



Developing Effective Compliance Management Systems in China: ISO37001

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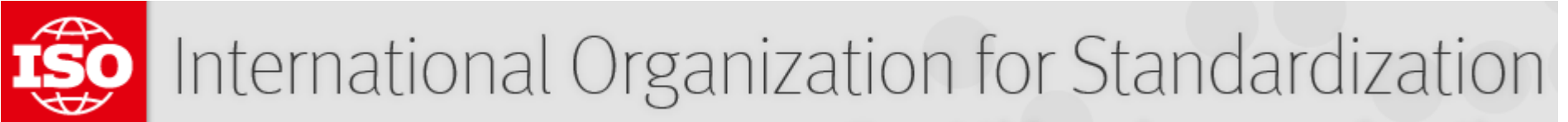
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Introducing ISO37001

What is ISO?



	An independent, non-governmental organization
	A global network of national standards bodies with one member per country
	Coordinated by a Central Secretariat in Geneva, Switzerland.
	Non-profit Organization
	Provides a platform for developing practical tools through common understanding and cooperation with all members

162
Members

21,862*
International standards

100*
New standards every month

244
Technical committees

What is ISO 37001?

ISO 37001 has been a closely monitored standard throughout its development and its publication opens up a new perspective on Anti-Bribery and Anti-Corruption (ABAC) compliance:

- Published on **15 October 2016** after several years of development by 41 countries including China, India, Mexico, UK, and the United States;
- Lays out a framework for establishing a strong anti-bribery program that is **reasonable** and **proportionate** according to the company's bribery risks;
- Designed to be used by **small, medium, and large organization** in the **public, private, and non-profit sectors**;
- ISO 37001 moves beyond the U.S. and UK-centric anti-corruption guidelines that are industry standards.

ABAC Game Changer: first time ever, companies can certify their anti-bribery program under a global standard (37001)



What is an Anti-Bribery Management System?

A system that is designed to **instill an anti-bribery culture** within a company and **implement proper controls**, which as a result will increase the chances of detecting bribery and reduce its incidence in the first place.

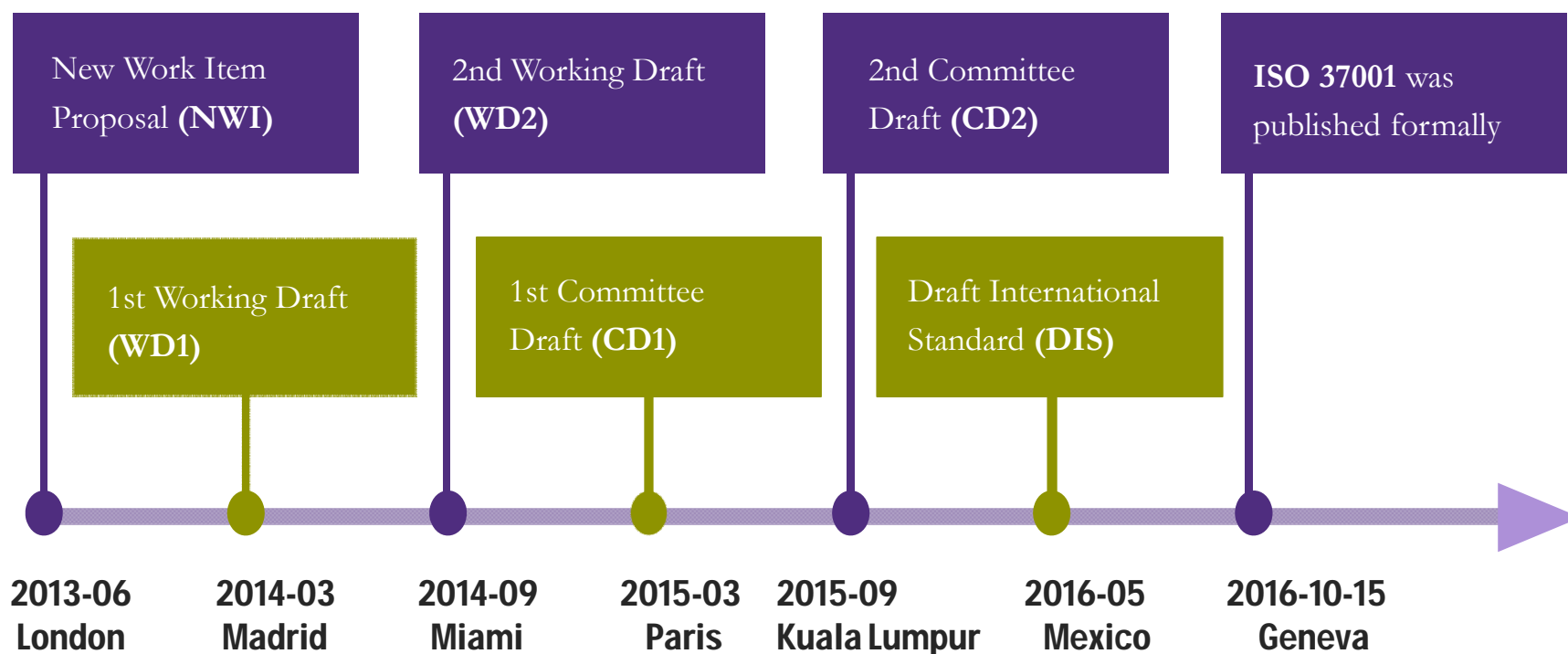
- ISO 37001, *Anti-Bribery Management Systems – Requirements with guidance for use*, gives the requirements and guidance for establishing, implementing, maintaining and improving an anti-bribery management system;
 - System can be independent of, or integrated into, an overall system.
- Covers bribery in public, private and not-for-profit sectors;
- Includes bribery by and against an organization or its employees, and bribery paid or received through a third party;
- Bribery can take place anywhere, be of any value and can involve financial or non-financial advantages or benefits.

ISO 37001 Framework – 7 Compliance Areas



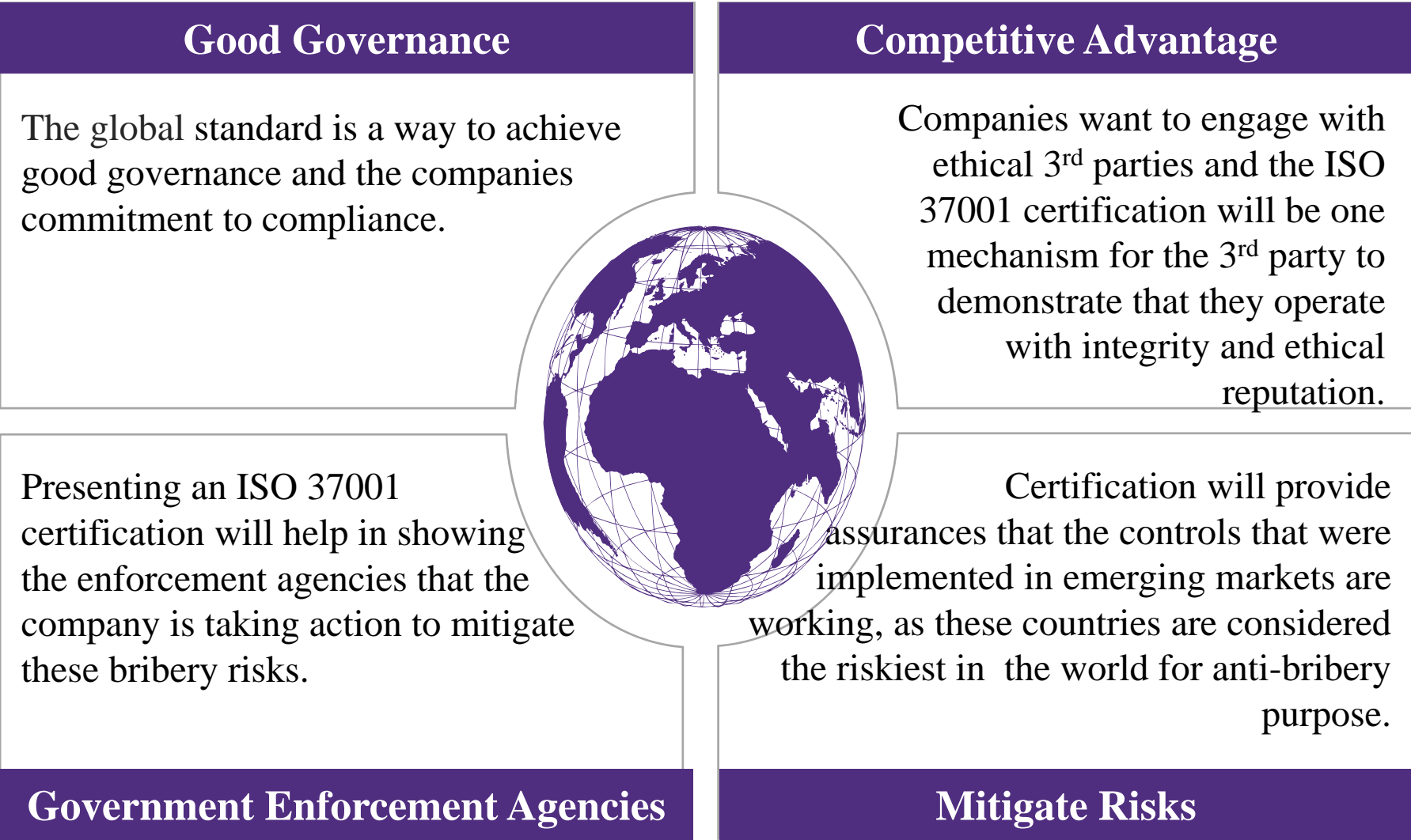
ISO 37001 Development Process

- ✓ ISO 37001 was developed by a Project Committee established by ISO in 2013.
- ✓ The committee comprised experts from the 35 participating countries (includes China), 22 observing countries and 8 liaison organizations.



Its Benefits & Misconceptions

Benefits of ISO 37001 Certification



ISO 37001 Misconceptions

#1 – ISO 37001 is a “race to the bottom”

- ✓ It provides a high-water mark where firms must meet global standards including rigorous requirements & documentation to obtain certification.
- ✓ While a company must be recertified every 3 years, they must also undergo a smaller annual audit to show continuous improvement.

#2 – ISO 19600 and ISO 37001 are equivalent

- ✓ While both relate to the compliance community, the standards are completely different.
- ✓ ISO 19600 does not provide specific guidelines to anti-bribery systems and is also not certifiable. Companies can use this standard to evaluate and establish compliance programs, but certification is not available.
- ✓ In addition, ISO 37001 is the first and only ISO international standard relating to compliance programs and anti-bribery mgmt systems.

ISO 37001 Misconceptions

#3 – Anyone can certify ISO 37001

- ✓ ISO strongly recommends using qualified certification bodies that adhere to certain standards. Companies using an unqualified certifier do so at their own risk.
- ✓ If a company is looking for certification, then they should look for a certifier that follows the requirements of ISO 17021-01 and 17021-09 and that uses auditors who have expertise in compliance programs and anti-bribery practices.

#4 – ISO 37001 is only good for certification

- ✓ ISO 37001 is an excellent tool for benchmarking a program, conducting a gap analysis to fix the holes in a compliance program, and for internal auditors to gauge the effectiveness of a company's anti-bribery program's effectiveness.

Case Studies



Case Study #1 – Singapore

SS ISO 37001: Singapore Implementation

Main objective is to help Singapore's companies strengthen their anti-bribery compliance systems and processes to global standards. This is necessary to increase trust and confidence in their products and services and boost their competitiveness in global markets.

- Adopted standard on 12 April 2017 and will have developed an accreditation scheme for certification bodies providing SS ISO 37001 certification services by the end of 2017.
- SPRING Singapore and CPIB released joint statement saying ISO 37001 **“is based on internationally recognized good practices [and] provides guidelines to help Singapore companies strengthen their anti-bribery compliance systems and processes to ensure compliance with anti-bribery laws.”**
- Will help Singapore firms manage corruption risk when they continue to expand overseas.

Case Study #1 – Singapore

SS ISO 37001: Specific Requirements

The SS ISO 37001, similar to ISO 37001, specifies requirements for:

1. top management leadership and commitment;
2. anti-bribery policy and procedures, as well as relevant training to personnel;
3. third party risk assessments and due diligence;
4. financial, procurement, commercial and contractual controls;
5. reporting, monitoring and investigation procedures;
6. appropriate remedial measures and continual monitoring and improvement;
7. oversight by a compliance manager or function



Case Study #2 – Peru



ISO 37001: Peru Implementation

- On 5 April 2017, Peru was the first country in Latin America to adopt the voluntary standard ISO 37001.
- The major motivation being the discovery of massive corruption in the private and public sector all over South America, most notably the major construction company Odebrecht.
- Peru lost an estimated 3.94 billion USD to corruption in 2015 as a result misappropriation of public funds, collusion and bribery.
- Adopting the ISO 37001 standard was a pivotal move to decrease corruption and gain traction on international business opportunities.

Implementation Challenges

- Completing accreditation scheme for private firms in 2 months at the latest.
- Promoting the ISO 37001 standard to the private sector.
- Implementing the standard as a requirement for the public sphere.

Case Studies #3 & #4 – U.S. Corporations

Walmart



- On 3 May 2017, Wal-Mart began looking for a 3rd party to certify them in ISO 37001.
- By getting certified by an international program, this will help companies defend against isolated cases of corruption or poor business practices.
- Wal-Mart has invested more than 141 million USD on global ethics and their compliance system.
- By adopting the standard, Wal-Mart will lead the way for American companies as the standard begins to gain traction internationally.

Microsoft



- Announced that it will be the first American and first multinational company to try and adopt the anti-corruption compliance program to the new international anti-bribery standard, ISO 37001.
- Currently searching for independent and accredited third party that will perform deep analysis of current program and ensure it satisfies criteria of new standards.
- As a global company, Microsoft has 120,000 employees in more than 190 countries.
- David Howard, Corporate VP & Deputy GC, Litigation, Competition law and Compliance for Microsoft states that ISO 37001 will be, **“A common consistent and rigorous standard for anti-bribery will cut across countries, industries and all segments of the value chain.”**

Case Study #5 – UK Corporation

- London-based **CPA Global** announced it has already implemented ISO 37001
- With operations in over 190 countries, CPA Global manages IP for other businesses, resulting in a large part of their company consisting of local law firms acting as agents of CPA Global.
- ISO 37001 is ideal for this European company as it needs an anti-bribery system non-US individuals can understand and respect.
- As ISO is more popular in Europe than America, it makes this new anti-bribery system easier to merge with older standards and systems already in place, such as the 31000 standard for risk management.
- CPA Global demonstrates the flexibility of this new standard as companies of different size, location and prior systems can adopt it.
 - CPA Global's certification is good for 3 years
 - Compliance program will get annual reviews until re-certification
 - In 2020 process starts again.

CPA GLOBAL
THE IP PLATFORM

Closing Thoughts



In Closing...

64% of companies
more likely to
conduct business
with a third party
is 370



companies felt this
certification would
affect the amount of
D they conducted
a third party.

Questions?



**Appendix:
The Seven
Compliance
Areas of
ISO37001**



Framework of This New Standard

Organization

Understanding the organization, expectations of stakeholders, scope, system and bribery risk assessment

Leadership

Governing body, anti-bribery policy, compliance function roles and responsibilities

Planning

Address risks and opportunities, compliance objectives and planning of activities

Support

Resources, competences, awareness and training, communication and documentation

Operation

Due diligence, controls, anti-bribery commitments, gifts, hospitality and donations, raising issues and investigations

Performance

Monitoring, measurement, analysis and evaluation, internal audit and reviews

Improvements

Nonconformity and corrective action and program improvement

Specific requirement and benchmarks of the Standard

- The standard was developed as a guideline for **best practice**
- All companies which are already certified will need to be **re-certified every 3 years**, provided that **annual audits** are completed
- Key points to be noted in regards to each area of the framework is discussed below

Organization

Understanding the organization, expectations of stakeholders, scope, system and bribery risk assessment

- **Understanding the organization:** There are many external and internal issues which will affect the organization's ability to achieve its anti-bribery objective. Such factors include: the **size and structure**, the **location and sector** of the organization, the **nature, scale and complexity** of the organization, **nature and extent of interaction with public officials**, applicable statutory, regulatory, contractual and professional **obligation and duties**, and etc.
- **Expectations of stakeholders:** The organization must distinguish between mandatory requirements and the non-mandatory expectations of stakeholders
- Organizations must **document, implement, maintain and continually review** their system once established
- **Scope:** The system may be used as a **standalone or part of an integrated system**. The scope should cover **facilitation and extortion payments**

Organization

Understanding the organization, expectations of stakeholders, scope, system and bribery risk assessment

- **System:** The system should be set up so that measures can **identify and evaluate risk**, and also **prevent, detect and respond to bribery**
- **Bribery risk assessment:**
 - The **bribery risk level depends on the organization's risk appetite**. The organization will be responsible for establishing their own criteria in regards evaluating bribery risk
 - Organizations may choose a 3 tie criteria such as 'low', 'medium', 'high', or a more detailed approach
 - Factors which were listed in 'Understanding the organization' must be taken into consideration

Leadership

Governing body, anti-bribery policy, compliance function roles and responsibilities

- According to the standard, the top management will need to **demonstrate leadership and commitment** with respect to the anti-bribery management system where a governing body does not exist
- In practice, it will be sufficient for the **governing body to be knowledgeable about the content and operation of the system**, and exercise reasonable oversight with respect to the adequacy, effectiveness and implementation of the system. **Top management is required to establish, review and maintain the anti-bribery policy**
- The top management can **assign their responsibility to an anti-bribery compliance function**. However, this **does not free them of their overall responsibility** for the implementation and compliance of the system
- Top management must **ensure that the processes are implemented, monitored, and reviewed periodically**

Planning

Address risks and opportunities, compliance objectives and planning of activities

- When planning for the anti-bribery management system, the company must be **reasonably assured that the system can achieve its objectives, while limiting any undesired effects**
- Objectives and goals are to **include both drivers at process level and results**. Performance indicators are to be identified and monitored
- Questions that the organization must address include the following:
 1. **What will be done**
 2. **What resources will be required**
 3. **Who will be responsible**
 4. **When the objectives will be achieved**
 5. **How the results will be evaluated and reported**
 6. **Who will impose sanction and penalties**
- The objective of the system **must be documented**

Support

Resources, competences, awareness and training, communication and documentation

- **Resources:** Provide sufficient **human, physical and financial** resource for the system to be established and function effectively
- **Competence:**
 - The organization has to make sure that their staff are **competent for their work**
 - The organization has to make sure that their **employees are aware and will comply with the anti-bribery policy**
 - Where a position is exposed to more than a low bribery risk, due diligence should be conducted before the person is employed, performance evaluation and rewards need to be reviewed periodically, and declarations are to be held periodically
- **Awareness and training:** Training is to be provided to all **employees, and business associate, at regular intervals**. Training can be held online, or in person, and training **must be documented**

Support

Resources, competences, awareness and training, communication and documentation

- **Communication:** Internal and external communication on anti-bribery management system are to be communicated based on:
 - Information to communicate
 - Timing of communication
 - Speaker and audience
 - Method of communication
 - Language used
- The anti-bribery policy must be **available to all employees and business associates**
- **Documentation:** Documentation must be made **available**, be **updated** regularly, and adequately **protected**

Operation

Due diligence, controls, anti-bribery commitments, gifts, hospitality and donations, raising issues and investigations

- **Due diligence:**
 - When there is **more than low bribery risk, due diligence must be carried out** on transaction, projects, activities, business associates, and/or employees.
 - When evaluating, factors to be considered include structure, nature and complexity, level of control and visibility, business associates and others involved, etc.
- **Controls:**
 - Controls include both **financial and non-financial controls**, which should both be developed with an aim to reduce bribery risk
 - Procedures shall be **implemented in all organizations that the organization has control over**
 - Where the organization does not have control over the business associate, it will be **ideal for the business associate to have equivalent controls implemented**

Operation

Due diligence, controls, anti-bribery commitments, gifts, hospitality and donations, raising issues and investigations

- **Anti-bribery commitments:** Should the business associate pose **more than low bribery risk**, the organization should require, where practicable, the **business associate to commit to prevent bribery**, preferably with commitment in writing
- **Gifts, hospitality and donations:**
 - Best to **avoid as far as possible any gifts, hospitality and donations**
 - Where gifts and hospitality is accepted, control on the extent and frequency of gifts should be established, along with advance approvals
 - Steps should be taken to control any donations, sponsorships, promotional expenses and community benefits
- **Raising issues and investigations:**
 - Raising issues: The organization should ensure that **all personnel are aware of the procedure and encourage reporting in good faith**
 - Investigation: Investigation should be carried out in confidence

Performance

Monitoring, measurement, analysis and evaluation, internal audit and reviews

- Organizations are suggested to **periodically perform self-assessments** to assess the effectiveness of the system
- Internal audit is to be done at a regular basis, usually **annually**. Audits should be **reasonable, proportionate and risk based**
- Reviews
 - **Compliance function:** To review whether the system has been **implemented effectively**, and whether it can adequately manage bribery risk faced by the organization. This must be carried out at least **annually**
 - **Top management review:** Top management must **review the anti-bribery management system and decide on improvement opportunities** and needs for change. All information is to be documented and reported to governing body
 - **Governing body review:** Governing body is to review the system based on information provided by top management, or as they see appropriate

Improvements

Nonconformity and corrective action and program improvement

- Where nonconformity occurs, the organization must **react promptly, take action and deal with the consequences**
- The company must also evaluate, implement and review where appropriate, if **any action needs to be take to prevent future incidences** of nonconformity
- All incidences **must be documented**



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