

# Anti-Corruption and Ethical Business Culture – The Heart of Good Corporate Governance

反貪污和道德商業文化 –  
良好企業管治的重心

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# Outline



Anti-Corruption Policy and System ①

Whistleblowing Policy ②

Ethical Business Culture ③

Corruption Prevention Advisory Service ④

# Hong Kong's Performance

## - CORRUPTION PERCEPTIONS INDEX 2021 -

Hong Kong is ranked the 12th least corrupt place among 180 countries/territories, and is one of the top performers in the Asia-Pacific region.

12<sup>th</sup>

2021

Source: Transparency International

## RULE OF LAW INDEX 2021

Among 139 countries and territories, Hong Kong's rankings are as follows.



RULE OF LAW

5<sup>th</sup> in East Asia & Pacific Region

19<sup>th</sup> in the world



ABSENCE OF CORRUPTION

3<sup>rd</sup> in East Asia & Pacific Region

9<sup>th</sup> in the world

Source: World Justice Project



# Requirements for Listed Entities

## Corporate Governance (CG) Code

- Establish **policy(ies)** and **system(s)** that promote and support **anti-corruption** laws and regulations.
- Establish a **whistle-blowing (WB) policy** and **system**.

## ESG Reporting Guide

- Disclose information on **policies** and **compliance** relating to bribery, extortion, fraud and money laundering; number of concluded legal cases; **preventive measures** and **WB procedures**; **anti-corruption training**.

## CG Guide for Boards and Directors

- Whistleblowing and Anti-corruption
- Risk Management and Internal Control

# Anti-Corruption Policy & System



# Standards and Guidelines

## HKEX

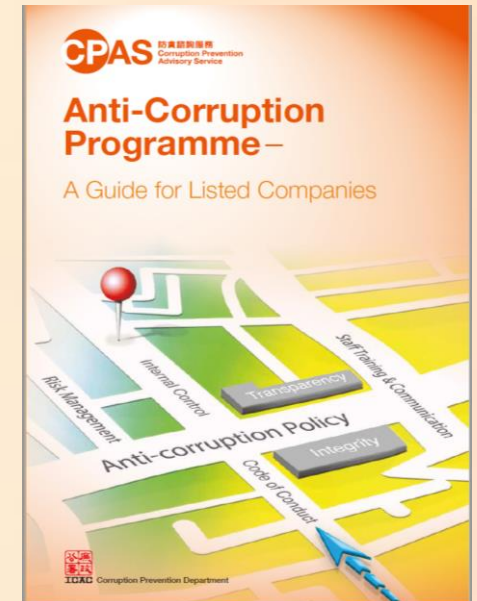
- Listing Rules, CG Guide for Boards and Directors

## International

- ISO 37001, BSI 10500
- Guide supplementary to UK Bribery Act

## CPD/ICAC

- Corruption Prevention Guide for Listed Companies
- Sample Codes of Conduct, Guide on Managing Relationship with Public Servants...
- Functional/Trade-specific corruption prevention guides & training materials



# Key Elements

## **Integrity/Conduct Requirements (Code of Conduct)**

- Anti-corruption requirements, e.g. acceptance / offering of advantages / gifts & entertainment
- Avoidance and management of conflict of interest
- Other integrity issues

# Key Elements

## Training and Capacity Building

- Anti-bribery law, company's anti-corruption policy, integrity and conduct requirements and expectations, corruption pitfalls, consequence of breaches...
- Managers and supervisors – corruption risk awareness, preventive & detective measures, ethical judgment



# Key Elements

## **Risk Management and Internal Control System**

- Corruption risk assessment
- Internal controls - corruption prevention controls
- Internal audit, compliance, corruption/fraud prevention
- Whistle-blowing policy, disciplinary system

# Anti-corruption Provisions

- **Prevention of Bribery Ordinance (POBO) (Cap. 201)**

- Corrupt transactions with agents (section 9)
  - *Special features: “any act” & “principal’s permission”*
- Bribery of public servants (sections 4 & 8)

**Clear Policy &  
Communication**

- **Legislations of other jurisdictions**

- Criminal Law of the PRC
- Bribery Act 2010 of the UK
- Foreign Corrupt Practices Act of the US

**Anti-corruption tips for  
conducting business overseas**  
<http://cpas.icac.hk>

# Conflict of Interest

- **Conflict of interest – a form of corruption**
  - A common misconduct, not covered by POBO
  - But often involves deception/fraud as a ‘side effect’
- **Management of conflict of interest**
  - Avoidance
  - Declaration
  - Mitigation

# Risk Management and Internal Controls

- **Risk assessment** – know your corruption-prone business processes and *modus operandi*
  - purchasing, sales, maintenance, human resources management...
- **Corruption prevention controls**
  - checks and balances, segregation of duties, supervision, review and approval, record-keeping, accountability
  - computerisation, automation/e-services, data analytics ...



# Whistleblowing Policy



# Whistleblowing Policy – Why?

- Requirement of the CG Code of Listing Rules
  - *“The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer to raise concerns, in confidence and anonymity.....” (CP D2.6 of CG Code)*
- People’s concerns about making a report

Worry about the safety of themselves and members of their families

Worry about the lack of evidence

Worry that the reporting procedures are troublesome

Whether the issue was too small to warrant any follow up?

Whether the reporting would generate any outcome?

# Key Elements

- Statement of intent/pledge
- Reporting channels
- Protection against retaliation
- Consequence of false reports

# Key Elements

- Handling of reports
  - Centralised handling - recording and follow-up
  - Must not jeopardise future investigation by law enforcement agencies
  - Dutifully report suspected criminal conducts to relevant law enforcement agencies



# Ethical Business Culture



# Keys to Ethical Business Culture

## **Tone at the top**

- Core values – integrity, honesty
- Don't bribe (including outside Hong Kong)
- Promulgation, emphasis and implementation of Code of Conduct
- Integrity requirements extended to business partners
- Corporate ethical business culture – deeds not only words
- Regular communication

# Keys to Ethical Business Culture

## **Business and management practices**

- Ethical practices, honesty and integrity towards stakeholders
- Ethical practices, fairness and integrity in internal processes
- Compliance with laws and regulations
- Other management practices, e.g. staff remuneration system
- Corporate Social Responsibility

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# Keys to Ethical Business Culture

## Communication

- Regular training ('taught' and self-learning)
- Campaigns, newsletters...
- Communication of anti-corruption policy and commitment to stakeholders
- Feedback

# Keys to Ethical Business Culture

## Reflection

- Accountability
- Review and reflection on decisions and actions

## Enforcement

- No tolerance: reporting crimes to law enforcement agencies
- Discipline

# Corruption Prevention Advisory Service



# CPAS

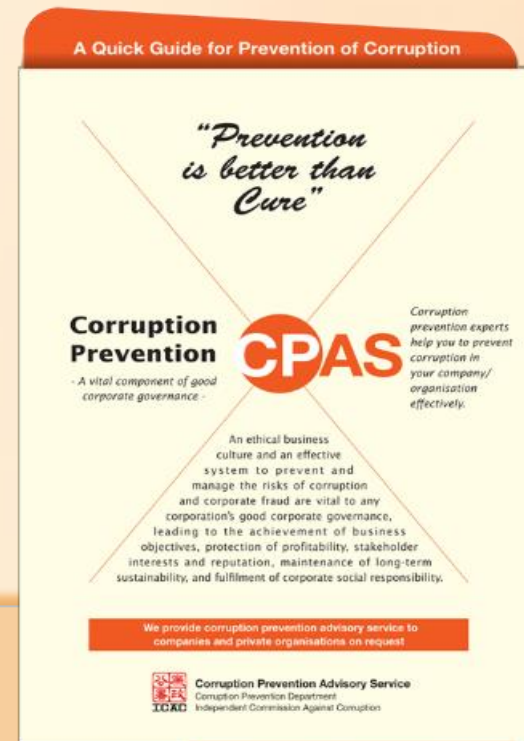
- Advisory services :
  - Anti-corruption system, code of conduct
  - Identification of risks, control measures
  - Training for directors and staff
  - Training services by HKBEDC



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Online Service Request Form :  
<https://cpas.icac.hk/>



Hotline: 2526 6363



# CPAS



## Web Portal

- Guides, publications
- Training videos
- Case studies
- Corrupt practices
- Trends
- Red flags
- Tips/measurements

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