SPEAKERS

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AGENDA

PSCI’S EXPECTATIONS
MANJIT SINGH

DESIGN OF AN ANTI-BRIBERY AND CORRUPTION PROGRAM
MARK PEARSON & DIMPLE THOMAS

QUESTIONS
AGENDA

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QUESTIONS
Ethics – What does ethics mean to you?

What is the meaning of ethics?

Ethics: An ethic is a moral principle or set of moral values held by an individual or group.

Business Ethics are values and principles which operate in the world of business. They form the moral framework of the organization.
An organization is known and judged by the values it holds. They are directly related to reputation. Stakeholders attach significant value to an ethical business as it averts risk, brings a sense of pride and peace of mind.

Anti-bribery & corruption, fair competition, transparency, animal welfare and conflict of interest are the general issues in the eye of stakeholders.

PSCI has designed a set of ethics elements to cover the vast risk.
PSCI – Ethics Elements
We expect our suppliers to conduct business ethically & act with integrity.

The PSCI Ethics elements have been revised in 2019. These elements are the cornerstone of our work on ethics. There are six key ethics elements as given below.

- Anti-bribery & Corruption
- Animal Welfare
- Data Privacy & Security
- Patient Safety & Access to Information
- Conflicts of Interest
PSCI – Ethics Elements
What we expect from our suppliers

**Anti-bribery and corruption (ABC)**
- Zero tolerance for corruption, extortion & embezzlement.
- No acceptance or payment of bribes in business and government dealings.
- Management system to prevent corruption and ensure compliance with ABC laws.

**Fair competition**
- Conduct business with fair and vigorous competition.
- Ensure compliance with the competition law.
- Make truthful advertisements.

**Animal Welfare**
- Minimize pain and stress.
- Consider reducing the number of animals during the design of experiments.
- Scientifically validated alternatives should be used wherever acceptable to regulators.
PSCI – Ethics Elements
What we expect from our suppliers

Data privacy and security
- Proper use of confidential information to protect rights of workers, patients, donors and subjects.
- Compliance with privacy and data protection laws.

Patient safety & access to information
- Adequate system in place to minimize the adverse impact on rights of patients, donors and subjects.
- Ensure right to health and information.

Conflict of interests
- Reasonable care should be taken to avoid conflict of interest.
- Notify potential and actual conflict of interest.
PSCI has developed knowledge, information and tools to strengthen the supply chain. These are of immense value to uncover the risk and develop a mitigation plan. The entire information is freely available on the PSCI website.

Suppliers can use this information to develop new and adapt existing policies and procedures to match the PSCI expectations. The most important are the following:

- **Principles**: The principles framework helps to understand the various requirements of PSCI.
- **E-Learning**: A free online e-learning tool is available on the website, a valuable tool to train and equip the people.
- **Audit Guidance**: This document provides guidance to execute the assessment and audit.
- **Resource Library**: The resource library has the essential documents like business code of conduct, policies, international laws on anti-bribery and corruption, UNGC principles to fight corruption and other related documents.
- **Self-Assessment Questionnaire** (SAQ): The SAQ is crucial a tool for sustainability. The key questions related to ethics elements are embedded in it (see the next slide on SAQ).
### Business Integrity and Fair Competition

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>12</td>
<td>Does the facility or company have formal ethics policies or Codes of Conduct that govern company and employee business practices?</td>
</tr>
<tr>
<td></td>
<td>If yes, please indicate if the following are included:</td>
</tr>
<tr>
<td>i.</td>
<td>Business integrity and fair competition</td>
</tr>
<tr>
<td>ii.</td>
<td>Anti-corruption</td>
</tr>
<tr>
<td>iii.</td>
<td>Investigation of employee concerns</td>
</tr>
<tr>
<td>iv.</td>
<td>Privacy</td>
</tr>
</tbody>
</table>

Please provide a web link to the policy on your website, or alternatively insert a copy of the policy.

Comments:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>13</td>
<td>Does the facility or company have policies, tools or processes to:</td>
</tr>
<tr>
<td>i.</td>
<td>Prevent corruption and facilitation payments?</td>
</tr>
</tbody>
</table>
| ii. | Support fair competition within the market of operation/business environment?  
**Please note, fair competition refers to competing companies, not competition between employees** |
| iii. | Prevent employees from receiving gifts or favours from external companies with whom your company does business? |
| iv. | Prevent giving gifts and favours to Government officials / external companies / individuals that your company does business with? |
| v. | Please provide a web link to referenced policies on your website, or alternatively attach a copy of the policy to this questionnaire. |
### PSCI: Ethics elements are embedded in SAQ

#### Privacy

<table>
<thead>
<tr>
<th>14</th>
<th>Does the facility or company ensure confidentiality and privacy of information concerning companies, individuals, workers, patient rights and intellectual property?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Data Privacy:</td>
</tr>
<tr>
<td></td>
<td>General Data Protection Regulation (GDPR):</td>
</tr>
<tr>
<td></td>
<td>Other? Please explain:</td>
</tr>
</tbody>
</table>

#### Animal Welfare

<table>
<thead>
<tr>
<th>15</th>
<th>Does the facility work with animals as a part of their business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>If yes, do you follow an industry standard to ensure that animals are treated humanely and to reduce the number of animal tests (e.g. Association for Assessment and Accreditation of Laboratory Animal Care International).</td>
</tr>
<tr>
<td>ii.</td>
<td>If yes, please indicate the Standard utilized:</td>
</tr>
</tbody>
</table>

#### Additional Findings - Ethics

Were there any additional findings that weren't covered above? If yes, please specify below.

- E-1
- E-2
- E-3
- E-4
- E-5
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QUESTIONS
Corruption – a global view

Corruption is bad for business:

- It adds 10% to the total cost of doing business and 25% to the cost of procurement contracts.
- High levels of corruption is the equivalent of a 20% tax on foreign business.
- Anti-corruption programmes and ethical guidelines lead to 50% fewer incidents of corruption, and to be less likely to lose business opportunities.

Source: Transparency International, Corruption Perception Index (CPI) 2018

70% of global corruption cases perpetrated by someone in a Position of Authority

- 38% Managers
- 32% Owner/Executive
- 27% Employee
- 3% Other

Source: Transparency International, Corruption Perception Index (CPI) 2018
Corruption
A pertinent problem for the healthcare industry

According to the 2018 ACFE Report to the nations, CORRUPTION was the most common scheme in every global region.

- **World Bank** estimates total cost of corruption globally is more than $1 trillion annually.
- **The World Health Organization** estimates that US$7.5 trillion is spent on health every year; close to 10% of global GDP.
- **17%** of people worldwide stated they had paid a bribe when interacting with the healthcare sector.
- **Estimate** 10-25% public procurement funds lost to corruption.

### Healthcare Industry

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billings</td>
<td>26%</td>
</tr>
<tr>
<td>Cash Larceny</td>
<td>7%</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>13%</td>
</tr>
<tr>
<td>Cheque &amp; Payment Tampering</td>
<td>13%</td>
</tr>
<tr>
<td>Expense Reimbursement</td>
<td>16%</td>
</tr>
<tr>
<td>Financial Statement Fraud</td>
<td>11%</td>
</tr>
<tr>
<td>No Cash</td>
<td>19%</td>
</tr>
<tr>
<td>Payroll</td>
<td>17%</td>
</tr>
<tr>
<td>Register Disbursements</td>
<td>1%</td>
</tr>
<tr>
<td>Skimming</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: 2018 ACFE Report to the nations (statistics are for healthcare sector, not segregated for pharma).

The potential impacts of corruption

- Convictions, indictments, fines and prison sentences for directors and employees of the company
- Significant reputational damage
- Damage to the share price, ultimately leading to loss of shareholder value and confidence
- Distortion of the market by a governing body
- Substantial legal and consultant fees and ever increasing cost of compliance for potential regulatory response
## Types of Interactions

**leading industry practices**

<table>
<thead>
<tr>
<th>Gifts, Hospitality and Entertainment</th>
<th>Rules Relating to Public Officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants, Donations and Sponsoring</td>
<td>Healthcare Practitioners (HCP)</td>
</tr>
<tr>
<td>Political Contributions</td>
<td>Third Parties</td>
</tr>
<tr>
<td>Lobbying</td>
<td>Facilitation Payments</td>
</tr>
</tbody>
</table>

* Internal Controls - All financial transactions should ideally be documented, regularly reviewed, and properly accounted in the books and records of the relevant entity.*
Identifying risks and red flags

An important component of an assessment program is to identify the risks to which an organization is exposed. Some questions that organizations can ask themselves include:

- How well do you manage your third-party service providers?
- Do you use third parties to help expand into new markets, new geographies, and locations?
- Do you do business overseas or are you planning to expand in newer geographies?
- Does the company deal with government officials? What are the activities for which the company has to deal with government officials?
- Are you facing business decisions where facilitation payments or bribes are expected?
- Considerations for healthcare practitioners (HCP)

Red flags:

- Vague or no description of services on invoice
- One-time payments to vendors
- Gifts, hospitality, and entertainment of foreign government officials or relatives/charitable work in foreign jurisdictions
- Payments to charitable organizations headed by foreign government officials/politically exposed persons
- “Unusually large” credit memos, advances or pre-payments to vendors/significant use of third-party finders/influencers
- Acquisitions in high corruption countries in vulnerable industries
- Payments to countries where the company has no business
- Lack of transparency in third-party contracts
Responding to red flags

- Due diligence is imperative

- Understand the corruption risks of the country in which you are doing business

- Understand the purpose of payments and obtain adequate supporting documentation

Potential questions to avoid a “Head in Sand” approach

- What is the agent’s reputation?
- Has agent refused to sign anti-bribery anti-corruption clauses?
- Does the agent claim that you can’t do business unless you pay bribes?
- Does the agent have ties to the government?
- Does the agent have close relatives who work for the government?
- Is the agent qualified and have experience in the business?
- Was the agent recommended by a government official?

- Are we in a country known for corruption?
- Does the agent want his or her identity or role kept secret?

- Does the agent ask for a large “success fee?”
- Is the agent asking us to pay someone else?
- Is the agent or government official asking for payments to be made to off-shore accounts?
- Does the agent want cheques paid to “Cash?”
Hallmarks of an affective anti-corruption compliance program

**Anti-corruption compliance program**

- **Commitment from senior management and a clearly-articulated policy against corruption**
- **Code of conduct and compliance policies and procedures**
- **Adequate oversight, autonomy, and resources to detect corruption**
- **Training and continuing advice**
- **Comprehensive corruption risk assessments**
- **Incentives and disciplinary measures**
- **Third-party due diligence, payment monitoring, and auditing**
- **Effective confidential reporting and internal investigations**
- **M&A: Pre-acquisition due diligence and post-acquisition integration**
- **Continuous improvement: Periodic testing and review**

**Comprehensive compliance**

- **Holistic**
  - Fully integrated compliance:
    - Partnership across all business boundaries
    - Compliance incentives complementing business incentives
    - Culture measured and recognized as a compliance risk factor
    - Compliance is at forefront of all business decisions

- **Strategic**
  - Embedded compliance:
    - Compliance technology enhances daily business activities
    - Local affiliates input to global process design
    - Advanced training programs
    - Tone at middle relays consistent messaging

- **Operational**
  - Transactional compliance:
    - Enforcement culture
    - Fragmented resources
    - Misalignment of local and global objectives
    - Compliance consulted at end of decision

- **Passive**
  - Superficial compliance:
    - Enforcement culture
    - Fragmented resources
    - Misalignment of local and global objectives
    - Compliance consulted at end of decision

- **Reactive**
  - Defensive compliance:
    - Remediation focused
    - Limited resource
    - Prescriptive processes
    - Inadequate ownership
    - Minimal training

**Emerging**

**Evolving**

**Mature**
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QUESTIONS
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About the Secretariat
Carnstone Partners Ltd is an independent management consultancy, specialising in corporate responsibility and sustainability, with a long track record in running industry groups.