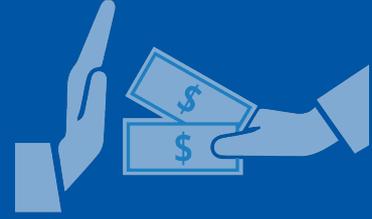


ANTI-CORRUPTION



1. INTRODUCTION	2
2. WHY IS COMBATING CORRUPTION SO IMPORTANT FOR COMPANIES AND INVESTORS?	3
3. ADVICE FOR FUND MANAGERS	4
4. FURTHER RESOURCES	6

1. INTRODUCTION

CDC defines corruption as the *offering, requesting, giving or receiving* of a financial or other advantage in order to induce or reward the improper performance of a role, duty or function. [Corrupt practices](#) come in many different forms, including bribery, kickbacks, facilitation payments, embezzlement, fraud and extortion. Bribery and is prohibited under the [OECD Anti-Bribery Convention](#) and considered a criminal offence in almost every jurisdiction.

1.1 Bribery

A bribe is a payment made or received, directly or indirectly, financial or otherwise to obtain improper advantage. Bribes can be demanded or offered at almost any point in a company's interaction with government officials, but are most common during public procurement processes, licence or permit acquisition and at infrastructure checkpoints such as customs terminals. Common forms of bribery include cash, gifts, hospitality, political donations, charitable contributions, in-kind support, employment of relatives and the awarding of contracts to companies owned by officials or their relatives.

1.2 Kickbacks

A kickback is a bribe where a portion of the undue advantage is returned or 'kicked back' to the person giving the advantage. Kickbacks are most common in procurement processes.

1.3 Facilitation payments

Facilitation payments (or speed payments) are bribes paid or received to facilitate or expedite the performance of a routine governmental action. They differ from outright bribes in that they are not for the purpose of obtaining or retaining an undue advantage, but rather in exchange for faster or improved access to services to which one is legally entitled. Facilitation payments are most common in dealings with low level officials. In some countries it can be considered normal to provide small unofficial payments under certain circumstances. However, this practice is illegal in most countries.

2. WHY IS COMBATING CORRUPTION SO IMPORTANT FOR COMPANIES AND INVESTORS?

Corruption hurts good businesses and hinders economic development (e.g. it can increase the overall cost of providing public services such as education, water and sanitation). The payment or receipt of bribes, kickbacks and facilitation payments is illegal and the companies and individuals involved can face large fines and jail time.

In some countries bribes and facilitation payments may be treated by some as just another cost of doing business in difficult environments, momentum against such practices is growing and governments, companies and investors across the globe are strengthening their anti-corruption efforts.

CDC and other Development Finance Institutions, take a 'zero tolerance' approach to corruption and is committed to preventing bribery in all its investments. Raising business integrity standards in emerging markets has a positive developmental effect as it helps improve company performance, develop access to capital and reduce investment risks.

3. ADVICE FOR FUND MANAGERS

Fund managers should conduct a corruption risk assessment for all investments and plan due diligence according to those risks. Corruption risks are higher in some sectors and countries than others, so a sound understanding of the operating environment and key risk points is critical. Refer to CDC [Governance and Business Integrity Checklist](#) for questions to guide fund managers when assessing corruption risks in each investment.

Fund managers should ensure that companies have strong anti-corruption systems in place. As a minimum, these should include the following:

3.1 Anti-corruption policies and procedures

Companies should have robust anti-corruption policies and procedures evidenced by:

- **A clear statement of the policy:** Fund managers should ensure there is a clear statement that the company and its employees will not pay or accept bribes, kickbacks, or facilitation payments, either directly or via third parties in any circumstances. The policy should also: (i) require that all employees report any knowledge or suspicion of corrupt practices; (ii) guarantee that employees will be protected from adverse consequences for refusing to participate in a corrupt transaction even if it means the company loses business; and (iii) that any breach of the anti-corruption policy may be considered an act of gross misconduct.
- **Procedures for screening agents and procuring material goods and services:** Fund managers should ensure that companies use competitive procurement procedures and conduct reputational screening of contractors to ensure bribes will not be paid or received on the company's behalf.
- **Systematic communication of the policy and procedures:** Fund managers should ensure that companies communicate their anti-corruption policy to all employees via the staff handbook and in regular anti-corruption training (ideally annually for staff in high risk positions). Fund managers should also ensure that the policy is communicated to agents and providers of material goods and services (ideally as part of the contract).
- **The appointment of an Anti-Corruption Officer:** Fund managers should ensure that a member of the senior management team at each company has been assigned the duties of an Anti-Corruption Officer and is responsible for the oversight of and annual reporting to the Board on the implementation of the anti-corruption policy.

3.2 Public statement of the anti-corruption policy

Companies should publish a clear statement of the anti-corruption policy on their website.

3.3 A gifts and hospitality register

Companies should maintain a register of all gifts and hospitality given and received, subject to a minimum threshold.

3.4 Confirmation in annual reports and accounts

Companies should include a clear statement in the annual accounts and reports that the Board is satisfied that the anti-corruption policy has been effectively implemented.

3.5 Auditing

Fund managers should look at the scope of a company's internal and external auditors to ensure they include an assessment of the implementation of the anti-corruption policy.

See [Fund Governance and Business Integrity Management System](#) for guidance on the anti-corruption systems that fund managers should have in place themselves, [ESG in the Investment Cycle](#) for guidance on where anti-corruption should fit into the fund's investment process and [CDC Sector Profiles](#) for guidance on corruption risks specific to different sectors.

4. FURTHER RESOURCES

Further information and guidance:

- [CDC - How we do it - Business Integrity.](#)
- [Transparency International UK - Business Integrity.](#)
- [International Finance Corporate - Combating Fraud and Corruption.](#)
- [OECD - Bribery in international business.](#)
- [Business Anti-Corruption Portal.](#)

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