into the supply chains of larger multinationals. It provides a practical, step-by-step guide to help SMEs develop comprehensive anti-corruption measures and build a culture of integrity within their organizations. SMEs account for over 95% of private sector enterprises in most countries globally and form a significant part of multinational supply chains. This report addresses the unique challenges SMEs face in mitigating governance-related risks, ranging from internal fraud and employment practices that enable unethical behaviours to business financing and high-risk customer approaches, such as organized crime and illegal trading.

Executive summary

SMEs face significant challenges in maintaining business integrity, but they can make the most impactful contribution to fight corruption.

Establishing and maintaining business integrity is a complex challenge, even for large corporations with significant resources and specialized expertise. For medium-sized companies, the obstacles differ but are no less significant, especially given the widespread nature of corruption. Small- and medium-sized enterprises (SMEs) often lack the resources to develop comprehensive anti-corruption measures, making them particularly vulnerable.

To address these challenges, a proactive, well-defined, and comprehensive strategy that empowers decision-makers at all levels of the business is recommended. This report provides a step-by-step, practical and simplified toolkit for SMEs to create a culture of integrity. It includes:

1. **The business case for integrity**: An overview of how integrity can enhance business performance and mitigate risks associated with corruption.
2. **Create the foundation**: Approaches for building an ethics committee and the tools and methodologies to identify, evaluate and manage corruption risks within your business operations.
3. **Draft anti-corruption policy**: A template to help your SME develop a robust anti-corruption policy tailored to your business needs.
4. **Financial crimes clause**: Guidance on incorporating financial crime prevention measures into your contracts and agreements.
5. **Conflict of interest framework**: Strategies to identify and manage conflicts of interest, ensuring decisions are made in the best interest of the business.
6. **Complaints handling framework**: A systematic approach to handling complaints, ensuring transparency and accountability within your business.

By implementing these components, your business can build a resilient framework to combat corruption. This not only safeguards your business against the risks associated with corruption but also enhances your reputation, facilitates trust with stakeholders and ultimately contributes to long-term success. You are encouraged to use this toolkit as a foundation to develop and strengthen your business integrity initiatives.

Introduction

Business integrity is crucial for SMEs as it builds trust, reduces risks, provides a competitive advantage, and helps integrate into global supply chains.

> Companies with strong integrity practices are better at complying with regulations and experience fewer regulatory hurdles when entering new markets.

This toolkit developed by Transparency International and the World Economic Forum, in collaboration with key global good governance and anti-corruption champions, aims to become a reference for SMEs, helping them clearly understand the key benefits of business integrity. It explains the main terms and concepts integral to anti-corruption and provides some key examples of how the various aspects manifest themselves in practice.

With corruption prevalent across all regions, practical solutions are critical to supporting the upskilling of representatives at the forefront of trade and business.

Why business integrity matters for SMEs

Trust is fundamental to all levels of business transactions, from individual dealings to international trade agreements. Business integrity facilitates trust by ensuring transparency, honesty, reliability and ethical behaviour. Similar to other aspects of a business, trust is built through conscious efforts and trust-building programmes integrated into the wider business strategy.

Trust plays a crucial role in enhancing a company's reputation. Companies known for their integrity are more likely to gain the trust of customers, investors, suppliers and partners. This strong reputation reduces perceived risks for stakeholders, encouraging more business interactions. For example, if buyers trust a supplier to deliver quality goods or services, they are more likely to engage in frequent and larger transactions due to the certainty that their expectations will be met.

Trust also helps lower transaction costs. Although robust due diligence measures are always recommended when entering into new commercial relationships, if there is a higher risk or the potential does not demonstrate high business integrity standards, the due diligence process becomes more extensive, which in turn increases time and cost.

Lastly, trust enhances the security and quality of products and services, increasing consumer confidence and loyalty. Reliability is critical, whether in business-to-customer (B2C) or business-to-business (B2B) interactions.

Strategic benefits of business integrity

Focusing on business integrity offers several strategic benefits to small- and medium-sized enterprises (SMEs). Notably, it can create opportunities across some key drivers of business success:

Competitive advantage: Companies known for their integrity stand out in the marketplace. This reputation attracts more loyal customers and creates additional business opportunities. Companies implementing anti-corruption programmes and robust ethical guidelines experience significantly fewer incidents of corruption – up to 50% less – compared to those lacking such initiatives.[1] Therefore, these steps mitigate potential losses associated with corruption.

Customer loyalty: Ethical practices build trust, leading to greater customer loyalty. Customers are more likely to stay with and recommend companies they trust. Today's customers are well-informed and increasingly prioritize ethical considerations. They prefer to buy from reliable and ethical companies, and while price and quality were once the main factors in purchasing decisions, now factors like sustainability, human rights and community engagement are highly relevant for both consumers and businesses.

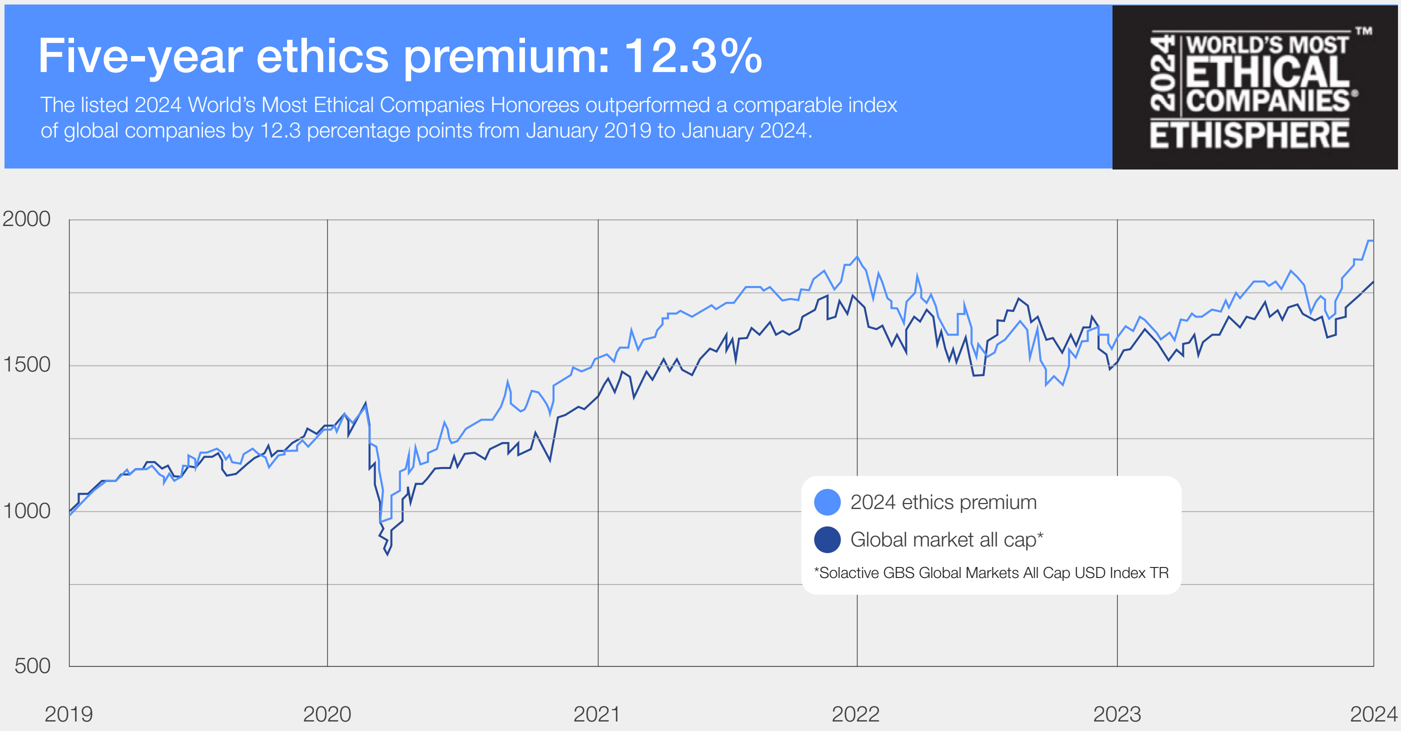
Employee morale and retention: Employees increasingly prefer to work for companies with strong ethical standards, which in turn boosts morale, productivity and retention rates.

Regulatory compliance: Companies with strong integrity practices are better at complying with regulations and experience fewer regulatory hurdles when entering new markets. This helps them avoid legal penalties and enhances their standing with regulators. There is a growing trend of regulating the supply chain of large companies. This means that SMEs should be prepared to comply with new and diverse regulatory requirements, to attract and win business opportunities.

Long-term sustainability: Integrity-driven companies proactively identify potential quality issues at an earlier stage due to risk management efforts. Such risks can range from internal fraud and employment practices that enable unethical behaviours to business financing and high-risk customer approaches, such as organized crime and illegal trading. Companies committed to high ethical standards often have better quality controls. This ensures that their products and services consistently meet rigorous quality requirements. They implement robust solutions and continually refine their processes, leading to increased product safety and reliability.

Investment attraction: Investors are more inclined to fund companies with transparent and ethical practices. These companies are seen as lower risk and potentially offer higher returns. Investors are increasingly prioritizing companies with strong ethical standards, recognizing that such companies are less likely to be involved in scandals, legal issues or financial misreporting that could jeopardize their investments. According to Transparency International UK,[2] integrity in business practices cultivates transparency, accountability and ethical behaviour, which are essential for building a sustainable and resilient business model. Companies that consistently demonstrate integrity tend to attract more investment as they present lower risk and higher potential for long-term value creation.[3]

FIGURE 1 **Five-year ethics premium**



Source: World's Most Ethical Companies.

For a company to be most attractive to investors, it must establish robust governance structures that promote transparency and accountability. This includes having a well-defined code of conduct, effective compliance programmes, and regular and transparent reporting practices. Regular independent audits and active engagement with stakeholders, including shareholders, customers and employees, further enhance a company's credibility and attractiveness as an investment target.

Stakeholder capitalism, which emphasizes considering the interests of all stakeholders including employees, customers, suppliers and the broader community, can significantly enhance a company's integrity and environmental, social and governance (ESG) performance. This approach not only mitigates risks associated with unethical practices but also aligns with the values of socially conscious investors, thereby increasing investment attractiveness. Companies that adopt stakeholder capitalism are better positioned to demonstrate strong governance, social responsibility and environmental stewardship, making them more appealing to investors seeking long-term value creation and sustainability.

Companies driven by integrity are more likely to attract customers are also more successful at entering new markets.

ESG considerations reflect a company's commitment to sustainable and responsible business practices, addressing issues such as environmental impact, social responsibility and governance quality. Firms that excel in these areas not only mitigate risks associated with unethical practices but also align with the values of socially conscious investors. As such, companies that prioritize integrity and ESG factors are well-positioned to attract investment and build lasting relationships with banks and financial institutions. Governance and integrity are the foundations for delivering on ESG goals, as corporate corruption has wide-ranging consequences. It is both a vertical and horizontal concern – directly measurable as an important factor within the "G" of ESG, while simultaneously affecting the "S" and "E".[4]

ESG is also increasingly governed by mandatory disclosure requirements instead of the previous practice of voluntary standards. The European Union's Corporate Sustainability Reporting Directive (CSRD), in force since 2023, makes it compulsory for eligible companies to report on anti-corruption across their supply chains under the European Sustainability Reporting Standards (ESRS), specifically G1 on business conduct. Companies are expected to begin applying these new rules in their reports for the 2024 financial year, to be published in 2025, and cover corruption, bribery, political influence and lobbying. Additionally, there is now the Corporate Sustainability Due Diligence Directive (CSDDD), which reinforces these requirements by mandating that companies conduct due diligence to identify, prevent, mitigate and account for adverse human rights and environmental impacts in their operations and supply chains.

Access to suppliers and new markets: Business integrity is critical for accessing new partnerships and new customers in local, regional and international markets. It becomes increasingly important as growth across markets is prioritized and where a company's reputation plays a larger role in forming new relationships critical for scaling.

Companies driven by integrity are more likely to attract customers. Such companies are also more successful at entering new markets. Governments, regulatory bodies and customers often scrutinize the ethical practices of new businesses, for example, Germany's Supply Chain Act, Brazil's Anti-Corruption Law (Federal Law. No. 12,846/2013), Mexico's 2013 General Law of Administrative Responsibilities, 2016 etc.

Scaling through meaningful partnerships and collective action: Partnerships are another area where integrity-driven companies excel. Both public and private entities prefer to partner with companies that share their high ethical standards. Meeting these standards can lead to significant business opportunities since integrity enables meaningful partnerships with multinational enterprises (MNEs) and other SMEs, allowing businesses to pool resources and scale operations effectively.

Shared values and goals are the bedrock of good partnership. Companies with similar ethical standards and values are more likely to align on their goals and strategies, making their partnerships more effective. Furthermore, integrity helps in risk mitigation. Partners feel more confident working with businesses that demonstrate integrity and have clear, ethical strategies, as this reduces the risk of fraud, corruption and other unethical practices.

Collective action can further enhance the effectiveness of these partnerships. By joining forces with other businesses, industry associations and non-governmental organizations, companies can address systemic issues such as corruption and unethical practices more effectively. Collective action promotes a collaborative approach to problem-solving, strengthens industry standards and amplifies the impact of individual efforts to maintain integrity.

Why business integrity should be a priority for owners and managers of SMEs

Tone from the top: Tone from the top refers to the ethical climate and culture set by an organization's senior management. It is crucial for several reasons:

Firstly, senior leaders like owners, founders and chief executive officers set the standard for behaviour within the organization. Employees tend to emulate their leaders' actions and attitudes. When leaders "practice what they preach", it encourages a culture of integrity, accountability and compliance throughout the organization. Employees are more likely to be engaged, motivated and loyal when they see their leaders as ethical and trustworthy. A positive tone from the top creates a healthy work environment, reducing turnover and attracting top talent. Research indicates that ethical leadership, behavioural nudging and, to some extent, anti-corruption messaging can help to reduce corruption in certain settings.[5]

Secondly, companies with a strong ethical tone from the top are more likely to earn and maintain the trust of external stakeholders, including customers, investors and regulators.

Lastly, a strong tone from the top helps in identifying, managing and mitigating risks associated with unethical behaviour and compliance violations. It can prevent scandals, legal issues and financial losses resulting from unethical practices.

Role of personal liability: Personal liability of senior executives and board members plays a significant role in emphasizing the need for a strong tone from the top for the following reasons:

1. **Legal accountability**: Executives and directors can be held personally liable for the actions of the company, particularly in cases of fraud, regulatory violations or negligence.

2. **Regulatory compliance**: Regulations such as the US Sarbanes-Oxley Act (SOX), the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act impose stringent requirements on companies to maintain accurate financial reporting and prevent corruption. This applies to third-party practices, meaning eligible companies have to monitor and be comfortable with the anti-corruption practices of their suppliers, even those located outside of the US and UK, respectively.

   Senior leaders are often required to certify the accuracy of financial statements and the effectiveness of internal controls, thereby reinforcing the importance of a strong ethical tone.

3. **Reputation**: The potential for personal financial loss, reputational damage and legal consequences acts as a deterrent against unethical behaviour.

The next section provides an overview of the main anti-corruption concepts relevant to business leaders and owners of SMEs. It defines and explains key terms and provides real-life scenarios that companies commonly encounter.

1 Anti-corruption and bribery risks

Corruption comes in multiple forms, and the difference between acceptable business practice and corrupt practice is usually purpose or intention.

Corruption is the abuse of entrusted power for private gain.[6] **Anti-corruption**, on the other hand, refers to a set of policies, practices and measures aimed at preventing, detecting and addressing corruption in all its forms within organizations, governments and societies. It encompasses a comprehensive approach to promote transparency, accountability and integrity in the public and private sectors.

Bribery is the act of offering, giving, receiving or soliciting something of value to influence the actions of an individual in a position of power or authority. It is a specific form of corruption and includes both active bribery, that is, the act of offering or giving a bribe and passive bribery, that is, the act of receiving or soliciting a bribe.

While bribery is a big part of corruption, it is not limited to bribery. In reality, there are different forms of corruption, as outlined in the following sections. Usually, the difference between an acceptable business practice and a corrupt practice is the purpose or intention of an act.

Conceptual framework

The conceptual framework for anti-corruption and bribery involves several interconnected principles and components as recommended by Transparency International:

1. **Integrity and accountability**:
   - **Integrity**: Establish a culture of integrity where ethical behaviour is promoted and valued across all levels of the organization, where the tone from the top establishes clear expectations.
   - **Accountability**: Ensure that individuals and institutions are accountable for their actions and decisions. This includes clear mechanisms for reporting, auditing and sanctioning corrupt activities.
2. **Transparency**:
   - **Open governance**: Implement policies that ensure transparency in decision-making processes and access to information.
   - **Public disclosure**: Mandating the disclosure of assets, incomes, and potential conflicts of interest by public officials and private sector leaders.
3. **Participation**:
   - **Civil society engagement**: Encourage active participation of civil society organizations, media and the general public in anti-corruption efforts.
   - **Stakeholder involvement**: Involve various stakeholders in the development and implementation of anti-corruption policies.
4. **Rule of law**:
   - **Legal framework**: Establish and enforce robust legal frameworks that criminalize all forms of bribery and corruption.
   - **Judicial independence**: Ensure an independent judiciary capable of impartially adjudicating cases of corruption.
5. **Preventive measures**:
   - **Risk assessments**: Conduct regular corruption risk assessments to identify and mitigate potential vulnerabilities.

- **Training and education**: Provide continuous education and training to public officials, employees and other stakeholders on anti-corruption measures and ethical standards.

6. **Detection and reporting**:

   - **Whistleblower protections**: Implement strong whistleblower protection laws.

   - **Monitoring and audits**: Establish independent monitoring and auditing bodies to oversee the implementation of anti-corruption policies and practices.

7. **Enforcement**:

   - **Investigations and prosecutions**: Ensure thorough and impartial investigations of corruption cases and hold perpetrators accountable through appropriate legal actions.

   - **Sanctions**: Imposing effective, proportionate and dissuasive sanctions against those involved in corruption, including fines, imprisonment and bans from holding public office.

8. **International cooperation**:

   - **Cross-border collaboration**: Promote international cooperation and mutual legal assistance in investigating and prosecuting transnational corruption and bribery.

   - **Global standards**: Adopt and adhere to international anti-corruption conventions and standards, such as the United Nations Convention against Corruption (UNCAC) and the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention.

   - **Multistakeholder initiatives**: Encourage collaboration among business, government and civil society to collectively address corruption, including industry-specific collective action where companies within the same sector work together to establish anti-corruption standards and practices.

1.1 Application in practice

Implementing this conceptual framework requires a multifaceted approach involving various sectors and levels of society. For instance:

– **Governments** can establish anti-corruption regulations and agencies, develop national anti-corruption strategies and ensure transparency in public procurement.

– **Businesses** and **industry associations** should adopt corporate codes of conduct, conduct due diligence and implement internal controls to prevent, detect and address bribery.

– **Civil society, non-governmental organizations and media** should advocate for policy reforms, monitor government actions and raise public awareness about the detrimental effects of corruption.

By integrating these principles and components, societies can build robust systems to combat corruption and bribery, ultimately promoting a culture of integrity and good governance. Together, change is possible even in situations where corruption is deeply embedded. To achieve this, it is important to establish a common understanding of corrupt practices. The following section defines key terms explaining different and common types of corruption and bribery that businesses encounter. It then provides illustrations of good practices as well as bad practices to help SMEs understand the differentiating line between corrupt practice and non-corrupt practice.

1. Gifts, hospitality and entertainment

Offering an expensive gift, lavish hospitality or entertainment may be perceived as bribery, depending on local laws. In practice, these can be used as a more subtle form of bribery than cash if there is an intention of inappropriately gaining a commercial advantage. Sometimes, this is also a means to pave the way for a larger bribe.

Gifts, and reasonable hospitality and entertainment offered in the course of business for the purpose of building good relationships and marking special occasions do not constitute bribes. Therefore, it is important to understand the difference.

To protect your company and the people you work with, it is important to understand and develop a policy on the circumstances in which gifts and hospitality can be given or accepted, and what records should be kept of them.[7] Make sure your business partners know your rules.

FIGURE 2 **Gifts, hospitality and entertainment: good vs bad practice**

Bad practice

The person in charge of the procurement in company A offers to award a service to a supplier in exchange for a certain gift or personal award.

Good practice

Company B can give and receive gifts valued at up to $50 without influencing the workers' decision-making. If the gifts exceeds $50, it must be returned.

Note: This $50 limit may not apply in all situations, particularly with public sector officials. In the case of public sector officials, no amount should be offered or accepted.

2. Conflict of interest

Conflicts of interest arise when the various interests, duties or commitments that a person may have; family, friends, work, voluntary work or political interests, come into conflict (or are very likely to).[8] These conflicts can taint people's judgment and lead to actions that are neither honest nor transparent. This can sometimes lead to a situation where people act against their better judgment and give or accept a benefit that can harm your company.

Clear rules must be established for handling potential conflicts of interest. Even without professional negligence, conflicts of interest can be perceived as corrupt activities, causing significant damage to the company's reputation.

FIGURE 3 **Conflict of interest: good vs bad practice**

Bad practice

The brother of company A's executive director enters the company without going through the ordinary recruitment process. Such a conflict of interest is not reported or evaluated internally.

Good practice

A relative of company B's director emerges as the top candidate to hold a position in the same company during a competitive recruitment process. This is reported, and it is internally evaluated whether the position they will hold could cause a conflict of interest.

3. Charitable donations, sponsorships and social investments

Bribes can be disguised as charitable contributions or sponsorships.[9] Make sure that the money your company pays to a charity is not dependent on a commercial agreement or used to obtain a contract or do business. Always give that money to the organization, not to a person.

Sponsorship refers to the payments made by the company, in cash or in kind, to link its name to an event (e.g. a sporting activity) or relate to a well-known person (e.g. a singer). The legitimate benefit for the company is that its name is associated with what is known and famous, but the sponsorship must offer real and measurable benefits for the company, such as generating publicity or greater brand strength. Make sure the sponsorship is for the benefit of the company and is not used to cover up bribery.

Social investment refers to the contribution of skills and/or resources to a host society to provide lasting benefit to the host society and/or the environment and to the company making it. Activities may range from increasing local capacity-building skills to supporting national education, health, or conservation programs. Social Investment may be voluntary or required by a host government under a contract.

FIGURE 4 | **Charitable donations and sponsorship: good vs bad practice**

Bad practice

Company A makes a charitable contribution to a foundation whose owner is a public servant on whom the award of a contract for company A depends.

Good practice

Company B sponsors a sports organization solely for brand promotion at an event. To ensure proper execution, the company secures backups, such as a contract. These sponsorships often include event access, which company B considers hospitality when offered to clients, partners, vendors, etc.

4. Facilitation payments and bribes

Facilitation payments can be seen as a form of bribery and are, as such, illegal in many countries. These may be small amounts required by service providers to guarantee or "facilitate" the services to which you – or your company – are entitled,[10] such as connecting a telephone or obtaining a visa, or money offered to customs, immigration or other officials to "speed up" the provision of services and the granting of permits.

Unfortunately, these payments are so common in many countries that they are considered "normal" or "inevitable", even though they are often illegal and, therefore, can and should be avoided. Being clear about how you can ensure you do not make facilitation payments will help you and your partners deal with this problem.

FIGURE 5 | **Facilitation payments and bribes: good vs bad practice**

Bad practice

Company A makes a payment to the personal account of a public servant to speed up obtaining an authorization that usually takes three times as long.

Good practice

For each disbursement generated for procedures, company B fills out internal control sheets that are supported with an invoice or proof of payment.

5. Political contributions

Bribes can be disguised as political contributions. If your company wishes to make a contribution to a political party or candidate, it is important to ensure that it complies with national law and, if allowed, that this decision is made openly and does not have an expectation of return. If you have a Board of Directors, that decision should be recorded as a Board resolution. If it does not, the plan to make the donation must be noted at a management meeting.

Ensure that everyone in the organization knows about the decision to make a political contribution on behalf of the company. The decision should be made with the consensus of senior company executives or the board, and should never be made by a single person without the knowledge and consent of management. Pay attention to the opportunity and timing of making such a contribution. If you are in the middle of a negotiation process to obtain a contract or a government licence, for example, a planning permit, or if a sensitive issue in your business is being examined by the government, contributions to the government or a local political party could be seen as a bribe. The contribution should also be recorded in the accounting books of your company through the financial system if it is made in cash, and the beneficial owners of the company should be disclosed to the political party or candidate, so they can weigh in on its acceptance.

Political contributions are extremely sensitive and should be avoided as much as possible. If you choose to make one, its purpose will determine its legality.[11]

FIGURE 6 **Political contributions: good vs bad practice**

Bad practice

Company A makes a contribution to a political campaign of a future mayor, in order to obtain permission to build a factory in an area where building is not permitted.

Good practice

Company B is committed to transparency and openly states its stance as an apolitical company. Whenever it chooses to make a political contribution, the company informs its stakeholders of each financial contribution, its purpose and documents the details of every contribution.

6. Favours

Any favour to public officials or business partner may be easily perceived as bribery, leading to severe legal and reputational consequences for the company. It is advisable to avoid granting favours to public officials and business partners, especially when there is an ongoing commercial relationship. Such favour can undermine public trust and compromise the integrity of both the company and the officials or partners involved.

FIGURE 7 | **Favours: good vs bad practice**

Bad practice

An executive at company A learns that a public official conducting inspections at the company is facing a personal tax issue. The executive offers to introduce them to a highly reputable tax consultant who can provide expert advice at a discounted rate and help resolve the issue.

Good practice

An executive at company B learns that a public official is facing a personal tax issue. The executive offers to introduce them to a highly reputable tax consultant with the applicable authorization from all involved stakeholders, ensuring transparency. The public official is not involved with the company on an ongoing basis.

7. Lobbying

Lobbying activities can be perceived as a way to influence and inform governments and is a legitimate aspect of the democratic process.[12] However, if performed unethically, lobbying may involve undue political influence and corruption at the expense of the public interest.

It is essential that the company determines the guidelines for lobbying activities to ensure that they do not amount to corrupt practices. It is critical to ensure transparency and oversight by senior leadership and to align lobbying activities with social and environmental commitments.

FIGURE 8 | **Lobbying: good vs bad practice**

Bad practice

Company A offers incentives to political agents to influence their political decisions.

Good practice

Individuals from company B provide useful corporate information and contributions to politicians to assist in drafting relevant societal policies, and make appropriate disclosures of their interactions.

8. Third-party enablers (consulting companies, brokers, agents and lawyers)

Third parties and intermediaries, in particular, are the single greatest area of bribery risks for companies. These risks are increasing as companies move into new markets and put ever more of their operations in the hands of third parties. Intermediaries such as advisers, forwarding agents, brokers and lawyers can sometimes facilitate corruption. For example, a state-owned company or government body might recommend a specific law firm or consulting company as an adviser for services, often with high fees. If there is no strong business reason to hire these advisers, it could indicate a potential channel for corruption.[13]

FIGURE 9 **Third-party enablers: good vs bad practice**

Bad practice

A public servant requires company A to hire specific advisers, forwarding agents or lawyers to provide their services.

Good practice

Company B and its contracting partners each select their own advisers, agents and lawyers based on their specific needs and has demonstrated ethical business practices. The company remains cautious of forwarding agents who can achieve results that others cannot.

9. Business associations

Trades of commerce and associations may also be used as a channel for corruption. Lobbying is often done through such associations, particularly when the subject-matter of lobbying contradicts the explicitly stated position or lobbying aims of the company, for instance, a company's position on climate-related issues.[14] Business associations may also use the company funds or resources (e.g. membership fee), either directly or indirectly, to help fund political campaigns, political parties, political candidates, or anyone associated with them. If you participate in such associations, be attentive, participate in meetings as much as possible, question decisions, sponsorships and relationships. In case of any doubt on legal and ethical implications, it is advisable to seek guidance from an expert adviser.

FIGURE 10 **Business associations: good vs bad practice**

Bad practice

Company A turns a blind eye to something that may not be strictly correct in terms of lobbying, events and other relationships with government bodies.

Good practice

Company B questions decisions and is attentive to certain "wins" during discussions with the government. It questions intermediaries, advisers and lawyers that the association has hired.

2 Create the foundation

Foundational steps for building an SME business integrity programme are creating an ethics committee and conducting a risk assessment.

2.1 Ethics committee

By having a dedicated committee, SMEs can ensure compliance with anti-corruption strategies and create a culture of integrity within the organization.

The ethics committee (may also be called compliance committee) is a dedicated group within the company responsible for ensuring compliance with regulations and internal policies. It consists of representatives from various areas who work together to manage compliance risks, develop programmes, provide guidance and training, and promote a culture of integrity. The committee helps maintain transparency, accountability and good governance practices.

Establishing a permanent internal ethics or compliance committee brings numerous benefits to SMEs. It enables effective handling of internal discussions and decision-making processes, especially when dealing with the application of the anti-corruption policy, findings from risk assessments and cases arising from whistleblowing channels (see section 3.3). By having a dedicated committee, SMEs can ensure compliance with anti-corruption strategies and create a culture of integrity within the organization.

Suggested roles and responsibilities

To form a successful ethics committee, consider including the following individuals. Each SME can, however, adapt the committee according to its specific needs and structure.

- **Chief executive officer or management representative**: This role provides overall guidance and leadership to the committee.
- **Human resources (HR) representative**: Responsible for ensuring compliance with employment laws, regulations and policies, including training.
- **Legal representative**: Provides legal guidance and ensures compliance with applicable laws and regulations.
- **Finance representative**: Oversees financial compliance, including anti-corruption measures and reporting.
- **Operations representative**: Ensures compliance in day-to-day operations, including supply chain and vendor management.
- **IT representative**: Manages data privacy and cybersecurity compliance.

Representation from various areas of the organization can help ensure that the SME operates with integrity, adheres to laws and regulations, and maintains a strong ethical culture. Having the chief executive officer lead the committee demonstrates commitment to compliance and ethics, prioritizing these efforts and integrating them into the SME's overall strategic direction and goals.

An SME can choose to incorporate the rules of operation of the ethics committee either within the anti-corruption policy or through separate guidelines, using the model template below.[15]

Template for ethics committee

[Company Name] Ethics committee guidelines

1. Purpose:

Clearly state the purpose of the committee, emphasizing its role in ensuring compliance with laws, regulations and internal policies and its responsibility in promoting a culture of integrity and ethical behaviour within the organization.

2. Composition:

- Specify the members of the committee, including their roles and responsibilities.

3. Meetings and reporting:

- Outline the frequency and format of committee meetings.
- Establish reporting mechanisms for committee activities.

4. Responsibilities:

- Detail the specific responsibilities of the committee, such as:
  - Conduct corruption risk assessments
  - Handle whistleblowing reports, conflict of interest reports and investigations
  - Develop and implement anti-corruption policies, compliance programmes and policies
  - Monitor compliance activities and address any identified issues
  - Provide guidance and training to employees on compliance and anti-corruption matters
  - Collaborate with relevant departments to ensure business integrity in their respective areas

5. Decision-making and authority:

- Clarify the decision-making process within the committee, including voting procedures and the role of the committee leader
- Specify the authority of the ethics committee in making recommendations or taking actions related to compliance matters

6. Confidentiality and conflict of interest:

- Emphasize the importance of maintaining confidentiality regarding committee discussions and sensitive information
- Address potential conflicts of interest (see chapter 5) and establish guidelines for committee members to disclose any conflicts

2.2 Risk assessment framework

Mapping potential corruption scenarios allows your company to proactively assess situations that could negatively impact your business. The risk assessment exercise is essential for understanding your business's specific needs and potential risks. It also helps to recognize improvement opportunities and emphasizes the company's commitment to fighting corruption and implementing best practices on business integrity.

Implementation tips

- Where possible, establish a cross-functional risk management team that provides context on various aspects of risk.
- Define a representative who is responsible for convening a group, that is, the ethics committee, with members from different business functions to inform and regularly update the risk assessment.
- Once a risk assessment is conducted, the ethics committee should define specific prevention actions.
- The ethics committee should monitor the occurrence of the different anti-corruption scenarios listed in chapter 1 and update the toolkit annually.

The risk assessment matrix in Table 1 provides a practical tool for identifying typical situations where there is a risk of corruption. Assessing the likelihood of occurrence and the potential reputational impact can help identify potential corruption situations and determine which preventive actions should be taken to mitigate any impact on your company.

The full risk assessment matrix can be downloaded here.

TABLE 1 | **Matrix**

Risk assessment – analysis

(1) What is it?

This matrix identifies corruption-related risks and defines preventative actions to mitigate impact on your company.

(2) What are its benefits?

This matrix benefits your company by enabling the development of a tailored action plan, promoting teamwork and demonstrating commitment to fighting corruption.

(3) How to implement it?

Please fill in the fields highlighted in grey, following the instructions provided in green. For that, collaborate with the different areas of your company to (1) identify specific risks, (2) define prevention actions and (3) monitor and update the tool annually.

Company name:

1 Action 1: Identify the specific activities or areas within your operation where each main problem associated with corruption may occur and provide a brief reference for each.

2 Action 2: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

3 Action 3: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

4 Action 4: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

Main problems associated with corruption	Guiding questions to understand each main problem associated with corruption	1 Possible impact area	2 Comments	3 Impact on the organization	4 Probability of occurrence	Results	Impact on the organization	Probability of occurrence	Results
Gifts and hospitality	Are gifts and hospitality frequently offered or received in your business operations? Are there any policies or guidelines in place regarding the acceptance of gifts and hospitality? How transparent and accountable is the process of recording and reporting gifts and hospitality? **Note:** consider that offering an expensive gift, lavish hospitality or entertainment may be perceived as bribery depending on local laws.			Medium likelihood	Low likelihood				
Conflict of interest	Are there mechanisms in place to identify and manage conflicts of interest within your organization? How are conflicts of interest disclosed and addressed? Are employees aware of their obligation to report potential conflicts of interest? **Note:** a conflict of interest arises when a personal interest or relationship is placed before the interests of the company. These conflicts can taint people's judgment and lead to actions that are neither honest nor transparent.			Medium likelihood	Medium likelihood				
Charitable contributions and sponsorships	How are charitable contributions and sponsorships selected and approved? Are there any criteria or guidelines in place for evaluating potential recipients? How transparent and accountable is the process of reviewing and monitoring charitable contributions and sponsorships? **Note:** bribes can be disguised in the form of charitable contributions or sponsorships. The difference between an acceptable business practice and a hidden bribery practice is the purpose or intention of the contribution.			High likelihood	High likelihood				

Risk assessment– analysis

(1) What is it?	(2) What are its benefits?	(3) How to implement it?
This matrix identifies corruption-related risks and defines preventative actions to mitigate impact on your company.	This matrix benefits your company by enabling the development of a tailored action plan, promoting teamwork and demonstrating commitment to fighting corruption.	Please fill in the fields highlighted in grey, following the instructions provided in green. For that, collaborate with the different areas of your company to (1) identify specific risks, (2) define prevention actions and (3) monitor and update the tool annually.

Company name:

1 Action 1: Identify the specific activities or areas within your operation where each main problem associated with corruption may occur and provide a brief reference for each.

2 Action 2: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

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4 Action 4: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

Main problems associated with corruption	Guiding questions to understand each main problem associated with corruption	1 Possible impact area	2 Comments	3 Impact on the organization	4 Probability of occurrence	Results	Impact on the organization	Probability of occurrence	Results
Facilitation payments (irregular payments to government official or individual in a position of power to expedite or facilitate routine administrative actions or services that are within their official duties)	Are employees aware of the company's stance on facilitation payments? Are there measures in place to prevent facilitation payments and address facilitation payments request from others? How are facilitation payments requests, if any, recorded and reported? **Note:** facilitation payments is a form of bribery and, as such, illegal in almost all countries. These may be small amounts required by service providers in order to guarantee or 'facilitate' the services to which you – or your company – are entitled to 'speed up' the provision of services and the granting of permits			Low likelihood	Low likelihood				
Political contributions	Is the company engaged in providing political contributions? If yes, are there policies or guidelines regarding political contributions? How are political contributions reviewed and approved? Are there any legal or regulatory restrictions on political contributions in your country? **Note:** bribes can be disguised as political contributions. If your company wishes to make a contribution to a political party or political candidate, it is important to ensure that it complies with the national law and, if allowed, that this decision is made openly and does not have an expectation of return.			High likelihood	Medium likelihood				
Lobbying	Is the company engaged in lobbying activities? If yes, are there any policies or guidelines regarding lobbying activities? How are lobbying activities reviewed and approved? Are there any legal or regulatory requirements for lobbying in your country? **Note:** lobbying activities can be perceived as a way to influence and inform governments and is a legitimate tool for influencing public policies. However, if not performed ethically, lobbying may involve political influence and corruption at the expense of the public interest.			Medium likelihood	Medium likelihood				

Risk assessment– analysis

(1) What is it?

This matrix identifies corruption-related risks and defines preventative actions to mitigate impact on your company.

(2) What are its benefits?

This matrix benefits your company by enabling the development of a tailored action plan, promoting teamwork and demonstrating commitment to fighting corruption.

(3) How to implement it?

Please fill in the fields highlighted in grey, following the instructions provided in green. For that, collaborate with the different areas of your company to (1) identify specific risks, (2) define prevention actions and (3) monitor and update the tool annually.

Company name:

1 Action 1: Identify the specific activities or areas within your operation where each main problem associated with corruption may occur and provide a brief reference for each.

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3 Action 3: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

4 Action 4: Provide any insights that may be useful in developing action plans to prevent each main problem associated with corruption from occurring in your company. Make connections with the available resources in the toolkit.

Main problems associated with corruption	Guiding questions to understand each main problem associated with corruption	1 Possible impact area	2 Comments	3 Impact on the organization	4 Probability of occurrence	Results	Impact on the organization	Probability of occurrence	Results
Absence of anti-bribery policy	Is there a written anti-bribery policy in place? How is the anti-bribery policy communicated and enforced within the organization? Are employees aware of the policy and their obligations under it?			High likelihood	Medium likelihood				
Absence of internal whistleblowing channels	Are there safe and confidential mechanisms for employees to report suspected bribery or corruption internally? How are whistleblowing reports handled and investigated? Are employees aware of the whistleblowing channels and their confidentiality? **Note:** robust internal whistleblowing channel encourages employees to report wrongdoing. Handle reports with care, ensuring confidentiality, presumption of innocence and no retaliation against whistleblowers acting in good faith.			Low likelihood	Low likelihood				
Absence of ethical or compliance committee	Is there an established ethical or compliance committee within the company? Is the committee actively promoting business integrity and leading by example? **Note:** the ethics committee, led by the chief executive officer, is a dedicated group of individuals responsible for ensuring compliance, managing risks, and promoting integrity within the company, benefiting SMEs by enhancing decision-making and fostering a culture of integrity.			Medium likelihood	Medium likelihood				

3 Anti-corruption policy

This policy demonstrates an SME's commitment to integrity and the core principles, values and business vision on integrity, compliance and the fight against corruption.

An anti-corruption policy is integral to building trust and serves as the foundation for ethical business practices. It serves as the foundation for doing ethical business by developing a plan of action for a company to practically implement business integrity, including anti-corruption practices. It is also the second step towards protecting your business, based on the risk assessment done by the ethics committee.

3.1 Benefits of an anti-corruption policy

An anti-corruption policy adds to an organization's reputation and will give the business an advantage when working with large, global companies.

Communicate commitment: An anti-corruption policy is the first step in manifesting an organization's strong commitment to integrity. It communicates a proactive approach and values to employees, third parties and other stakeholders.

Establish a culture of integrity: The policy enables your organization to understand its environment and main risks, as well as the values and principles that will guide your organization on the path to integrity. It also enables company executives or top officials to get involved and define their commitment to integrity and compliance. This demonstrates the "tone at the top" explained in chapter 1. It provides employees and third parties with certainty, protection and clarity regarding the company's ethical framework.

Ensure compliance: The policy adds to an organization's reputation and will give the business an advantage when working with large, global companies looking for suppliers. Global companies are subject to anti-corruption regulation across different jurisdictions, and an anti-corruption policy can help ensure that SMEs are proactive in implementing the rules. It can also minimize risks to businesses, such as penalties and fines.

Improve operational efficiency: The policy can serve as a basis for decision-making, while handling/preventing fraud improves efficiency.

3.2 Implementation tips

Record: The decision to develop this policy must be recorded in writing. If the SME has a board of directors, the proposal should be presented and agreed upon by a board resolution. If there is no board, management should come to a general agreement and maintain a book or file recording this decision. This is important to reflect intentions and protect the business in case of future allegations and charges of corruption. The template in section 3.3 may be used to record your company's policy.

Factor risks: It is important that every programme takes into account the context and risks that each company has identified, in accordance with the risk assessment framework in chapter 2.

Communicate: Upon the incorporation of this policy, it is necessary to communicate internally to employees through regular training and awareness sessions, as well as third parties such as distributors, agents, suppliers, contractors and buyers, emphasizing the importance of complying with the established principles, values and standards. The policy should also be posted on the company's website, if there is one. While it is important that stewardship comes from the top of the organization, it is also critical that everyone within the organization takes individual responsibility for its implementation as part of the business strategy.

The steps to socialize the policy with the business network include:

1. Share the policy with all entities with whom the company has a business relationship, making it clear that the policy applies to those relationships.

2. Ask each entity if they have a similar program in place, and if they do, request a copy of their policy.

3. Include the policy in all contracts and agreements the company signs, with provisions for immediate termination if partners pay or accept bribes. A model clause is included in chapter 4.

Allocate responsibility: It is essential to have someone internally responsible for monitoring policy compliance and periodically updating the policy's content, as needed by the business. Good management and regular review can help identify irregularities with payments, gifts, entertainment, etc. Another critical step is developing a process for receiving and handling complaints through a complaint box mechanism. The ethics committee has overall responsibility and can allocate different roles to the different representatives on the committee.

The following provides a template for a company's anti-corruption policy. It should be amended to consider industry- and jurisdiction-related requirements.

3.3 Model anti-corruption policy

General principles

- We will not pay bribes or allow bribes to be offered on our behalf to gain a business advantage.
- We will not accept bribes or permit them to be accepted on our behalf to influence the company.
- We will avoid doing business with those who do not share our values or may harm our reputation.
- We will ensure that everyone in our company, including our business partners, is aware of our anti-corruption principles.
- We will regularly review and update our programme and processes as needed.
- We will report all acts of corruption and bribery or any serious suspicion of them to the relevant authorities.
- We will conduct our business activities fairly, honestly and transparently.
- We will conduct appropriate due diligence to know with whom we are doing business.
- We will uphold these principles even in challenging situations.

Gifts

- We may accept gifts in the form of small, low-value items. We may not accept high-value items.[16]
- While occasional acceptance of a gift is allowed, we will not accept gifts offered on a regular basis.
- Gifts we give should not exceed the maximum value of [X], comply with the law and be approved by company management.[17] Additionally, gifts must meet the following criteria: 1) limited to reasonable and good faith expenses, 2) do not unduly affect, nor be perceived as unduly affecting, the recipient's judgment towards the giver, 3) not contrary to the known provisions of the recipient's code of conduct, and 4) not offered or received too frequently or at an inappropriate time.
- Items of value received as gifts that go against the company's principles will be returned or disposed of as directed by company management.[18]
- The company and its employees are aware that in cases where suppliers or third-party service providers are compensated fairly and appropriately, no additional benefits or gifts should be provided.

Hospitality

- We may offer and accept hospitality (or entertainment) with a host if it is reasonable and serves a legitimate business interest.

– We will not offer or accept extravagant or frequent hospitality, and we will not offer hospitality or entertainment without a host.[19]

Conflicts of interests[20]

A conflict of interest arises when a personal interest or relationship is placed before the interests of the company. For instance, having a second job, having a relative who is a government official, having shares in another company. If any employee believes that a potential conflict of interest exists, they must report it to the Human Resources Director, Legal Director or Legal Representative so that the conflict of interest can be recorded and appropriate actions can be taken. This includes, but is not limited to, the disclosure of any existing or potential family business relationships that could influence or appear to influence any professional decisions or actions.

Charitable contributions and sponsorship

It is necessary to ensure that any money the company pays to a charitable entity is not contingent on a business agreement and is not made to secure a contract or conduct business.

Sponsorship refers to cash or in-kind payments made by the company to associate its name with a popular event, such as a sports activity, or to associate with a well-known individual, such as a singer. The benefit to the company lies in linking its name to something well-known and famous, but sponsorship should offer real and measurable benefits to the company, such as increased publicity and brand strength. Sponsorship should be conducted for the benefit of the company, which should be clear and measurable, and not to cover up a bribe.

Facilitation payments

Employees should reject all forms of facilitation payments as they constitute another form of bribery. Facilitation payments are understood as unofficial and improper payments made to an official to ensure or expedite the performance of a routine or necessary action to which the payer of the facilitation payment is legally entitled. It may even involve small amounts demanded by service providers to guarantee or "facilitate" the services to which the company is entitled, such as connecting a phone or obtaining a visa, or itmay be money offered to a public official to illegally expedite the provision of services and the granting of permits.

Political contributions[21]

Option one – if you disagree with political contributions:

Suggested text: This company rejects all forms of political contributions.

Option two – if you agree with political contributions and it is legal in the country:

This company may make political contributions. To do so requires approval of the board of directors/management,[22] and must be internally recorded. The company commits to transparently disclose all types of political contributions in its annual reports and publish them on its website if it has one. In any case, the decision to make a political contribution must consider the timing and must not be tied to any undue benefit.[23] Additionally, the company commits to review the existing national regulations governing this matter. In other words, the purpose for which the contribution is made will be decisive in determining whether it constitutes a good practice or a covert bribe. Political contributions should be made only to registered organizations and never directly to an individual.

Lobbying[24]

This company commits to ensuring any lobbying activity complies with applicable local, national and international laws, regulations and standards, such as the OECD's *Recommendation of the Council on Transparency and Integrity in Lobbying and Influence*. All lobbying activities must be approved in advance by the board of directors/management and must be internally recorded. Any lobbying activity must be conducted transparently and ethically, aligned to any public commitments on sustainable development, ensuring that all interactions with government officials are accurately documented, publicly disclosed and reported as required by law.

Dissemination

This policy must be internally disseminated and made freely accessible to all employees and relevant third parties who should be aware of it.[25] It is recommended that both internal and external stakeholders of the company sign a statement confirming that they have received and understood the policy. The policy should be periodically disseminated to remind stakeholders at appropriate intervals and should be promptly communicated to new stakeholders with whom the company establishes business relationships.

Whistleblowing and reporting of possible violations

This company prohibits any form of detrimental conduct, such as retaliation, discrimination or disciplinary measures, against anyone – including employees and third parties – who reports suspected wrongdoing in good faith or refuses to participate in wrongdoing, even if it results in a loss of business for the company. The company is responsible for following up on all such reports, including allowing anonymous reporting, investigating the reported incidents, taking corrective actions as appropriate, and informing the whistleblower of the findings and outcomes related to their report.

Commitment

The company agrees to implement this anti-corruption policy as a demonstration of its strong commitment to transparency and the fight against bribery in all its forms as a fundamental pillar of its corporate values.

4 Financial crime clause

A financial crime clause reflects the SME's commitment to integrity and ensures contractors take necessary actions to prevent any type of corrupt activity.

4.1 Benefits of a financial crime clause

Build trust: Reflect values of integrity and transparency in your commercial relationships. This will help build trust in relationships with third parties.

Prevent corruption: Require those who contract with your organization to make efforts to prevent and deter any type of corrupt activity and amplify your efforts.

Reduce risks: Contribute to reducing legal, financial or reputational risks in your commercial relationships.

4.2 Implementation tips

It is important to ensure that your commercial relationships with third parties have a contract. This will allow you to demand a minimum level of service and compliance. The following clause is generic and applicable to all types of contracts that a company enters, including service contracts, sales contracts, etc. It is, however, important to note that for public contracts, there are specific regulations where incorporating clauses may not always be permissible. It's essential to validate this on a case-by-case basis. In the absence of a contract, include this clause in purchase orders or as a standalone document when initiating a commercial relationship. Always clarify to your business relation that the purpose of the clause is to reaffirm the mutual commitment to integrity.

4.3 Template for financial crime clause

1.1 For purposes of this clause:

1.1.1. "**Financial crime**" means criminal activities carried out by individuals or criminal organizations to provide economic benefits through illegal methods, including but not limited to fraud, drug trafficking, corruption and bribery, tax crimes, modern slavery and human trafficking, environmental crimes, smuggling illicit goods, money laundering, terror financing, cybercrime, illicit mining, and smuggling of precious goods.

1.1.2. "**Financial crime regulations**" means laws, internal and external policies and procedures, rules and requirements relating to international sanctions, prohibited business activities and the detection and prevention of money laundering and the financing of terrorism and includes but is not limited to *[list jurisdictions relevant to your company]* and other recognized extra-territorial anti-corruption laws, including the US Foreign Corrupt Practices Act of 1977 (FCPA) and the UK Bribery Act of 2010.

1.1.3. "**PEP/PIP**" or "**politically exposed person/prominent influential person**" means any individual who is or has in the past been entrusted with government-related or other prominent functions in any country and encompasses the immediate family members and known close associates of such person.

1.1.4. "**Restricted party**" means any person on a sanctions list and/or otherwise identified by financial crime regulations as a person with whom trade or financial dealings are prohibited or restricted.

1.1.5. "**Sanctions list**" means all mandatory and non-mandatory sanctions lists, including the sanctions lists of the United Nations Security Council, [the United States Office of Foreign Assets Control, the United Kingdom Her Majesty Treasury, the European Union] and *[list jurisdictions relevant to your company]*.

1.2 The service provider[26] warrants, represents and undertakes the following:

1.2.1. For the duration of this agreement, it will adhere to the highest levels of lawful, ethical and responsible business practices and all applicable financial crime regulations.

1.2.2. It will not commit any acts or engage in any activity, practice or conduct, whether directly or indirectly through the use of intermediaries (such as its affiliates, agents, consultants, advisers, resellers, distributors or business partners), which would constitute an offence under any applicable financial crime regulations.

1.2.3. To its best knowledge and belief, neither it nor any principal, officer, employee, director or intermediary of the service provider

1.2.3.1. Is a restricted party

1.2.3.2. Is or has been subject to a conviction or charged with any financial crime, or the target or subject of any criminal investigation involving financial crime

1.2.4. It shall not make, or authorize or tolerate to be made, in the performance of this agreement or otherwise, any payments, loans or gifts, or promises or offers of payments, loans or gifts, of any money or anything of value, directly or indirectly, to or for the use or benefit of any person including without limitation to a PEP/PIP or the agencies or instrumentalities thereof. If the service provider knows or has reason to suspect that any payment or part of such payment, loan or gift will be, directly or indirectly, given or paid to any person, including a PEP/PIP or the agencies or instrumentalities thereof, the making of which would violate any applicable financial crime regulations.

1.2.5. It will immediately report to the company any request or demand for any undue financial or other advantage of any kind received by the service provider or its intermediaries in connection with the performance of this agreement.

1.3 The service provider undertakes to notify the company immediately in the event that the undertakings referred to under this clause cease to be accurate.

1.4 The service provider consents to the company undertaking the following:

1.4.1. Auditing the service provider's books and records relevant to the service provider's account at any time with reasonable notice to ensure that the warranties, representations and undertakings set out in this clause are upheld by the service provider.

1.4.2. Processing (including the monitoring, screening and disclosure) of the service provider's information, including its personal information and special personal information to:

1.4.2.1. Conduct screenings against sanctions lists.

1.4.2.2. Monitor the service provider's instructions and transactions where necessary to ensure that the service provider complies with applicable financial crime regulations.

1.4.2.3. Report any matches to sanctions lists or contraventions of applicable financial crime regulations to local and/or international regulatory authorities and affiliates of the company.

1.5 If the company finds or reasonably believes that the service provider has breached or may be in breach of any of the provisions of this clause, the company will be entitled to immediately terminate the agreement without any liability to the company as a result of such termination.

1.6 The service provider will hold harmless and indemnify the company against any damage or loss, of whatever nature, suffered or incurred by the company as a result of termination of this agreement by the company under this clause.

1.7 The service provider acknowledges and agrees that the company shall not be liable for any damage or loss, of whatever nature, suffered or incurred by the service provider as a result of the following:

1.7.1. Processing by the company of the service provider's personal information for purposes relating to financial crime regulations and screening against sanctions lists.

1.7.2. Reporting of the service provider's personal information to local and international regulatory authorities and affiliates of the company in the event that the service provider is matched to a sanctions list or found or reasonably believed to be in contravention of applicable financial crime regulations.

5 Conflict of interest

When personal loyalties clash with company interests, clear rules and good judgment ensure an ethical and legally valid decision.

A conflict of interest can exist in any situation where loyalties may be divided between the company's interest and an individual's or between the company's interests and those of anyone outside.

The most clear-cut example of a potential conflict of interest arises from family ties. Naturally, there is interest in helping and supporting family, but this can be detrimental in certain circumstances (e.g. I am overseeing the bidding process for a service, and one of the bidders is my father).

These situations can hinder decision-making and harm the organization. Some even constitute acts of corruption, which is why it is important to identify and review such situations on a case-by-case basis.

Most conflicts of interest can be avoided by following clear rules established by the company. Good judgment should be exercised to evaluate activities that may result in a conflict of interest, and any concerns about potential conflicts should be discussed with the company's management.

Even the appearance of a conflict of interest can be problematic. Consider whether the situation would lead others to question the company's judgement, decisions or actions.

The conflict of interest reporting form template (see section 5.3) aims to provide a practical tool to enable employees to promptly communicate potential situations that could be considered conflicts of interest. The organization can then decide whether action should be taken to reduce any potential negative impact.

5.1 Benefits of a conflict of interest form

Promote transparency: Establish open and transparent communication channels to promptly identify any potential situations that could affect your organization. This will promote a culture of compliance and trust within your organization.

Reduce risks: Take proactive actions to prevent potential conflicts of interest that could impact your organization.

Inculcate impartiality: Encourage employees to develop impartial and objective attitudes and/or business relationships based on business needs.

5.2 Implementation tips

Disseminate: Conduct organization-wide campaigns on an annual or biannual basis to encourage all employees to complete the form. This strategy can also be applied to new employees joining the organization.

Analyse: Forms should be analysed by the human resources and legal teams, if available, to determine whether a potential conflict of interest exists and identify any necessary actions. It is important to inform the company's management about the results.

Maintain confidentiality: Responses should be treated confidentially, ensuring their proper management.

Record: The obligation to complete this form should be reflected in the anti-corruption policy or other internal regulations of the organization.

5.3 Template for conflict of interest form

This form aims to provide a reference tool for companies to proactively monitor and analyse potential conflict of interest events that could affect the company.

Definition

Conflicts of interest arise when an individual's private interests or those of individuals close to them differ from those of the organization to which the individual belongs. Conflicts of interest constitute a specific form of corruption when an individual grants themselves an undue benefit by exercising decision-making power for their own benefit (or that of a close individual). Common conflicts of interest include hiring family members or favouring them as providers of goods or services.[27]

Family ties

In certain cases, a familial relationship with other employees, suppliers, distributors or third parties related to the company can potentially lead to a conflict of interest. Therefore, it is necessary to report such a relationship and analyse it in light of each specific case to take measures that prevent the conflict of interest from resulting in negative impacts on the company.

A family relationship will be understood to include familial bonds up to the second degree of consanguinity and second degree of affinity. The second degree of consanguinity includes grandparents, parents, children and grandchildren. The second degree of affinity includes in-laws, siblings-in-law, sons-in-law and daughters-in-law.

Whenever a new candidate for a position is identified, the candidate must report the existence of a family member working for or providing services to the company. Similarly, any employee who has a family member joining the company as a supplier or distributor should report this for registration and analysis.

Family members should not report to one another, either directly or indirectly, or be involved in the other's employment-related decisions, such as hiring, performance reviews or recommendations for promotions.

BOX 1

Examples of familial tie conflicts

A conflict arises when personal interest takes precedence over the company's interest. An example would be if a member of your company had a cousin who ran a decoration company and could offer a good price for work in your office. In such a case, if personal interest is disclosed, the selection process is transparent, and the business side is handled by someone who is not a family member, no conflict arises.[28]

Outside employment

A conflict of interest may arise if an employee's outside employment negatively impacts their work at your company. Some activities should never be permitted, such as working for a competitor. Other activities, like outside opportunities with partners, suppliers or customers, may be permissible in some instances, but only with proper approval. Outside employment means any position – whether as an employee, consultant, contractor or owner – in addition to your job at the company.

BOX 2

Examples of outside employment conflicts

Examples would include a part-time job at a local coffee shop, service on the advisory board of another company, consulting services provided to a friend's business, and a conflict of interest that could also arise in the case of pro bono or volunteer activities.

Financial interest

A conflict of interest arises when an individual holds a personal or family financial interest in a customer, reseller, supplier, partner or competitor if those interests would improperly influence their judgment and actions at the company. Financial interests include investment, ownership, creditor interests or any other financial arrangement that provides a share of profits or revenues.

Conflicts of interest form

Name:

Position:

Department:

ID number:

Below, I present the conflict of interest situation in which I find myself (indicate one or more conflict of interest situations in which you or any of your family members or close friends are involved, such as relationships with suppliers, customers, distributors, newly hired personnel, sale of services or products, etc.):

____

____

____

I declare that if there are any new situations of conflict of interest, I will report them through this form.

Signature ____

Date ____

Manager declaration: I undertake to adhere to any conflict of interest risk management plan and to monitor my employee's adherence to the management plan, to ensure that the company's reputation and interest is adequately protected.

Manager's name ____

Manager's signature ____

6 Complaints framework

A structured complaints process is essential for safely reporting corruption-related risks.

A complaints handling framework establishes essential guidelines for addressing complaints, ensuring that employees, suppliers and customers are well-informed of their rights and the procedures available to them in line with the company's anti-corruption policy and applicable laws. Employees and suppliers are at greater risk when reporting a complaint, and care should be taken to protect them. Setting up an effective complaint-handling system involves a step-by-step approach, and it is critical that you allocate the necessary time to ensure the quality and continuous improvement of the process. By implementing these practical examples, businesses can establish an effective anti-corruption complaint handling framework that demonstrates their commitment to business integrity. It is a key element of a whistleblowing system to ensure there is no retaliation in practice for reporting potential wrongdoing.

6.1 Benefits of a complaints framework

Trust and satisfaction: A well-defined complaints handling standards/policy ensures trust and satisfaction, legal compliance and enhances brand reputation.

Accountability: When things go wrong, managing complaints properly is crucial. A complaints mechanism provides a structured avenue to voice concerns, ensuring transparency and the opportunity for remedial action within an organization.

6.2 Implementation tips

Clear and transparent: Ensure a clear and transparent framework, through a step-by-step approach and avoiding ambiguity. The complaints handling standards/policy must be comprehensive and outline the business's commitment to addressing and resolving complaints.

Confidential: Maintain confidentiality to protect the privacy of the person raising an issue or filing a complaint. Offer anonymity to the person filing the complaint. Do not disclose details without the complainant's explicit consent unless legally mandated.

Accessibility: Prioritize accessibility by minimizing barriers for the complainant. Consider the needs of individuals in fear or those with special requirements.

Quick response: Ensure a quick response once a complaint has been received contributes to trustworthiness.

6.3 Building a complaints framework

Channel to report complaints

When designing complaints channels it is important to define the options to report complaints, based on the resourcing that you can provide for this. Different users have varying preferences and limitations. Examples of channels that can be used include:

– Providing an email address allows customers to submit their complaints in writing. Email is widely accepted and convenient for many users. Create a dedicated email address or online form on the website to submit complaints.

– Businesses should ideally offer both online and offline options. Online submission forms allow users to report complaints digitally and outside working hours, while offline methods (such as paper forms) cater to those without internet access.

– Implement a suggestion box in a physical location where complaints can be filed.

– Sometimes, a face-to-face conversation is necessary. If possible, there should be designated personnel who can handle complaints in person, thereby adding a human element.

– SMS or other private messaging channels, such as WhatsApp, are a quick and efficient way for customers to report issues.

Complaints channels should:

– Not incur any costs for users

– Offer a variety of contact methods tailored to the infrastructure available

– Be auditable and transparent

Communicating complaints handling procedures

It is essential to widely communicate the complaints handling procedure in accordance with the principles of transparency and accountability.

What should be communicated?

– Clarify who is eligible to submit complaints (e.g. customers, employees, stakeholders).

– Explain where, how and when complaints can be submitted (e.g. online forms, email, in person).

– Define the scope of the process (what issues can be complained about) and any relevant limitations.

– Describe the potential outcomes from complaint handling (e.g. resolution, compensation).

– Specify the responsible department and senior management function for handling complaints.

– Outline the process steps and expected timelines for complaint resolution.

– Guarantee confidentiality, anonymity and other rights for complainants.

– Explain how complainants can follow up (including appeal procedures).

– Detail how the business handles information disclosure and reporting on complaints.

– Mention any other relevant bodies (e.g. ombudsman) that can receive complaints.

Examples of efficient practices that can be used:

– Clearly display information about the complaint mechanism on the company website, including who can submit a complaint, how and where to submit a complaint, and contact details.

– Develop brochures or pamphlets that outline the complaint handling process and distribute them to customers at physical locations.

– Use social media and other communication channels to inform about the complaint mechanism and how to access it.

– Regularly train and upskill employees and suppliers.

Complaints handling principles

Effective management starts with the reception and documentation of complaints, ensuring they are addressed promptly and accurately. This is followed by a screening to determine the relevance of each complaint and the immediate resolution of those that fall outside the established scope.

Complaints handling procedures should:

- Start by recording each complaint with a unique identifier and the date it was lodged.
- Promptly acknowledge receipt of the complaint and provide the complainant with an overview of potential follow-up actions and expected timelines.
- Evaluate complaints against pre-defined criteria to determine if they fall within the mechanism's scope.
- Clearly communicate the reasons for the out-of-scope status to the complainant. Suggest alternative avenues for resolution.

Examples of efficient practices that can be used:

- Assign a designated staff member or team to receive and record complaints promptly. The staff member should be provided with sufficient independence to handle reports and be free from conflicts of interest.
- Develop a standardized template for acknowledging the receipt of complaints and informing complainants about the next steps and expected timelines.
- Establish clear criteria for screening out-of-scope complaints and provide alternative channels or guidance for complainants in such cases.
- Ensure that staff members handling complaints are trained in maintaining confidentiality and protecting the privacy of complainants.

Processing complaints

To ensure a robust and fair resolution process, it is essential that all complaints falling within the scope of the complaints process undergo a thorough overview. This entails a comprehensive analysis and fact-finding to establish a solid foundation for subsequent decisions. Such a review is conducted with the utmost independence, objectivity and impartiality to uphold the integrity of the process.

Processing complaints should:

- Prioritize the accurate discovery of facts.
- Ensure the preservation of evidence and minimize any potential influence on witnesses.
- Respect the rights and perspectives of the complainant throughout the investigation.
- Work in collaboration with law enforcement agencies and other relevant organizations as necessary.
- Maintain a detailed and chronological log of all activities and findings.
- Establish and uphold a clear chain of custody for evidence that may be used in future criminal proceedings.

Examples of efficient practices that can be used:

- Conduct thorough investigations and fact-finding to gather relevant information and evidence.
- Collaborate with external experts or consultants, if necessary, to ensure an impartial and objective evaluation of complaints.
- Maintain a detailed log or case management system to track the progress of each complaint and document all actions taken.
- Regularly communicate with complainants, providing updates on the status of their complaints and any actions being taken.

Resolution of the complaint

“ To ensure a robust and fair resolution process, it is essential that all complaints falling within the scope of the complaints process undergo a thorough overview.

Option 1: Complaints handled by the business itself

Effective complaint resolution is a dynamic process that should ideally be managed by the business receiving the complaint. This responsibility entails tailoring solutions to individual cases and acknowledging that a universal solution is not feasible. A thorough understanding of the legal context, as well as the social and economic landscape, is essential to address the nuances and ensure a fair outcome.

Complaints handled by the business should:

- Assess the complaint's nature and the complainant's concerns within the context of the social, political and economic environment.
- Ensure data protection and security measures are thoroughly considered.
- Engage with law enforcement agencies, competent institutions or other relevant parties when necessary.
- Implement appropriate corrective actions to resolve the complaint effectively.
- Maintain open communication with the complainant, providing updates on progress and information on potential corrective measures.
- Offer guidance on additional steps, including further actions, consultations, mediation and follow-up with pertinent stakeholders.

Examples of efficient practices that can be used:

- Tailor the resolution approach to the specific complaint and the needs of the complainant.
- Implement corrective actions to address the issues raised in the complaint and prevent similar incidents in the future.
- Seek feedback from complainants on the effectiveness of the resolution and their satisfaction with the outcome.
- Continuously review and improve the complaint handling process based on lessons learned from resolved complaints.

Option 2: Referral to a better-suited party

Upon completion of a thorough review and analysis, if it is determined that a complaint falls outside the scope of the framework or that it can be more effectively addressed by an alternative entity, it should direct the complaint to the appropriate party for resolution. This ensures that each complaint is managed in the most efficient and effective manner possible.

Complaints referred to a better-suited party should:

- Initiate a discussion with the referral partner to determine their willingness and approach to address the complaint, ensuring adherence to principles of confidentiality and protection against retaliation.
- Obtain the complainant's consent for the referral by informing them of the decision, explaining the reasons and providing new contact details.
- Maintain regular follow-up with both the complainant and the referral partner to monitor the complaint's progress.
- Offer assistance to the referral partner to navigate any challenges encountered during the complaint resolution process.
- Facilitate positive relationships with relevant referral partners and, where feasible, establish a memorandum of understanding for handling future cases similarly.
- Engage in knowledge sharing with referral partners, offering advice and discussing best practices for implementing effective complaint mechanisms to address corruption.

Closure of the complaint

Upon the satisfactory resolution of a complaint and the successful communication of corrective actions to the complainant, the case can be considered officially closed. This closure is not merely an administrative task and should be completed with the highest standards of service and professionalism.

Closure of the complaint should:

- Inform complainants, where relevant, that their feedback has contributed to recognizing broader societal or developmental issues, leading to actionable measures for sustainable policy and practice improvements.
- Gather and secure proof of implemented corrective measures, such as photographic evidence, supporting documents, resolution records, agreements with the complainant or their written confirmation.

Appeal handling

An appeal process should be established to ensure fairness and transparency. This process would involve an independent panel tasked with reviewing the outcomes of complaints and decisions regarding complaints deemed outside the complaint mechanism's scope.

Examples of efficient practices that can be used:

- Establish an independent review panel or designate another senior staff member not involved in the initial complaint handling process to manage appeals.
- Clearly communicate the appeal process to complainants, including the necessary steps and timelines.
- Ensure that the appeal process is fair, objective and transparent, with decisions based on a thorough review of the complaint and any new evidence presented.
- Respect the outcome of the appeal and take appropriate action based on the decision.

Documenting complaints

Maintaining a comprehensive record of all complaints, follow-up measures and interactions with complainants are essential for promoting positive relationships and managing complaints effectively.

The process for documenting complaints should:

- Establish a suitable documenting system, such as a complaints database, to manage and track issues effectively.
- Document all complaints, findings from investigations, subsequent actions, and interactions with complainants and partners in the database to maintain a comprehensive history.
- Implement a policy for anonymizing and archiving complaint records after a predefined duration post-resolution to protect privacy and manage data retention.

Resources and funding

An effective complaint mechanism is a vital component of a business, ensuring accountability and continuous improvement. For successful implementation, it is crucial to establish clear objectives, delineate responsibilities, allocate budget, set realistic timelines and provide consistent oversight. Regular monitoring and reporting are also imperative to maintain the integrity of the process. Adequate staffing, precise role allocation, using suitable technologies and securing necessary funding are fundamental. Importantly, the resources allocated for the complaint mechanism must be safeguarded from influencing the resolution of complaints.

Staffing and resource planning should:

- Establish distinct roles for strategic management of the mechanism, detailing the specific duties and authority of senior management.
- Set definitive deadlines for the receipt of complaints and the issuance of corresponding responses.
- Guarantee that the mechanism is sufficiently manned by personnel equipped with the necessary competencies to effectively handle complaints.
- Provide comprehensive training to staff on the proper treatment of complainants, ensuring impartiality, attentiveness to potential safety and security concerns, and prompt communication.

Funding: Securing adequate funding is essential for the establishment and ongoing development of an effective complaint framework. This financial support will not only assist in the initial planning and setup but will also ensure its maintenance and continuous improvement to meet evolving requirements. Such a commitment to funding underlines the importance of a robust complaint mechanism in encouraging accountability and continuous enhancement of services.

Conclusion

Corrupt practices pose substantial risks, undermining business health and acting as barriers to growth and investment. As the backbone of the global economy, SMEs have the potential to make a substantial impact in the fight against corruption. Business integrity is not just a moral imperative; for SMEs, it is a powerful driver of success, growth and resilience in today's complex global marketplace. Maintaining business integrity, however, remains a complex challenge. While both large as well as medium and small companies globally are trying to fight corruption and ensure business integrity, the challenges are greater for SMEs that often lack the resources and expertise of larger corporations.

Upon implementing the practical recommendations provided in this report, SMEs can build a resilient framework that not only protects against corruption but also enhances their reputation and trust with stakeholders, contributing to long-term success.

While this can serve as a foundation, it is through collaboration, shared learning and mutual support that the most significant impact will be achieved. The fight against corruption is not one that SMEs need to undertake alone. Business integrity is a shared responsibility between large and medium-sized organizations. Emphasizing the importance of collective action in promoting business integrity, this report aspires to not just serve as a toolkit for individual companies; rather, it hopes to lay the foundations for a call to action for SMEs to join forces with global companies, collaborate and together tackle the challenge of corruption. By working together, SMEs can amplify impact, creating a ripple effect that strengthens integrity across industries and borders.

The integration of SMEs into the supply chains of larger multinationals presents a unique opportunity. Global companies are increasingly recognizing the value of working with ethical, transparent and resilient partners. By embracing the principles outlined here, SMEs position themselves as attractive collaborators for these multinationals, opening doors to new opportunities and growth. This collective approach to integrity can not only safeguard individual businesses but also contribute to a healthier, more trustworthy global business environment.

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15. This and other template in this paper are general guides and should be customized to fit the specific needs and requirements of the SME.
16. It is appropriate to establish a limit for the value of gifts, for example, $100 dollars, or provide examples of small gifts such as promotional items, flowers or chocolates. Examples of high-value items that should not be accepted include jewellery, expensive watches or plane tickets. It is essential to clearly identify the context for determining an acceptable gift and maximum amount.
17. Generally, there are laws or regulations regarding what government officials can accept. It is helpful to discuss and decide what gifts to offer to your clients rather than leaving it to the discretion of a single person.
18. 18 Sometimes it may be impolite to refuse a gift, such as at a public event. It is useful to have a prepared guideline for such situations. In these cases, the gift can be accepted and later returned with an explanatory letter. Alternatively, you could choose to donate its value to a charity. The gift giver should be informed, in writing, about what your company has done and the reason for it to avoid high-value gifts on future occasions.
19. When nobody from the organizing company of an event attends as a host to the guests, for example, at a sporting event, then it is considered a gift rather than hospitality, falling within the gift guidelines. For it to be considered hospitality, there should be some commercial element involved, such as building good relations or following up on a business meeting. Lavish hospitality exceeds what is considered appropriate, such as, a weekend stay in an expensive hotel that includes spouses. These practices are not an issue as long as each company pays its own travel and accommodation expenses.
20. A conflict of interest arises when an individual's private interests or the interests of individuals close to them differ from those of the organization to which the individual belongs.
21. Companies must take all possible measures to prevent such a payment from being used as a tool to conceal corruption.
22. It is suggested that this decision should not be made by a single individual but rather by the highest-ranking officials of the company in a consensual manner.
23. If you are in the midst of a negotiation process to obtain a government contract or licence, such as a planning permit, or if a sensitive issue of your company is under government scrutiny, contributions to the government or a local political party could be viewed as bribery.
24. Lobbying refers to the act of promoting specific interests by communication with any public official aimed at influencing public decision-making.

25. It is crucial to identify all external stakeholders to whom the policy should be disseminated, with a particular emphasis on their relevance. For example, suppliers who may represent the company in external forums, such as lawyers, should be aware of and adhere to the policy at all times.
26. Although “service provider” is a term referenced, it could be replaced with however the third party to this contract is defined.
27. Transparency International. (2018). *Business Principles Against Bribery: Small and Medium-sized Enterprises (SMEs) Edition*.
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