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OECD Russia Corporate Governance Roundtable

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OECD Trust and Business (TNB) Project: Preliminary Findings

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Disclaimer: The views expressed in this presentation are those of the author and do not necessarily represent the opinion of the OECD Russia Corporate Governance Roundtable, the OECD or its Member countries, of the Moscow Exchange or the Siemens Integrity Initiative.



Overview

Launched in January 2015, the **OECD Trust and Business (TNB) Project** aims to help companies bridge the gap between OECD standards and recommendations for business integrity and their implementation.

Outline of this presentation:

- Rationale
- Methodology
- Preliminary findings
 - Business integrity in practice
 - Drivers of integrity





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Publication:

October 18, 2015 8:12 pm

Volkswagen 'co-operating fully' after police raid French offices

Gill Plimmer in London

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The headquarters of Volkswagen's operations in France were searched on Friday, in the latest sign that the diesel emissions rigging scandal at the German carmaker showed little sign of abating.

Police raided the company's offices in Villers-Cotterets, in the Picardy region of northern France, as well as offices in Roissy, a northern Parisian suburb.

The company confirmed on Sunday that the raid had taken place, saying that "we are co-operating fully with the authorities".

Confirmation of the raids came a day after Martin Winterkorn, who had already stepped down as chief executive, resigned from his post as chairman of Porsche, the company's biggest shareholder.

More

ON THIS TOPIC

Analysis VW scandal rooted in technology problem

Investors seek emissions

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Presque scandale de corruption ébranle le Brésil

NATIONAL Par Lamia Oualalou | Mis à jour le 14/12/2014 à 19:30 | Publié le 14/12/2014 à 17:34



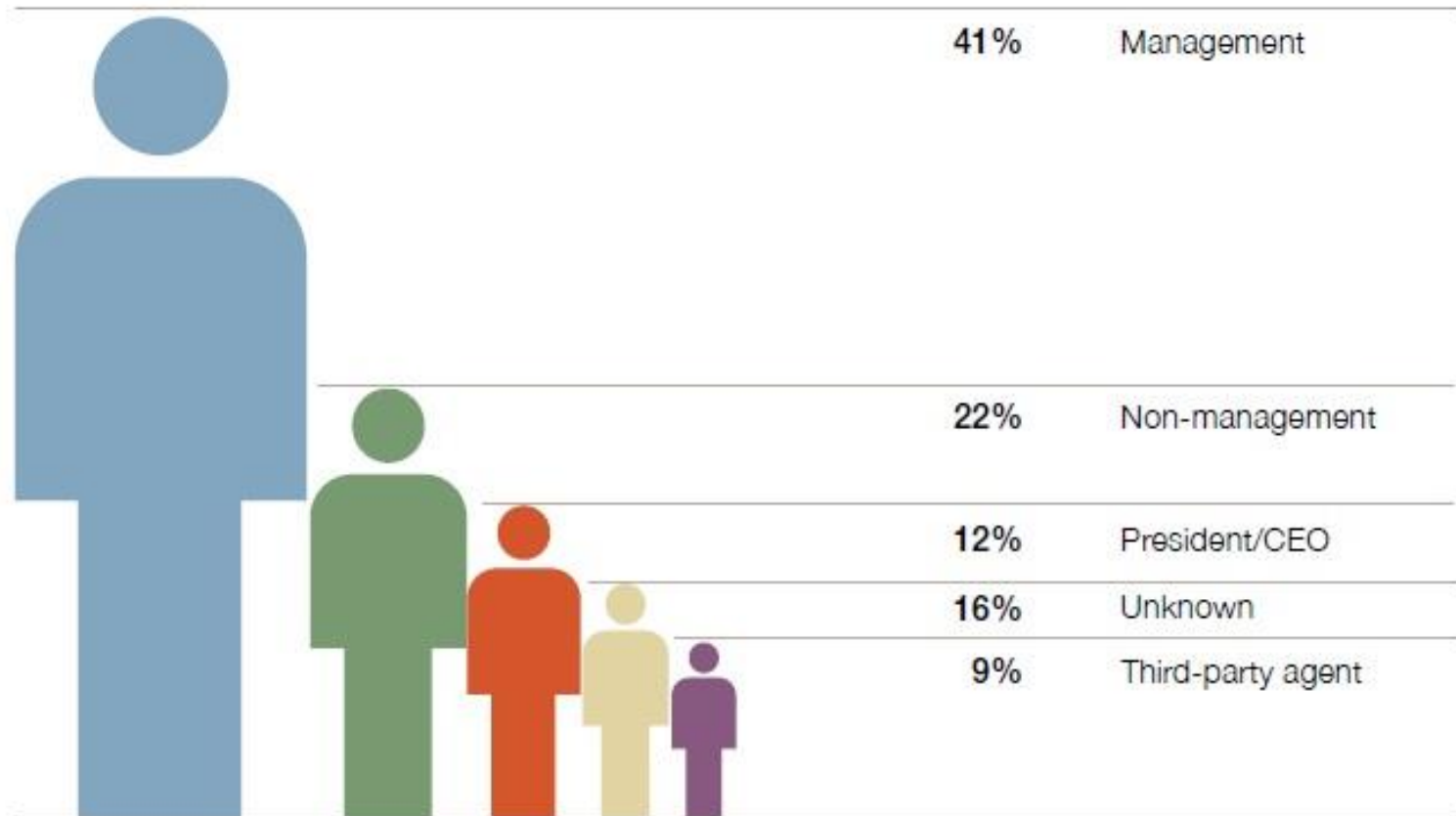
as révèle des surfacturations de presque tous les grands travaux publics en vue de cultures.

se sont encaissés. Les autres ont dû se résoudre à payer, autrement dit, ils ont dû avoir face à eux une amende de 115 millions d'euros.

Les settlements raised the total tally for the manipulation to more than \$6bn, a sum expected to increase further as regulators



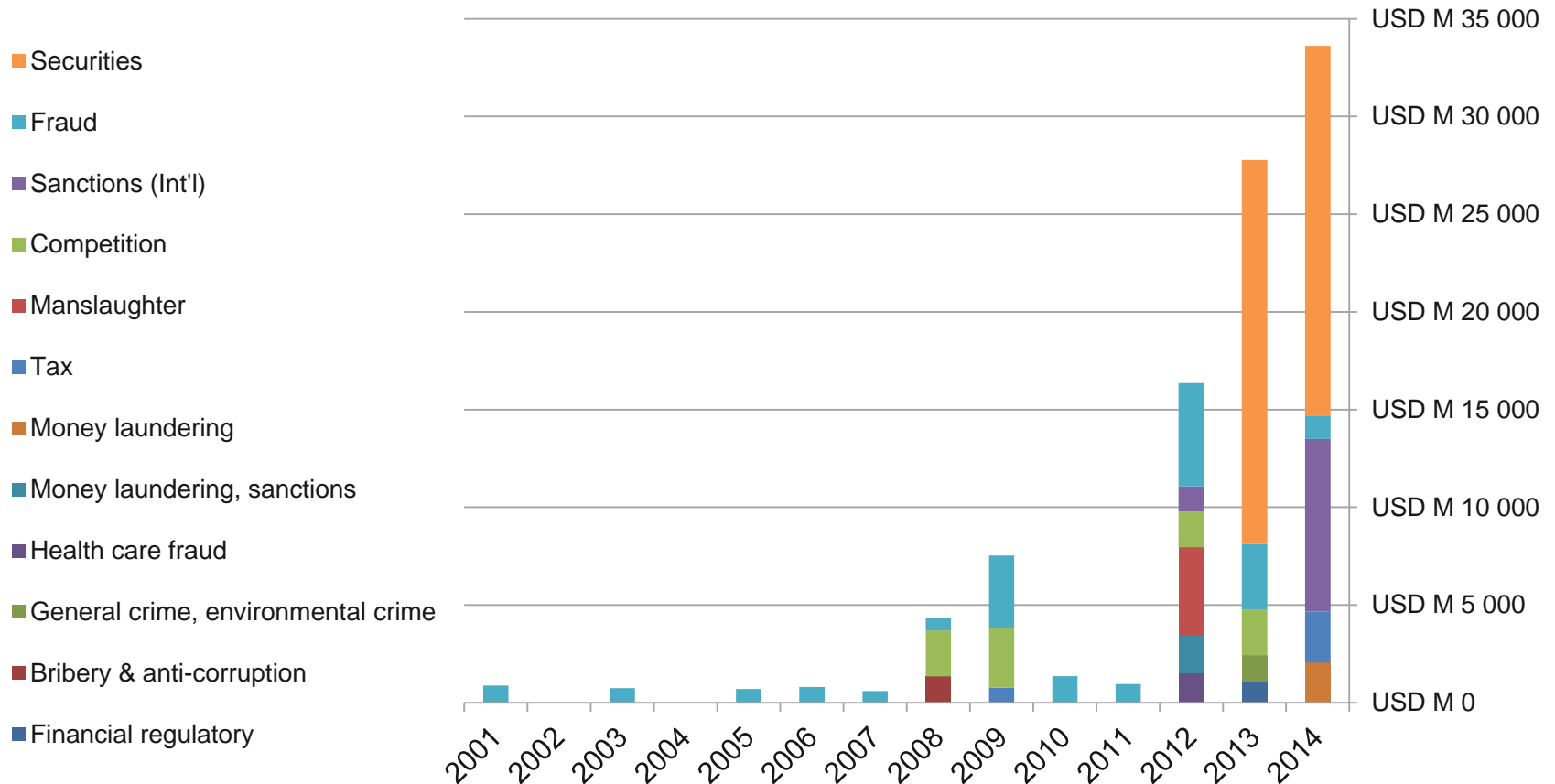
Implementation gap: Management involvement in foreign bribery cases



Source: OECD Foreign Bribery report (2014)



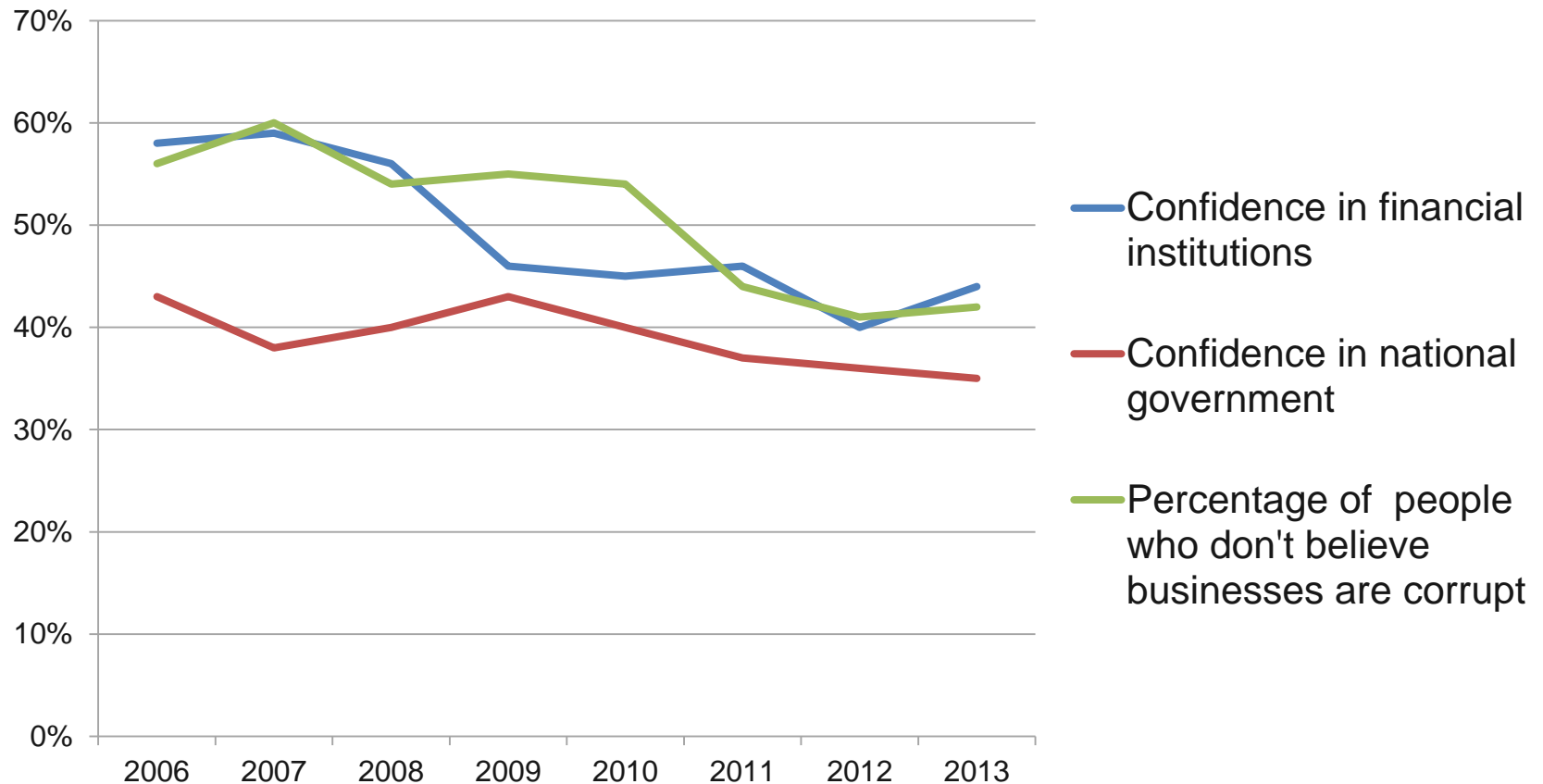
Implementation gap: Sanctions



Source: *Global Investigations Review Enforcement Scorecard Database*
(<http://globalinvestigationsreview.com/enforcement-scorecard>)



Implementation gap: Lost Trust



Source: World Gallup Poll (2006-2013)

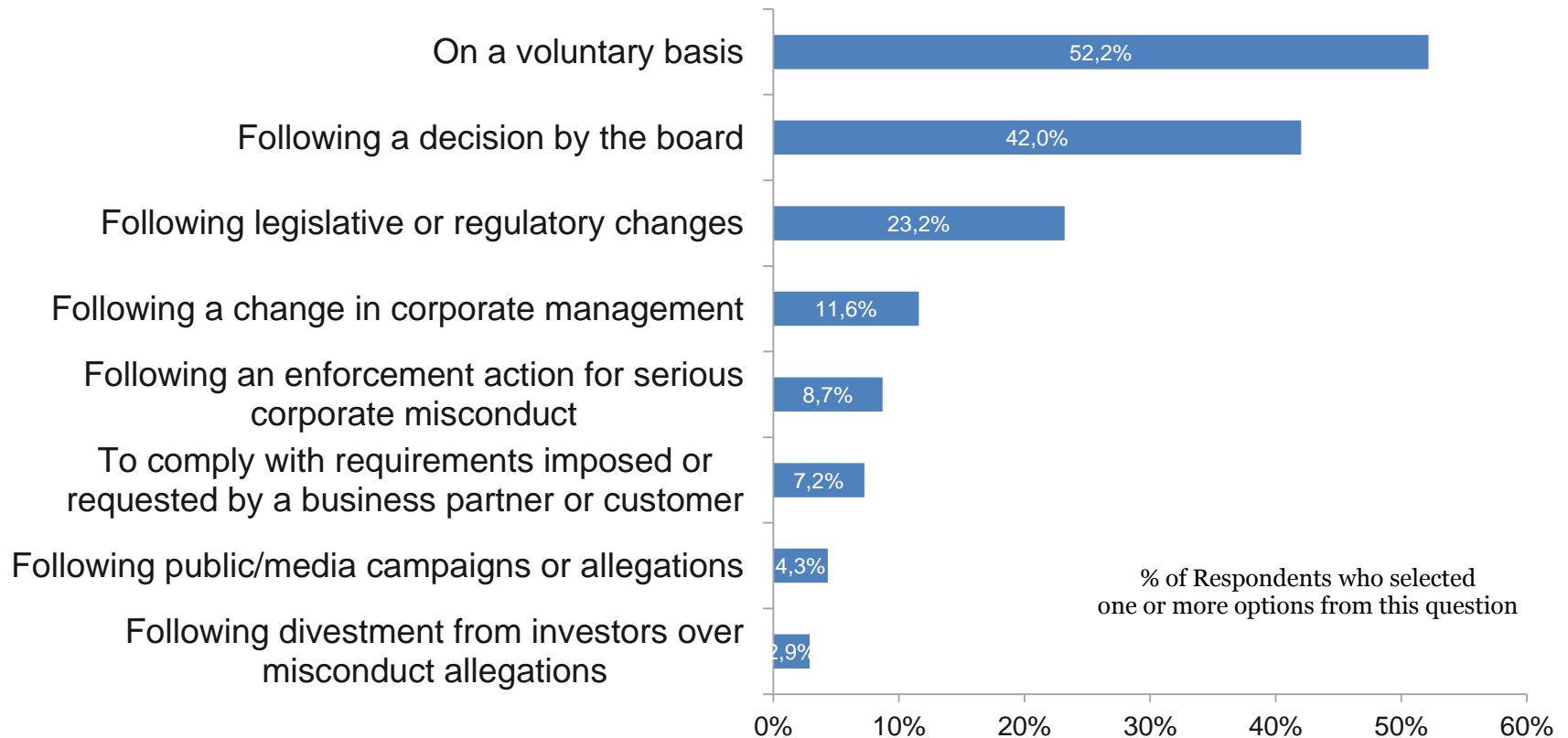


Methodology

- Work was conducted between January and April 2015.
- **OECD Survey** on Business Integrity and Corporate Governance: 88 responses (69 company reps; 19 external advisors). Separate survey questions for each category of respondents.
- **40 in-depth interviews** with private sector representatives, based on a standard set of interview questions.
- Broad **literature review**.
- **Discussions and public consultation** in the context of the TNB Project Consultation at OECD Integrity Forum (March 2015) and with all relevant OECD communities.



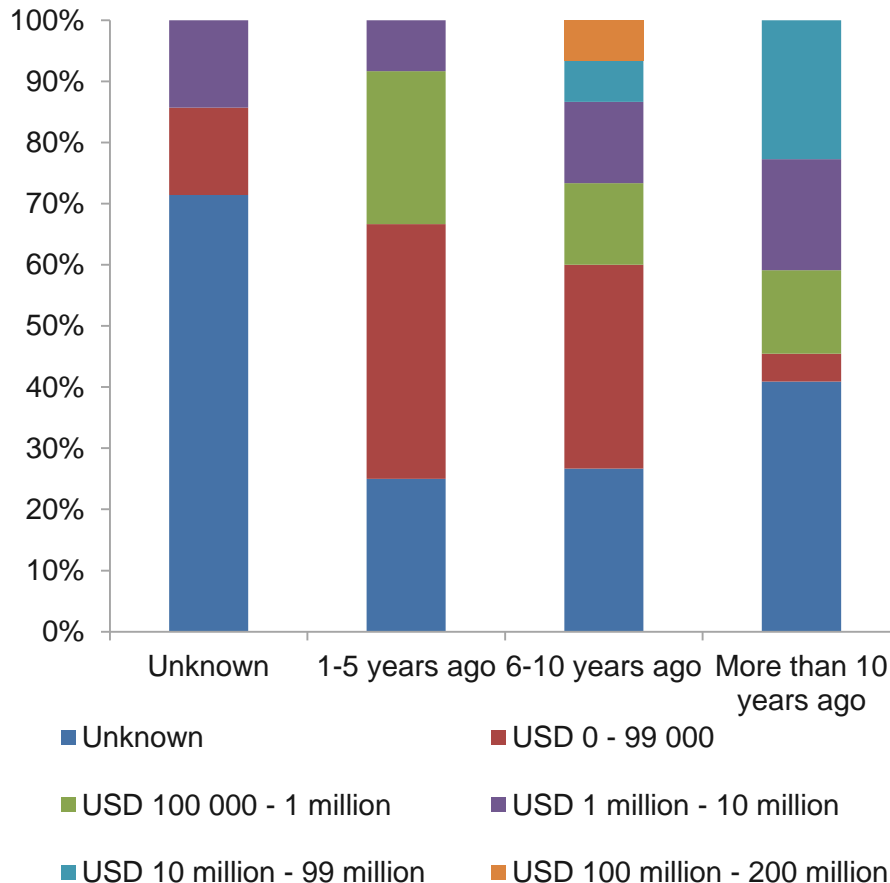
Creation of business integrity function



Source: TNB Survey, 2015 (69 respondents)

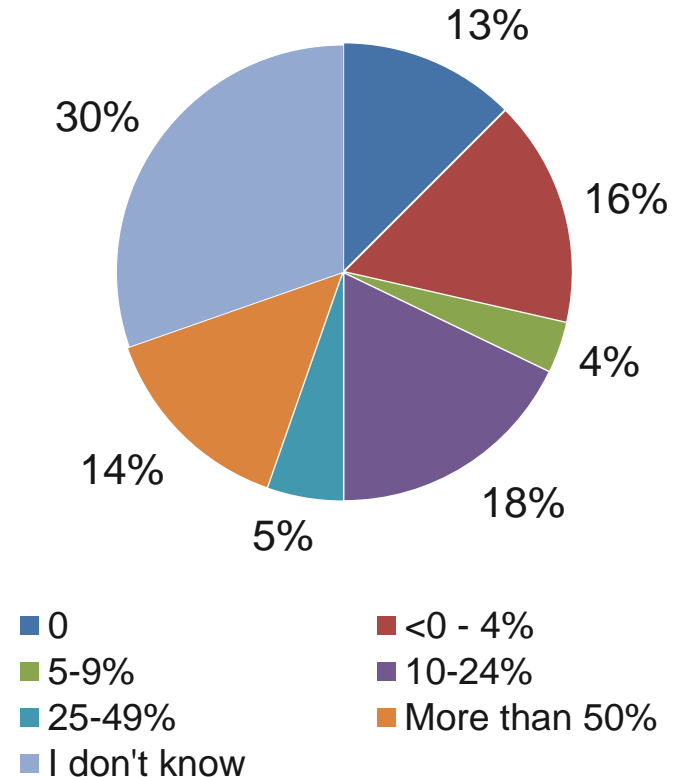


Budget of business integrity function



Business integrity budget by age of business integrity policy

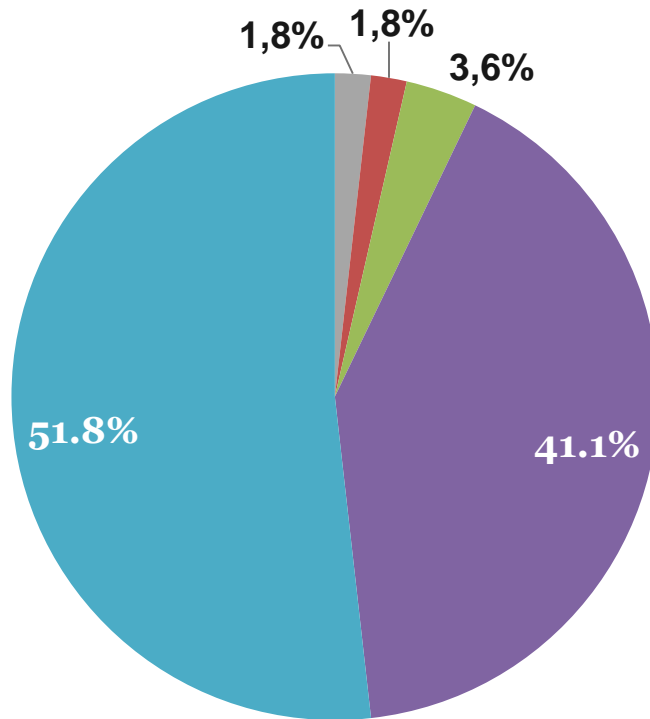
Estimated % increase in business integrity budget over the last five years



Source: TNB Survey, 2015 (56 respondents)



Scope of business integrity policy

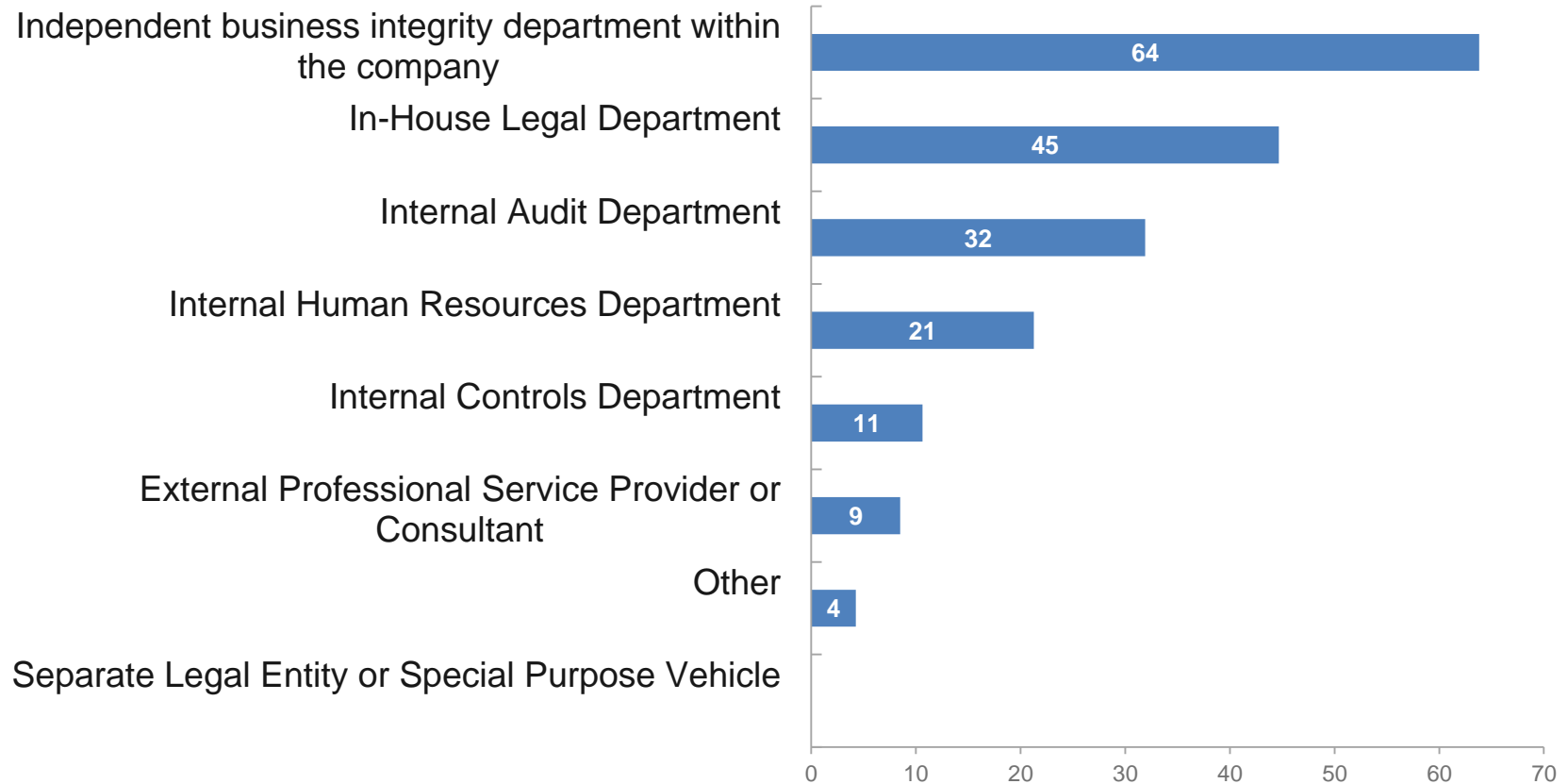


- Separated by level of business (e.g. government relations, supplier relations, customer level (KYC))
- Separated by line of business (e.g. sales, distribution)
- Separated by region (e.g. Europe, MENA, Latin America)
- Separated by risk category (e.g. bribery, anti-trust, sanctions)
- It is integrated across business and regional operations

Source: TNB Survey, 2015 (56 respondents)



Organisation of the integrity function

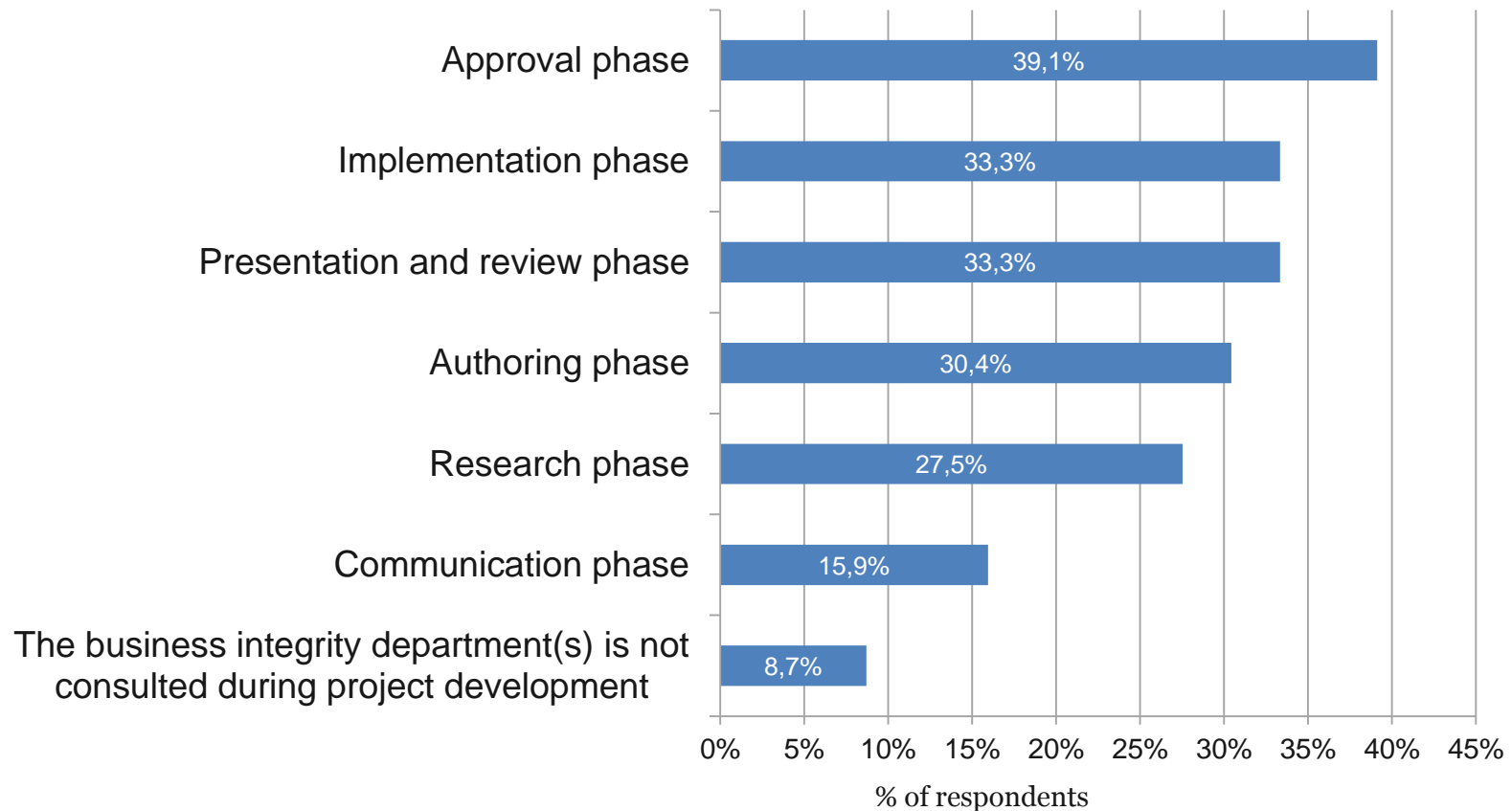


% of Respondents who selected one or more options from this question

Source: TNB Survey, 2015 (47 respondents)



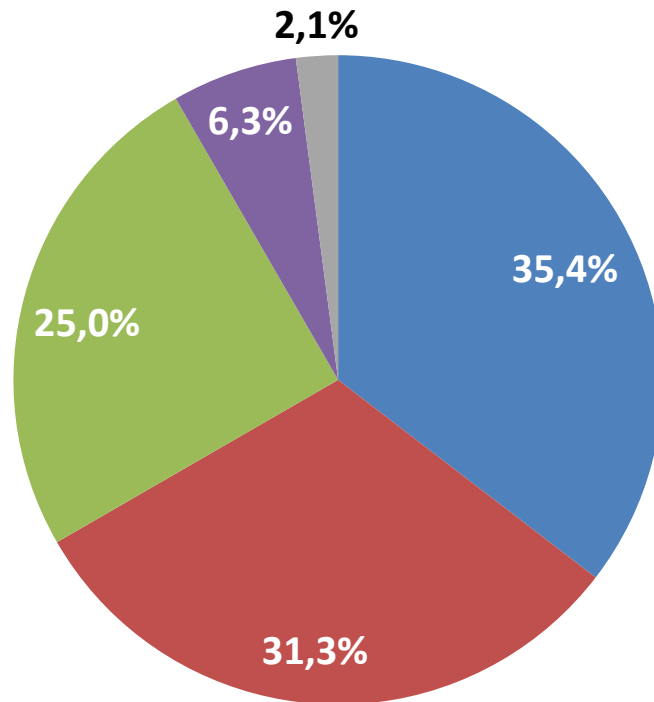
Involvement of the business integrity function



Source: TNB Survey 2015 (69 respondents)



Mandate of the business integrity function

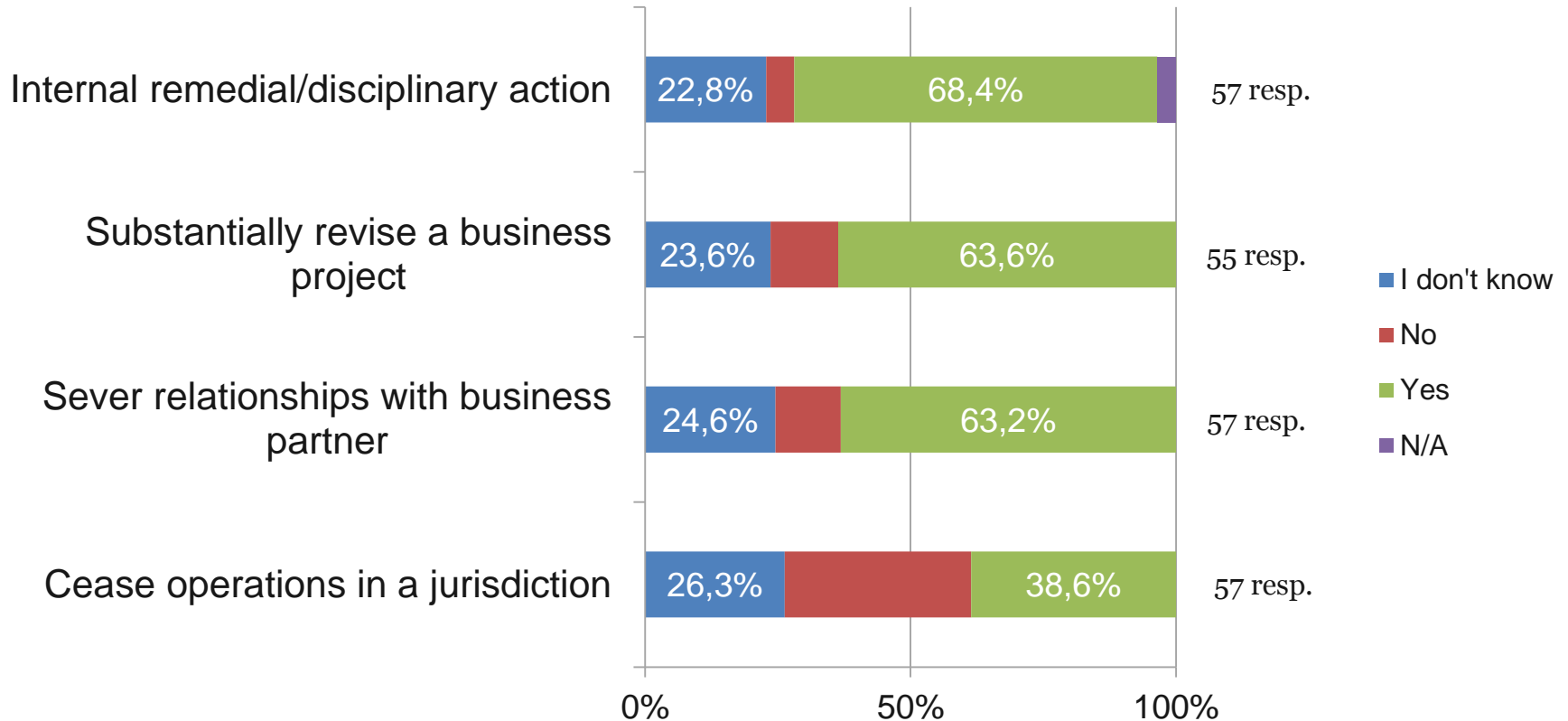


- The business integrity function(s) has veto power in relation to certain decisions
- The business integrity function(s) makes recommendations
- The business integrity function(s) is integrated across corporate operations (e.g. administrative, commercial, financial)
- The business integrity function(s) does not play any role in the company's decision-making process
- Don't know

Source: TNB Survey 2015 (48 respondents)



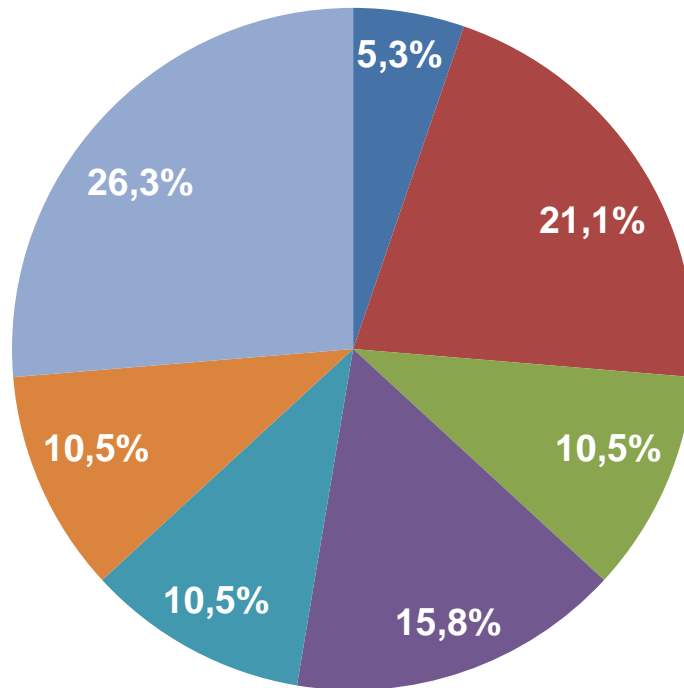
Board decisions taken in light of business integrity risks



Source: TNB Survey, 2015 (n = number of respondents who replied to both questions)



Obstacles for business integrity



- Complex legal requirements
- Conflicting corporate objectives
- Inadequate financial resources
- Inadequate human resources
- Ineffective strategy
- Lack of awareness among employees of the priority placed on business integrity
- Unsupportive company leadership (i.e. board and/or C-Suite)

Source: TNB Survey 2015 (19 respondents)

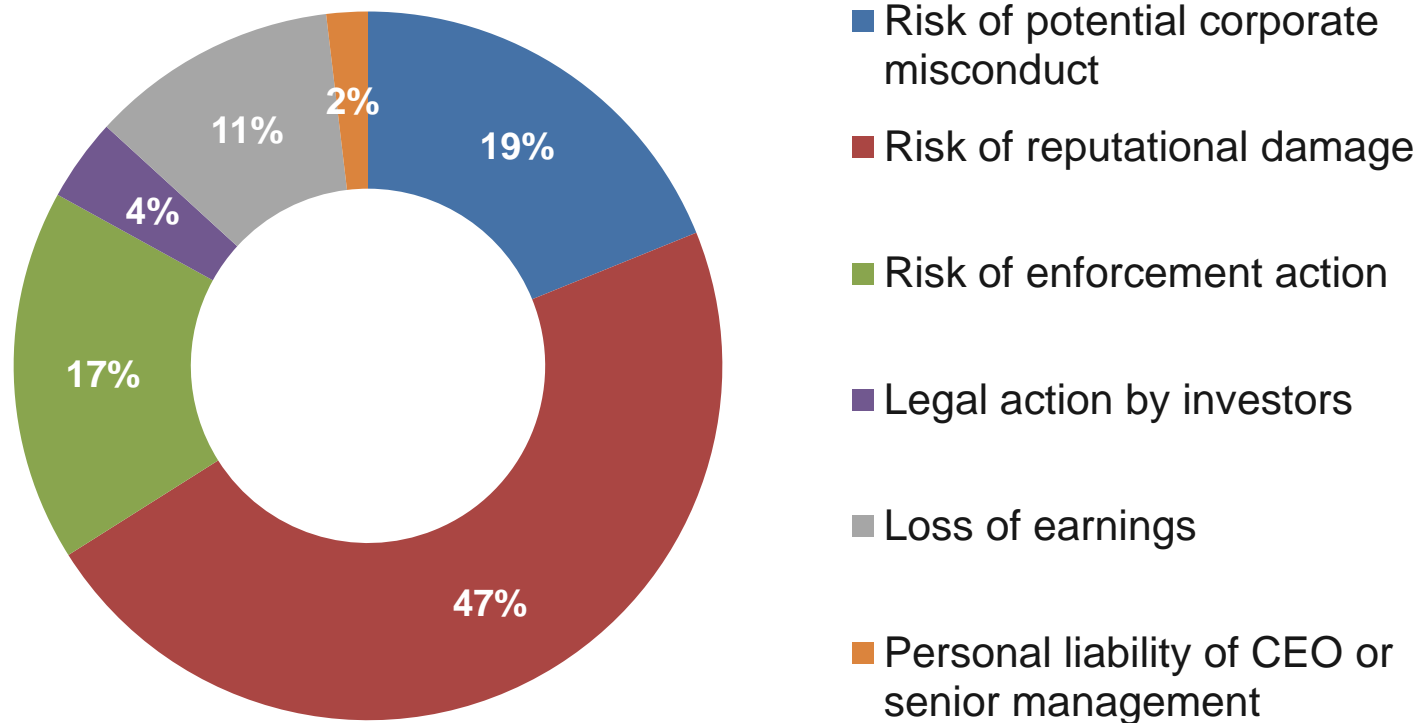


Drivers of integrity

Private Sector/External	Government action
Internal reporting mechanisms and protection from reprisals	Enforcement
Linking integrity to incentives	Compliance incentives
Sectorial initiatives	Self-reporting and voluntary disclosure
Collective action	Settlement arrangements
Certification	Corporate Governance Codes
Investors and shareholders	National Contact Points and specific instances under the MNE Guidelines
Personal director liability	High-Level Reporting Mechanism and “business ombudsmen”
Customers and clients	
Peer benchmarking	



Main reason for seeking to detect, prevent and address misconduct



Source: TNB Survey, 2015 (53 respondents)



For more information

www.oecd.org/daf/ca/trust-business.htm

