

Recent Global Trends in Business Ethics and Transparency and What's Next?

Brook Horowitz, CEO, IBLF Global

Final Conference of Promotion of Business Ethics and
Transparency of SMEs in Turkey Project

Ankara, 3rd April 2017.

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Introduction of
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02

Business ethics
and
transparency in
our times

03

What can
business do to
promote greater
integrity?

04

The unique
opportunity for
Turkey

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**Promoting Responsible Business
through Collective Action**



Promoting Responsible Business
through Collective Action



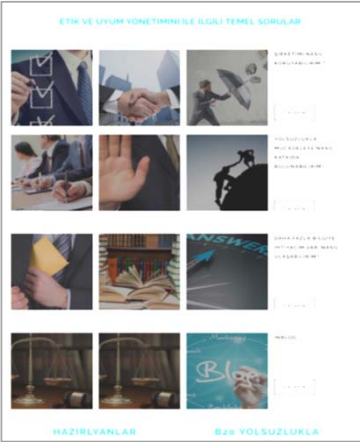
Promoting Responsible Business
through Collective Action



Source: https://issuu.com/iblfglobal/docs/b20-g20_anti-corruptiontoolkit @ IBLF Global



Promoting Responsible Business through Collective Action



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Recent achievements

- New legislation



Source: The Guardian, 31st August 2015

Recent achievements

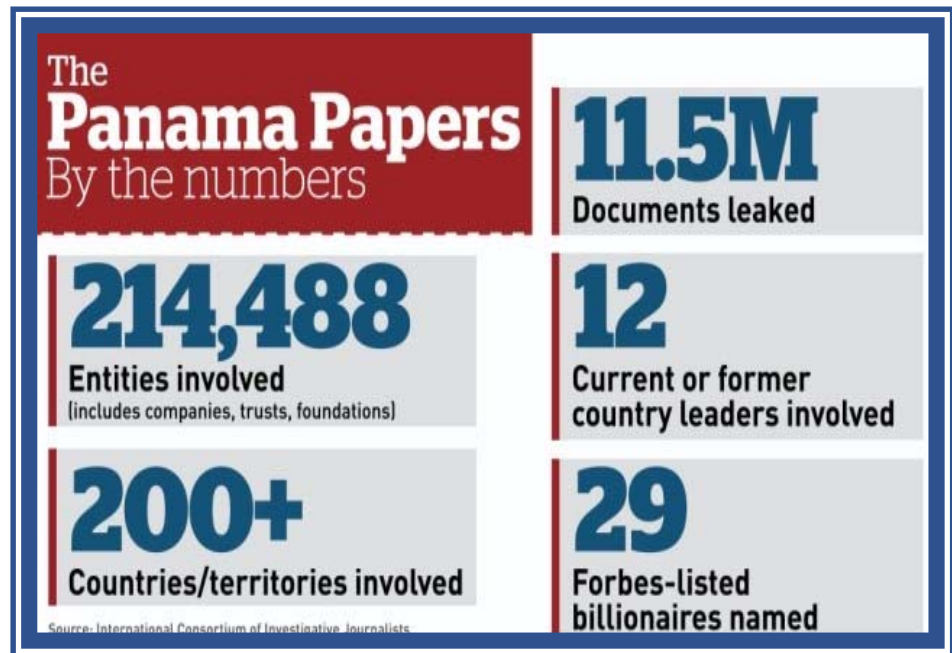
- New legislation
- Better coordination
- Better enforcement



Source: The Guardian, 28th May 2015

Recent achievements

- New legislation
- Better coordination
- Better enforcement
- More transparency



Source: International Consortium of Investigative Journalists, 2016

Recent achievements

- New legislation
- Better coordination
- Better enforcement
- More transparency
- Less impunity



Ex-President of Brazil Dilma Rousseff

Recent achievements

- New legislation
- Better coordination
- Better enforcement
- More transparency
- Less impunity



Ex-President of South Korea Park Geun-hye

Recent achievements

- New legislation
- Better coordination
- Better enforcement
- More transparency
- Less impunity
- More public activism



Anti-corruption demonstrations in Russia against Prime Minister Medvedev

Recent achievements

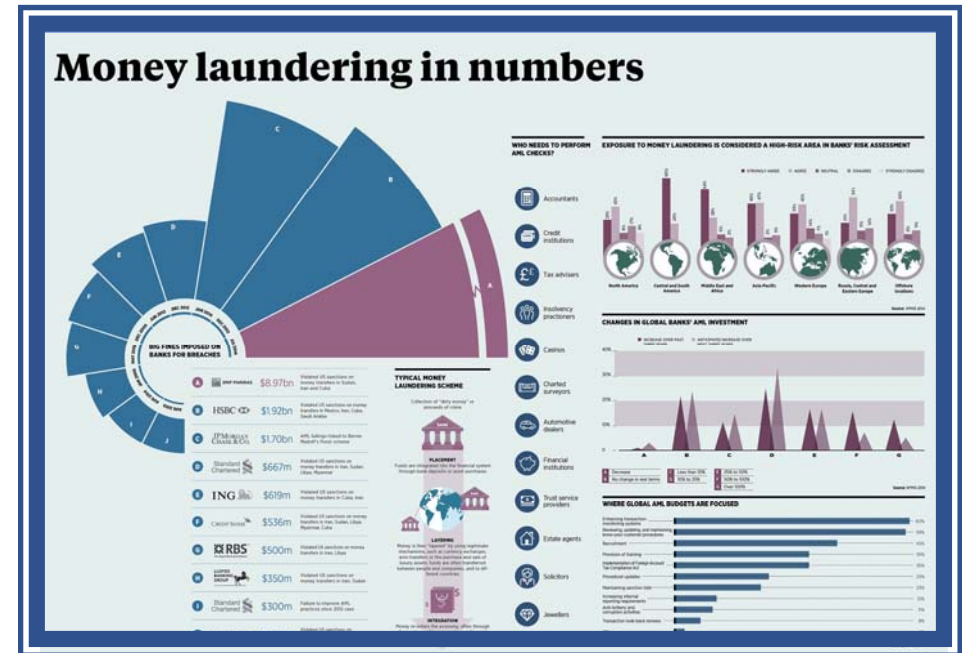
- New legislation
- Better coordination
- Better enforcement
- More transparency
- Less impunity
- More activism



High visibility, strong messages, big settlements, regime change

New challenges

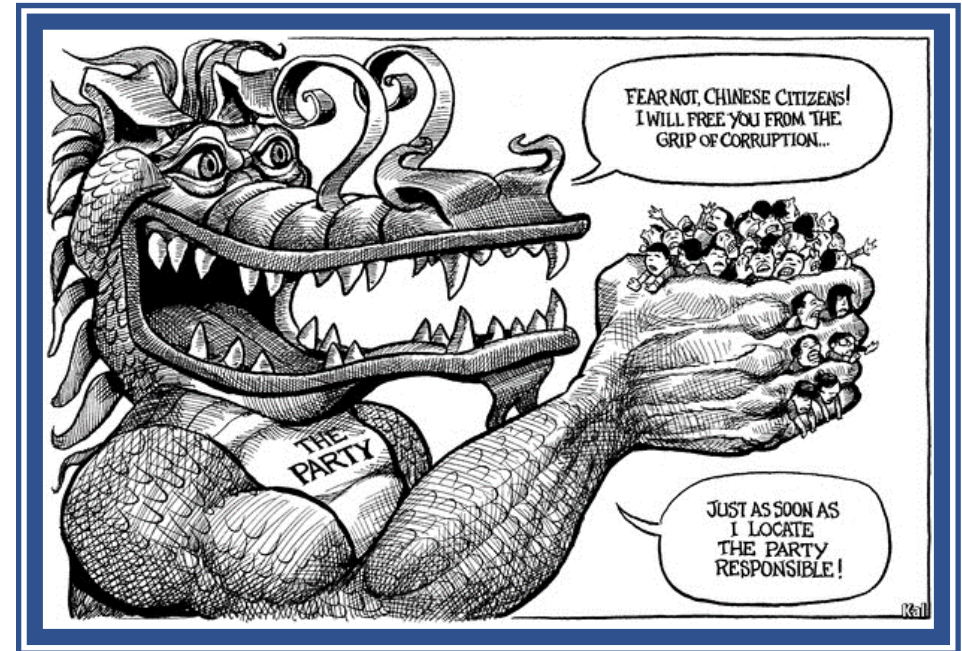
- Still too many cases



Source: Raconteur, 31st August 2015 <https://www.raconteur.net/infographics/anti-money-laundering-analysis>

New challenges

- Still too many cases
- Political rivalries in the name of anti-corruption



Source: *The Economist*, 2016

New challenges

- Still too many cases
- Political rivalries in the name of anti-corruption
- Loss of US leadership



On 14th February 2017, President Trump rescinded the SEC foreign payment disclosure rule on extractive industries introduced as part of the Dodd-Frank Financial Reform Bill.

New challenges

- Still too many cases
- Political conflicts of interest
- Loss of US leadership



Convergence, divergence or role reversal?

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In-house	Create a culture of compliance within the company
Supply chains	Educate your distributors and business partners
Markets	Find practical solutions within your sector for Collective Action
Government	Work with Government to create a level playing field

What can business do?

In-house

Create a culture of compliance within the company

- Code of conduct
- Localised compliance programme
- Prevent, Detect, Respond programme
- Tone from the Top
- Role of the Board

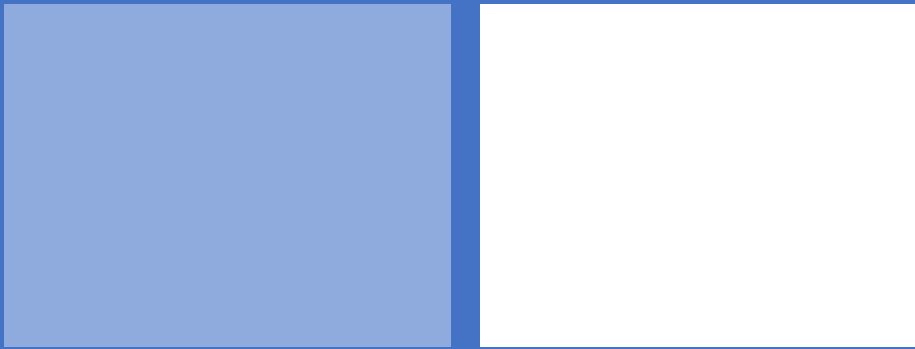
In-house

Create a culture of compliance within the company

- Code of conduct
- Localised compliance programme
- Prevent, Detect, Respond programme
- Tone from the Top
- Role of the Board

Example: GE's The Spirit and the Letter





In-house: The Role of Boards

	Very important		3	4	Unimportant
	1	2			5
Management fails to reach strategic goals	39%	35%	0%	10%	16%
The company needs to re-issue its financial statements	35%	26%	16%	6%	16%
The company's financial results significantly differ from analysts' forecasts	13%	26%	29%	23%	10%
Legal claims have been filed against the company by its employees	10%	26%	23%	23%	19%
Low levels of customer satisfaction	29%	39%	13%	13%	6%
Low employee loyalty	23%	35%	29%	3%	10%
Decrease in stock quotations in the market	10%	26%	42%	13%	10%
Numerous reports about fraud and unethical behaviour through in-house hot lines	39%	23%	23%	10%	6%
Multiple and / or significant penalties / fines charged against the company	39%	32%	13%	10%	6%

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Source: PwC NED survey 2012

Source: IBLF/PwC Board Forum 2014



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	1	2			5
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Multiple and / or significant penalties / fines charged against the company	39%	32%	13%	10%	6%

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Source: PwC Russia NED survey 2012

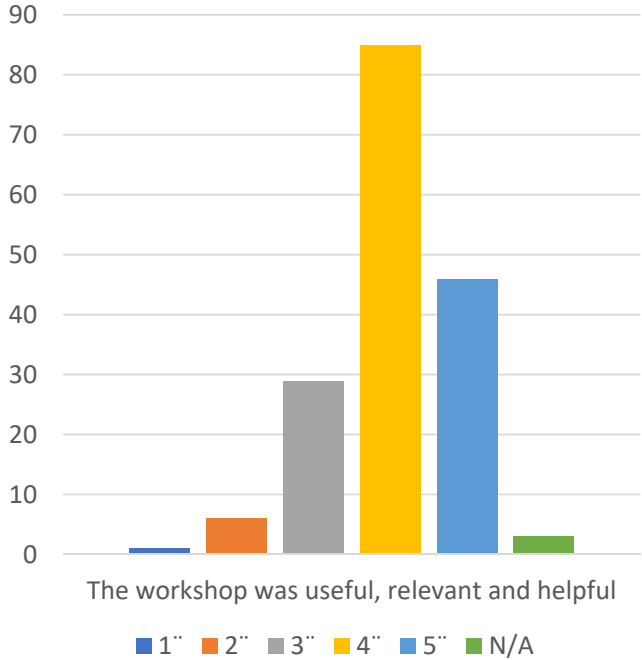
In-house: The Role of Boards

Example: Russian Board Forum

- Vietnam Chamber of Commerce project to help SMEs resist corruption
- 24 training workshops
- 1100 SMEs in 7 cities
- Over 3 months
- Detailed impact assessment
- Feedback for government
- Opportunities for transferring to other countries

Despite many obstacles, SMEs are receptive to training

Useful, relevant and helpful training

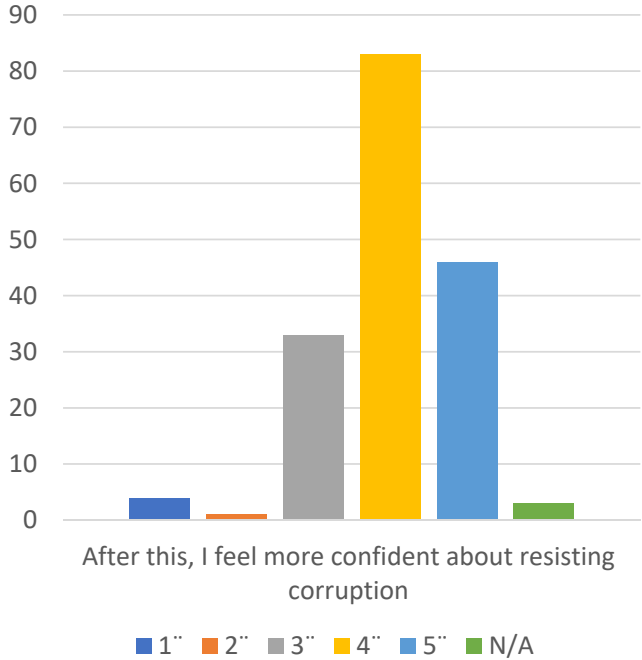


Source: VCCI/IBLF Global Feedback Survey



VCCI Training Workshops 2016

Building confidence

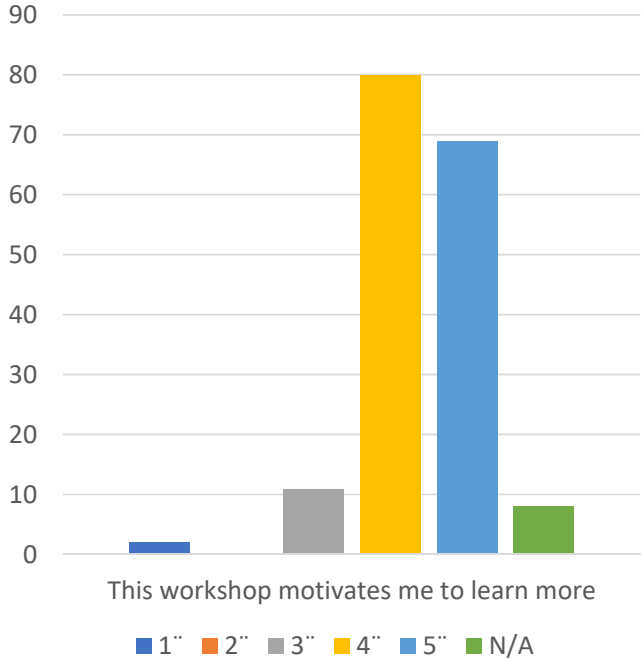


Source: VCCI/IBLF Global Feedback Survey



VCCI Training Workshops 2016

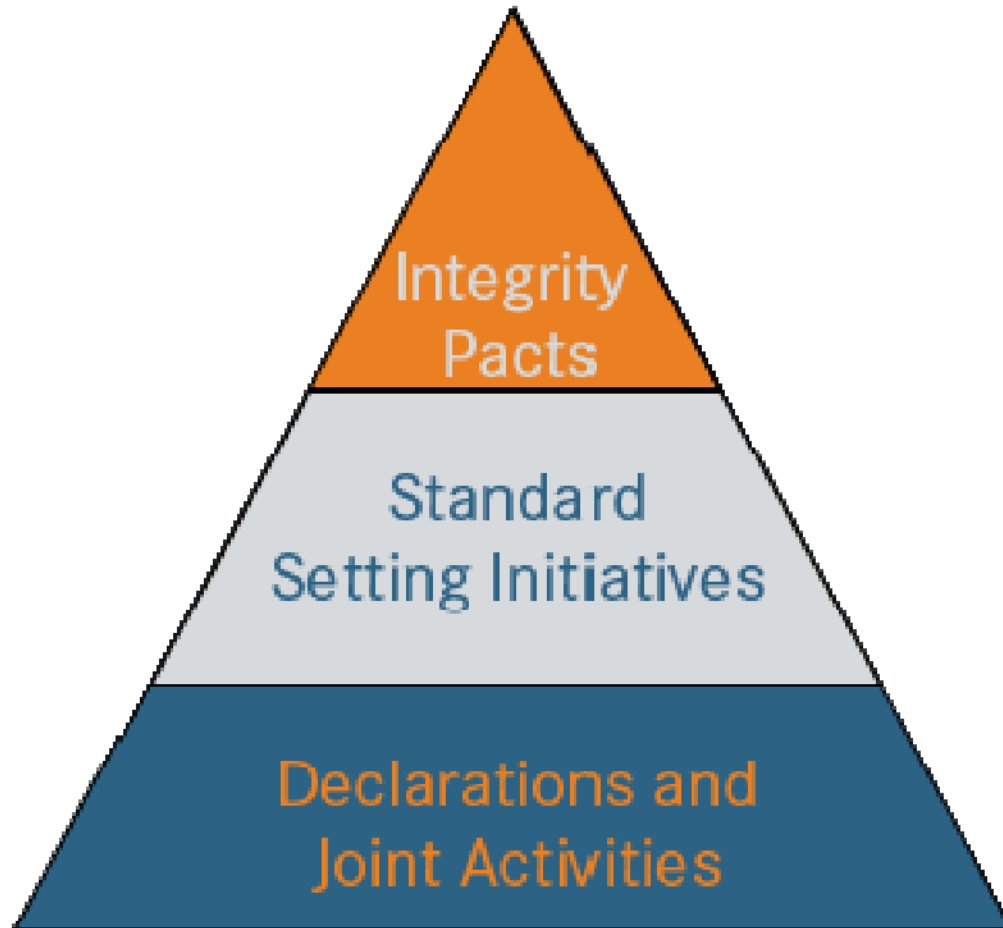
Motivating to learn more



Source: VCCI/IBLF Global Feedback Survey



VCCI Training Workshops 2016



Example: MACN

Example: Healthcare

Example: UNGC



MACN
Maritime Anti-Corruption Network



MACN Overview

MACN is a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large



Vision

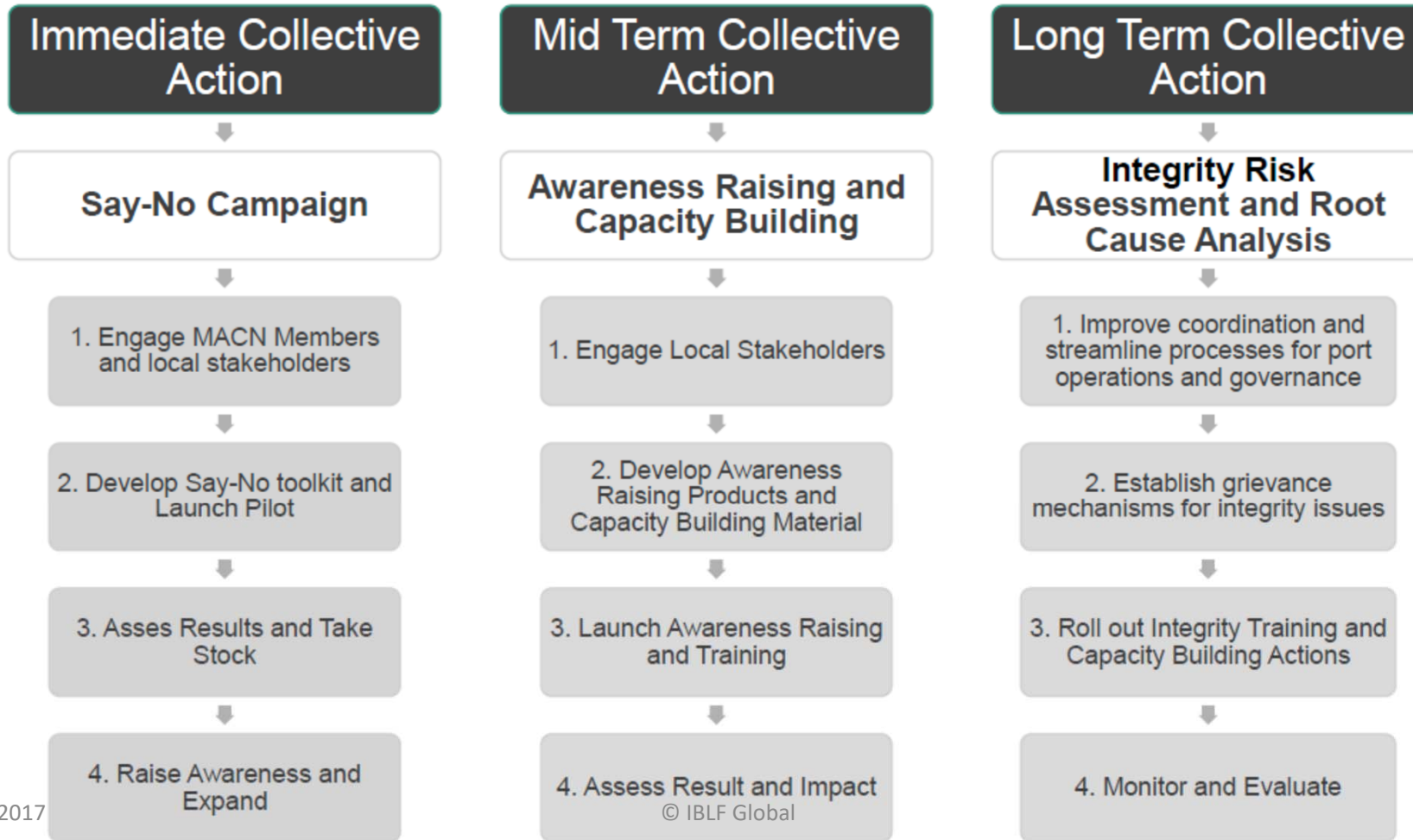
A maritime industry free of corruption that enables fair trade to the benefit of society at large



Mission

To promote good corporate practice in the maritime industry for tackling bribes, facilitation payments, and other forms of corruption by developing and sharing best practice, creating awareness of the challenges and collaborating with key stakeholders to develop sustainable solutions

Collective Action Approaches



Government

Work with Government to create a level playing field

Abuja: public sector training



Nigerian Government officials' study visit on Beneficial Ownership to London, January 2017

Government

Work with Government to create a level playing field

Moscow: Public Procurement



Moscow Government Conference, Business and Government Against Corruption, December 2016

Government

Work with Government to create a level playing field

Hanoi: Government-Business Integrity Action



Workshop in Hanoi "Building Government-Business Integrity Action in Vietnam, March 2017"

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Eastern Europe & Central Asia



GLOBAL
Average score

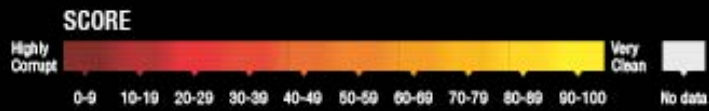
43



EASTERN EUROPE & CENTRAL ASIA
Average score

34

RANK	COUNTRY/TERRITORY	SCORE
44	Georgia	57
64	Montenegro	45
72	Serbia	42
75	Turkey	41
79	Belarus	40
83	Albania	39
83	Bosnia and Herzegovina	39
90	The FYR of Macedonia	37
95	Kosovo	36
113	Armenia	33
123	Azerbaijan	30
123	Moldova	30
131	Kazakhstan	29
131	Russia	29
131	Ukraine	29
136	Kyrgyzstan	28
151	Tajikistan	25
154	Turkmenistan	22
156	Uzbekistan	21



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CORRUPTION PERCEPTIONS INDEX 2016

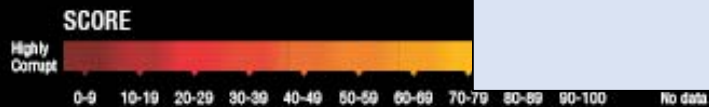
Eastern Europe & Central Asia



RANK	COUNTRY/TERRITORY	SCORE
44	Georgia	57
64	Montenegro	45
75	Serbia	42
75	Turkey	41
79	Belarus	40
83	Albania	39
83	Bosnia and Herzegovina	39
90	The FYR of Macedonia	37
95	Kosovo	36
113	Armenia	33
123	Azerbaijan	30
123	Moldova	30
131	Kazakhstan	29
131	Russia	29
131	Ukraine	29
136	Kyrgyzstan	28
151	Tajikistan	25
154	Turkmenistan	22
166	Uzbekistan	21

GLOBAL Average score **43**

EASTERN E & CENTRAL Average score



Turkey is positioned higher than average in Eastern Europe and Central Asia...

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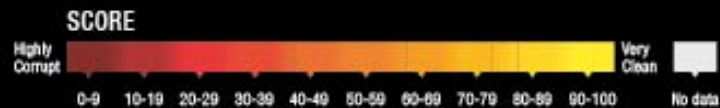
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CORRUPTION PERCEPTIONS INDEX 2016

Middle East & North Africa



RANK	COUNTRY/TERRITORY	SCORE
24	United Arab Emirates	68
28	Israel	64
31	Qatar	61
57	Jordan	48
62	Saudi Arabia	48
64	Oman	45
70	Bahrain	43
75	Kuwait	41
75	Tunisia	41
90	Morocco	37
108	Algeria	34
108	Egypt	34
131	Iran	29
136	Lebanon	28
166	Iraq	17
170	Libya	14
170	Yemen	14
173	Syria	13



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Source: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

CORRUPTION PERCEPTIONS INDEX 2016

Middle East & North Africa

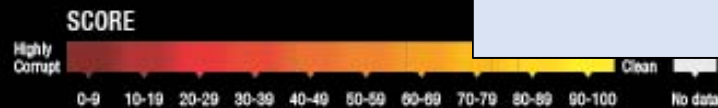


RANK	COUNTRY/TERRITORY	SCORE
24	United Arab Emirates	88
28	Israel	84
31	Qatar	81
57	Jordan	48
62	Saudi Arabia	48
64	Oman	45
70	Bahrain	43
75	Kuwait	41
75	Tunisia	41
90	Morocco	37
108	Algeria	34
108	Egypt	34
131	Iran	29
136	Lebanon	28
166	Iraq	17
170	Libya	14
170	Yemen	14
173	Syria	13

GLOBAL Average score **43**

MIDDLE EAST & NORTH AFRICA Average score **30**

...and in MENA region



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World Bank's Ease of Doing Business 2017

Economy	Ease of Doing Business Rank	Filtered Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
Macedonia, FYR	10	1	1	2	3	12	5	4	1	9	11	2
Latvia	14	2	7	5	6	10	1	14	6	8	6	7
Georgia	16	3	3	1	5	2	2	2	4	17	5	19
Lithuania	21	4	10	3	7	1	12	16	12	3	1	14
Kazakhstan	35	5	14	4	12	7	19	1	3	22	3	3
Romania	36	6	19	13	21	15	3	18	9	2	7	10
Belarus	37	7	12	6	2	3	22	11	16	10	8	15
Armenia	38	8	4	11	13	6	8	17	13	15	9	17
Bulgaria	39	9	21	9	16	16	9	3	18	5	16	9
Russian Federation	40	10	9	16	4	5	16	19	11	23	4	11
Croatia	43	11	23	19	10	17	20	9	17	1	2	12
Moldova	44	12	13	24	11	8	11	13	8	11	19	13
Cyprus	45	13	17	17	9	22	18	8	10	14	24	1
Serbia	47	14	16	8	15	14	17	21	20	6	18	8
Montenegro	51	15	18	12	24	20	4	15	15	13	13	4
Albania	58	16	15	15	22	25	14	5	21	7	23	6
Kosovo	60	17	5	20	18	11	7	20	2	16	15	25
Azerbaijan	65	18	2	18	17	9	23	10	7	20	14	18
Turkey	69	19	20	14	8	13	21	6	14	18	10	21
Kyrgyz Republic	75	20	11	7	23	4	10	12	25	19	25	22
San Marino	79	21	24	10	1	21	25	25	5	4	21	20
Ukraine	80	22	6	21	20	18	6	22	19	21	22	24
Bosnia and Herzegovina	81	23	25	25	19	24	13	24	23	12	20	5
Uzbekistan	87	24	8	22	14	19	15	23	24	25	12	16
Tajikistan	128	25	22	23	25	23	24	7	22	24	17	23

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Source: <http://www.doingbusiness.org/rankings>

World Bank's Ease of Doing Business 2017

Economy	Ease of Doing Business Rank	Filtered Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity
Turkey	69	19	20	14	8

Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading across Borders	Enforcing Contracts	Resolving Insolvency
13	21	6	14	18	10	21

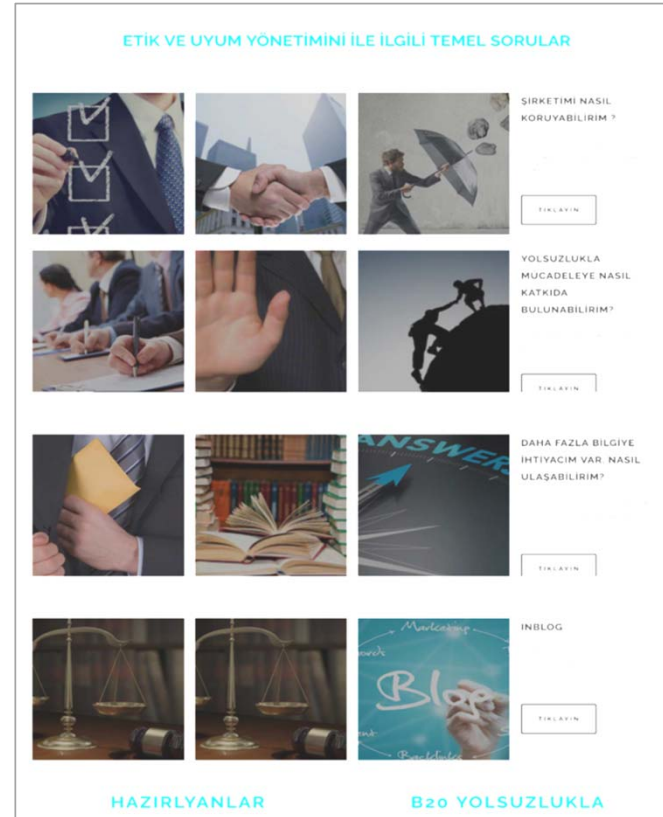
Source: <http://www.doingbusiness.org/rankings>

Several of the World Bank indices are directly or indirectly related to corruption.

Some recent achievements in Turkey

SME Toolkit 2015

- Adapted from B20 Toolkit
- Ready for distribution
- Could be used for online, face-to-face or “hybrid” training



Source: <http://tr-smetoolkit.com/>

Some recent achievements in Turkey

TEID cross-sectoral integrity pledge 2016

- 180 companies
- \$150 bln USD combined income
- 240,000+ employees
- Influential group of business leaders



Signing ceremony of 150 leading Turkish companies, December 2015

Some recent achievements in Turkey

TEPAV sectoral approach 2017 (the current project)

- New codes of conduct in specific industries
- Strengthening enforcement of existing codes
- Medium-term strategic approach
- Strong commitment from industry sector leaders



Representatives of Turkish companies and business associations visiting the House of Commons during study visit to London, December 2016

What's next?

- Strengthen the role of Boards
- Deepen the sectoral approaches – construction, healthcare, food & beverage, infrastructure
- Work with the supply chains – education for SMEs
- Educate young managers and entrepreneurs
- Develop public-private policy dialogue around procurement
- Create a new dialogue with government
- Establish a regional leadership role for Turkey



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Thank you!