

# What companies must know about global anti-corruption laws

January 27, 2014



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**C**orruption and bribery are critical risks companies investing in upcoming high-profile sports events like the 2014 Winter Olympics in Sochi, the 2014 World Cup in Brazil and the 2016 Summer Olympics in Rio need to be prepared for.

Global sporting events have been notorious for their many and recurring scandals over the years. Add to this mix the fact that Brazil and Russia have long-standing and complicated histories of endemic corruption, and the opportunities for scandal and reputational damage are magnified and concentrated.

Business can no longer afford to be willfully blind about corruption. The past decade has witnessed a dramatic rise of global anti-corruption laws and enforcement especially in the U.S. and Europe, but also in places like Brazil and Russia, which never before had anti-corruption laws of this type, let alone enforcement. At the same time, the opportunities for corruption in such countries remain great. According to Transparency International's Corruption Perceptions Index for 2013, ranking 177 countries' public sector from cleanest to most corrupt, Brazil and Russia ranked 72nd and 127th, respectively.

Not every business knows that both Brazil and Russia recently adopted international anti-corruption laws similar to the U.S. Foreign Corrupt Practices Act, with implications and consequences yet to unfold. Brazil adopted a Clean Company Act this year, making companies, not just individuals, liable for international corruption and allowing the imposition of fines up to 20 percent of a company's gross revenue.

Russia adopted its first international anti-bribery and corruption law last year. And that is in a country with a history of serious and sometimes deadly corruption scandals, epitomized recently by the Sergei Magnitsky case, where a whistleblower lawyer died in prison, refusing to renounce well-founded bribery accusations he had made.

So how do global companies participating in these major sports events successfully mitigate this major global risk? If they haven't already, companies must develop a comprehensive global anti-corruption program with specific

## NATIONS TAKING ACTION

Business should take note of the rise of global anti-corruption laws and possible enforcement not only in Russia and Brazil but also in almost 40 other countries, including China. The



bells and whistles designed for their sector, geographical footprint and business strategy, containing several major components:

**1. Commitment from the top.** It begins and ends with CEO, C-suite and board commitment. Without it, a company and its employees are at serious risk.

**2. Global code of conduct program and lead.** A code or the equivalent must be in place and properly structured and resourced. Every team needs a captain; consider having a chief risk and reputation officer to lead this program.

**3. Country risk assessment.** Have a systematic approach to knowing all relevant details about where you're doing business. Scouting the parameters of new territories should be second nature to sports-oriented businesses.

**4. Ethics and compliance risk assessment.** The specific assessment should be one that specifically understands how corruption penetrates the sports industry: Are you building a stadium or other sports facility? Beware of construction license bribery. Are you sponsoring or advertising locally? Make sure you are vetting local parties to avoid money-laundering implications.

**5. Third-party risk assessments.** Have a system, human and software propelled, for knowing and documenting with whom you're dealing — partners, sponsors, consultants, agents, representatives, etc. One of the deepest dangers of large sports gatherings is the proliferation of illegitimate, fraudulent and organized crime-connected parties. Make sure your company has a proactive third-party vetting program in place.

**6. Properly equip employees and third parties.** Give your employees and representatives proper and recurring education, options and resources to solve dilemmas and concerns in real time. Your training should be customized to your business and specific sports-related activities so it is relevant, impactful and entertaining.

**7. Have an anonymous resource.** A hotline or help line can help your employees and third parties when they're not able or too scared to speak up directly. This is especially important and required by law for publicly traded companies with a U.S. connection but gets complicated in other jurisdictions and requires a systematic and vetted approach.

**8. Continuously improve.** Apply lessons learned and do so continuously. Isn't that what strong sports teams and athletes do? Learn from your mistakes and near misses and become a stronger player.

mix of increased national and international law enforcement cooperation means that Russia, Brazil and others:



- Will have a larger arsenal of laws to use fairly or unfairly against specific corporate targets.
- Can collaborate across borders with other national (like the U.S.) and global government agencies (such as Interpol) to bring multi-jurisdictional cases against companies.
- May find additional domestic and international laws to include with bribery and corruption charges such as tax evasion, money laundering, human rights, labor, and health and safety violations, to name a few.

**9. Hire the best and brightest local management.** They will be your single most vital risk mitigator. There is nothing like having a home team advantage, and the best defense is an aggressive local offense against corruption.

**10. Customize.** Don't use a cookie-cutter approach: Understand your risks from the specific standpoint of your business sector, your company history and your strategy. In sports-related businesses that means customizing your program to be relevant to the sports program you sponsor or the sports-related activities you are focused on, whether advertising, sponsoring, acquiring, trading or building.

Companies must be ready to deal with the certainty that their employees and third parties will face requests for illegal bribes and the possibility of being accused of (and, in high-risk countries, even being arrested for) bribing or appearing to bribe. Witness the unfolding GlaxoSmithKline case in China.

Companies also must be prepared for the new reality that their executives and boards — wherever they may be located — might also become implicated and even legally liable if such bribery occurs. There is no longer any doubt about it: Corruption and bribery, both public and private, pose serious risks to reputation, the bottom line and, in some cases, personal freedom.

Bribery and corruption are as old as some other unappealing human behaviors. Civil society, the private sector and governments are cooperating more than ever and dramatically raising the bar on the global fight against corruption. Corporations that pay heed to this risk will avoid the worst of its consequences and maybe even gain a competitive advantage.

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