OVERVIEW

In 2013 and 2014, 23 companies participated in CREATe Leading Practices for Anti-Corruption, our three-step service that is based on internationally recognized best practices for preventing, detecting and mitigating corruption risk. The companies participating in the pilot crossed diverse industry sectors – aviation, IT, consumer goods, telecommunications – and geographies, including Asia, Latin America, Europe and North America.

The scenarios for the companies, included:

- Private equity firms asking their portfolio companies to participate in CREATe Leading Practices for Anti-Corruption to assess and improve their anti-corruption programs
- Companies seeking to measure their own internal anti-corruption systems to prepare for new anti-corruption legislation coming into effect
- Companies comparing the level of anti-corruption program implementation of their subsidiaries and regional offices

After the Self-Assessment, the majority of companies also participated in an Independent Evaluation conducted by a CREATe expert. Company representatives discussed their anti-corruption program with the CREATe expert, who shared insights into anti-corruption best practices and helped to define key priority areas for improvement.

Each participating company took an online Self-Assessment, which measured the maturity of the company’s anti-corruption program across the following process categories:

- Policies, Procedures & Records
- Anti-Corruption Compliance Team
- Quality of Risk Assessment
- Supply Chain Management
- Training & Capacity Building
- Monitoring & Measurement
- Corrective Action & Improvement
Following the Independent Evaluation, each company received a Summary Report featuring detailed recommendations for improvements. Companies also received access to the 200+ page CREATE Leading Practices ‘Guide to Improving Your Anti-Corruption Program,’ which outlines specific steps for maturing an anti-corruption program, along with sample resources, such as anti-corruption policy guidelines, executive communications, guidance on due diligence and risk assessment, and other tools.

Following is an overview of the results.

“...70% of companies do not have financial controls specifically designed to detect corruption.”

Companies are measured in all categories on a scale of 1-5

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Little or no awareness of repeatable processes</td>
</tr>
<tr>
<td>5</td>
<td>Mature system implemented internally and in supply chain: focus on all IP</td>
</tr>
</tbody>
</table>
Looking at the data another way:

<table>
<thead>
<tr>
<th>Process Category</th>
<th>Self-Assessment: All Participating Companies</th>
<th>Independent Evaluation: All Participating Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies, Procedures &amp; Records</td>
<td>3.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Anti-Corruption Compliance Team</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Quality of Risk Assessment</td>
<td>2.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>2.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Training &amp; Capacity Building</td>
<td>2.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Monitoring &amp; Measurement</td>
<td>2.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Corrective Action &amp; Improvement</td>
<td>2.9</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>2.6</strong></td>
<td><strong>1.9</strong></td>
</tr>
</tbody>
</table>

**Notes**

- Self-Assessment scores are typically higher than Independent evaluation scores. This is true in virtually every type of evaluation.
- The Independent Evaluation scores provide a more credible view on the maturity of the anti-corruption program.
- A narrow gap between the Self-Assessment and Independent Evaluation scores indicates that the companies had a realistic understanding of their system maturity.
- A wide gap between the Self-Assessment and Independent Evaluation scores indicates that companies had a more limited understanding of the process. Often this was addressed during the Independent Evaluation call as the company gained a deeper understanding of the topic.
Top 3 Findings

- ‘Policies, Procedures and Records’ is the most mature process in anti-corruption.
  - There are well-established, international guidelines for anti-corruption compliance that provide companies with guidance on establishing their own policies.
  - Even so, most companies do not have specific procedures to direct employees in following those policies. Many companies seem to rely on their policy document rather than implement effective procedures to enforce policies.

- ‘Risk Assessment’ and ‘Training and Capacity Building’ are the least mature processes in anti-corruption.
  - Most companies perform no formal anti-corruption risk assessment before entering a new market or business partner relationship, but instead rely on the common sense and experience of their employees to understand when corruption risk exists.
  - Most companies do not train their employees on anti-corruption measures. This lack of training is directly tied to the low level of implementation seen in most companies.

- ‘Anti-Corruption Compliance Team’ is a foundational area that needs improvement.
  - In many companies, no one has specific responsibility for anti-corruption compliance. As a result, these companies tend to be reactive and only respond to incidents that occur rather than proactively managing and mitigating their risk.
  - Even in companies where a person has responsibility for anti-corruption compliance, they are often not given the authority and resources necessary to implement an effective anti-corruption program.

The Deeper Dive: Interesting Highlights

Policies, Procedures and Records

- CREATe expert evaluators found that 70% of companies do not have financial controls specifically designed to detect corruption or do not consistently use them if they do have such controls.
- 80% of companies do not have written procedures for how employees should follow the company anti-corruption policies, based on the CREATe evaluation.

Anti-Corruption Compliance Team

- CREATe expert evaluators found that 40% of companies have not assigned day-to-day responsibility for anti-corruption compliance to a specific employee or group of employees.
- 13% of companies self-reported that their senior management had no involvement in anti-corruption compliance. According to CREATe.org expert evaluators, that number is even higher, with 40% of companies having no senior management involvement.
Scope and Quality of Risk Assessment

- Based on companies' Self-Assessment, 65% do not proactively conduct an anti-corruption risk assessment before entering a new market or business partner relationship.
- The Self-Assessments also found that 55% of the companies do not conduct an anti-corruption risk assessment even when they are working with government officials.

Management of Supply Chain

- According to CREATe expert evaluators, 100% of participating companies only conduct financial and business due diligence or due diligence that is not anti-corruption specific.
- 60% of companies do not address anti-corruption at all in their relationships with supply chain and business partners, even through contractual requirements, based on the CREATe evaluations.

Training and Capacity Building

- 62% of companies self-reported that they do not provide any anti-corruption training to their employees.
- The companies reported and the CREATe evaluators confirmed that 67% of companies do not provide any anti-corruption training to supply chain members or otherwise require them to train their own employees.

Monitoring and Measurement

- 57% of companies self-report that they do not monitor the performance of their anti-corruption program inside their company.
- 86% of companies do not monitor the anti-corruption compliance of their supply chain and business partners (e.g., through periodic audits, updated due diligence, requesting annual compliance certifications), based on the Self-Assessment.

Corrective Action and Improvement

- According to CREATe expert evaluators, 60% of companies involve senior management when they take action to address and remediate specific corruption-related incidents.
- 67% of companies self-report that they do not take any corrective action to help supply chain members fix problems or improve their anti-corruption program.
**Scenarios of Companies in the Pilot**

**Global Private Equity Firm:** Regional offices, investors and portfolio companies in North America, Europe, Middle East, Asia, Australia

**Situation:** The firm created a new position to build and lead its anti-corruption program. In part, this was in response to new anti-corruption laws and stricter enforcement in certain countries where the firm has portfolio companies. The new head of anti-corruption compliance sought an effective way to measure the maturity of the firm’s anti-corruption program, as well as the programs of key portfolio companies. Prior to engaging with CREATe, the firm had already developed a new, comprehensive set of anti-corruption policies and a program to train employees on them.

**Actions Taken:** The firm integrated CREATe’s recommendations into its internal programs and asked portfolio companies to participate in CREATe Leading Practices as well. In part guided by the CREATe report, it wrote procedures to correspond with its new policies. It conducted anti-corruption training at its regional offices, and has developed an annual anti-corruption training plan.

> “I learned a lot from your program as how to build a strong anti-corruption compliance program. As a private equity firm, I also appreciate you helping us evaluate our existing and potential investments. We found CREATe’s management systems approach useful as a means of helping us understand how we can go about making improvements.”

**Global Heavy Equipment Manufacturer:** $600 million annual revenue, 2,075 employees

**Situation:** New management wanted to understand the maturity of the company’s anti-corruption program throughout its global organization, which operates in many high-risk countries. The company had a strong anti-corruption culture, but no functioning anti-corruption management system. Management had started to update the code of conduct and anti-corruption policies, but needed more insight into the current anti-corruption practices in each region.

**Actions Taken:** The regional offices each completed the CREATe Leading Practices Self-Assessment and Independent Evaluation. CREATe expert evaluators are working with the company to provide recommendations for improvement to each regional office as well as an overall improvement plan to headquarters.

> “One of the key focuses for me is the improvement and rollout of our anti-corruption program. I am updating the existing Code of Conduct and policy, which is really just the first step in this process. To help with the next stage, CREATe has agreed to help me identify how “mature” our anti-corruption program is by providing me with an evaluation service.”
Global Compliance Verification Company

**Situation:** The company conducts factory audits on behalf of many global brands, with the audits focusing on quality, labor and environmental compliance. Corruption in the compliance auditing industry has been a growing concern for the company. As a leader in the field, the company wanted an assessment of the effectiveness of its internal anti-corruption management systems. Prior to working with CREATe, the company had developed a very thorough set of anti-corruption policies.

**Actions Taken:** The evaluation revealed that company procedures were no longer aligned with its policies, so it focused on updating its anti-corruption procedures while conducting training on the new policies for employees. The company also prioritized the creation of a formal corrective action system. Based on a growing general concern over corruption among its customers, the company is exploring how to incorporate an anti-corruption evaluation into its factory compliance program.

Chinese Business Consulting Company

**Situation:** As a portfolio company of a private equity firm, the company was asked to participate in CREATe Leading Practices in order to evaluate its anti-corruption program. The nature of the company’s business placed its employees and agents in situations and markets with a high risk of corruption. The company has sophisticated internal controls for business and financial operations, but these are not specifically designed or used to detect corruption. The employee code of conduct is thorough in covering anti-corruption policies, but the company has no specific anti-corruption procedures for employees to follow, and does not conduct any training on its anti-corruption policies.
“We are honored to participate in the CREATe anti-corruption program. We have received a lot of valuable professional advice from the assessment. I like CREATe’s preventive and proactive approach. We look forward to further cooperation.”

What Companies Had to Say...

“The CREATe program showed us the weakness in our anti-corruption compliance program. For example, we don’t have full-fledged anti-corruption policies. We don’t have a cross-functional anti-corruption compliance team. As a compliance director, I am eager to improve our anti-corruption program, but there is limit on what I can do... I agree with you that we need to take incremental improvement steps.”
—Global Private Equity Firm

“We have participated in the CREATe IP program. It showed us the weakness in our IP program and the gaps between our system and internal best practices. I am very interested in the anti-corruption assessment as well. Compliance risks can bring huge damage to a company. I have been talking to our senior management about building an anti-corruption compliance program.”
—Chinese Information Technology Company

“CREATe has agreed to help me identify how “mature” our anti-corruption program is by providing me with an evaluation service.”
About CREATe
ABOUT CREATe

The Center for Responsible Enterprise And Trade (CREATe) is a non-profit organization dedicated to helping companies and their suppliers and business partners reduce counterfeiting, piracy, trade secret theft and corruption.

CREATe was founded in October 2011 by Pamela Passman, former Corporate Vice President and Deputy General Counsel, Global Corporate and Regulatory Affairs, Microsoft Corporation.

While at Microsoft, Ms. Passman led Microsoft’s regulatory compliance work on a range of issues in more than 100 countries. She was integral to the company’s global corporate citizenship efforts, and for nearly six years led Legal and Corporate Affairs in Asia, based in Tokyo, with a focus on Japan, Korea and the People’s Republic of China.

Ms. Passman’s collective experience – in compliance, corporate leadership, public policy and emerging markets – led her to consider a new approach to two critical issues for companies around the world: intellectual property (IP) protection and anti-corruption. She recognized that companies such as Microsoft, GE, DuPont, P&G and many others have spent years developing robust management systems and best practices to appropriately manage and use IP and to prevent corruption. Equally important, she understood that while government regulation will continue to be the necessary foundation, the private sector can play a powerful role in driving responsible business practices and bridging regulatory gaps where adequate laws do not exist or enforcement is weak.
From these perspectives, CREATe was founded. As a non-profit organization, CREATe works across industries and geographies with a mission to bring leading practices in IP protection and anti-corruption to all companies. The organization works to provide cost-effective and practical assessments, benchmarking, tools and step-by-step guidance for companies, particularly those that lack a track record of developing and implementing compliance programs.

Sharing Leading Practices for IP Protection and Anti-Corruption

In the organization’s first two years, CREATe’s in-house experts gathered insights on leading practices from companies around the world, and partnered with think tanks, academics and experts on IP protection, anti-corruption management systems and sustainable supply chains. The organization also looked at existing guidelines, including those for anti-corruption defined by the Organisation for Economic Co-operation and Development (OECD), the U.S. Department of Justice, Securities and Exchange Commission, The UK Ministry of Justice, the World Economic Forum, and the U.N. Global Compact.

CREATe brought together these leading practices and guidelines and identified specific business processes critical to an effective IP management system and those essential to preventing corruption. These range from policies, procedures and records, to training, monitoring and having systems in place to take action when something goes wrong.

To help companies assess and improve these systems, CREATe developed two services – CREATe Leading Practices for IP Protection and CREATe Leading Practices for Anti-Corruption. Each service allows companies to measure the maturity of management systems in place to protect IP or prevent corruption; and then improve and mature such practices with incremental steps from CREATe’s 200+ page Guides and insight from experts in IP and anti-corruption. CREATe has also developed individual training modules and resources, such as Model IP Policies and a compilation of internationally recognized anti-corruption guidelines, which are available for download from the CREATe.org website.

The CREATe Leading Practices service is cost-effective, practical and flexible enough to meet the varying requirements of companies across industries and geographies. It is currently available in Chinese, English, Brazilian Portuguese and Spanish.