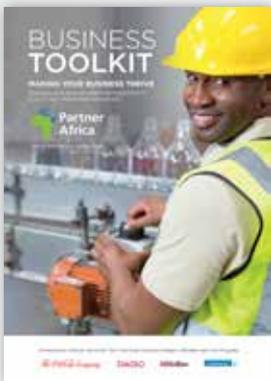


BUSINESS INTEGRITY



A CHAPTER FROM THE BUSINESS TOOLKIT

This is only one chapter of the toolkit. You can download the full document or any of the other chapters from the Partner Africa website. www.partnerafrica.org/business-toolkit

WELCOME

This toolkit provides practical assistance on how to improve **Productivity, Quality and Workforce Management – areas which are inextricably linked**. People are a core and valuable asset for every business and in order to have an efficient, productive business, employees need to work in good conditions. Partner Africa, through its extensive auditing, training and consulting work have found that workers who are safe, respected and content in their work are more efficient and productive. For instance, productivity is increased by reducing the need for sick days and constant recruitment and onboarding due to high worker turnover. The connection also flows in the other direction: as productivity and efficiency improves, there are opportunities to improve wages and reduce excessive working hours without impacting price.

Productivity, Quality and Workforce Management are all essential elements to building a lasting business and a strong partnership with purchasing companies into the future.

The group of companies and organisations behind this toolkit want to share best practice and learning across the industry. This toolkit gives suppliers practical assistance on how to improve productivity, quality and workforce management in production sites. It will enable you to understand each issue and why it matters for your business, what is required, what that means in practice and will also enable you to assess your current situation and provide you with practical tools to make the necessary improvements.

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Produced by Partner Africa for The Coca-Cola Company, Diageo, ABInBev and Aim-Progress



DIAGEO

ABInBev





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The content of this Toolkit was developed by Partner Africa and consultants, in conjunction with the participating brands. Each company may have additional and/or specific requirements on the topics covered in this document and thus this Toolkit should be utilised as a reference guidance only.



8. BUSINESS INTEGRITY

? WHY IS IT IMPORTANT TO YOUR BUSINESS?

Fraud and corruption can result in considerable financial loss to your company. A business' license to operate depends on its integrity. The purchasing companies can't accept any corruption or bribery in their supply chains. This is a core integrity issue and would expose the companies and reduce the trust of stakeholders. There are international laws and governing agreements that prohibit this behaviour (for example anti-corruption laws in the US) that the purchasing companies need to adhere to, not only in their own businesses but in their supply chains.

✓ THE EXPECTATIONS

- All business must be conducted with integrity, in accordance with relevant laws
- No bribes, corruption or fraudulent practices ^e
- Avoid conflicts of interest between personal, family, financial or political interests and the interests of the company and its business objectives

? WHO

Who needs to be informed and involved in tackling this issue?

Senior management, procurement and sales staff and those interacting with government eg import, export and customs.



^eDiageo give the following definitions. "A bribe is the offer or receipt of anything of value or other advantage to or from any person, where there is an intention of improperly influencing a business decision, or where the person may not be permitted by their employer or local law to receive it, or where the thing of value is to encourage someone to do something which is dishonest, illegal or a breach of trust in the performance of their role. Corruption is the abuse of entrusted power for private gain, which can take many forms that vary from the minor use of influence to institutionalised bribery."



WHAT THIS MEANS IN PRACTICE

This section explains what this means in practice and can also be used as a tool to self-assess your site.

Put a if you think that point is in place in your business and put a if it isn't or needs improvement. You can then create an action plan, to assign and follow up an action for every (sample action plans are given at the back of the full toolkit).

Bribes can be financial but can also be offering anything of value where there is an intention to improperly influence a business decision, obtain undue advantage or where the person may not be permitted by their employer or local law to receive it.

- No bribes are ever offered or accepted
- All relevant government tax payments are made (eg social security) and accurate records kept
- All records for pay, hours and other records checked by auditors are a full and honest representation of the true situation
- Policies are written and effectively communicated to management and workers regarding a code of ethics
- All relevant employees are informed and trained on how to respond to bribery demands, how to report them and what the limits are on acceptable business gifts and entertainment
- Systems and practices are in place to ensure gifts or entertainment are not excessive or inappropriate (of modest value occasionally) and that they never create a feeling of obligation or the impression of an obligation because this could be perceived as a bribe
- A 'whistle-blowing' system has been set up (to enable people to anonymously report any issue they have noticed, without reprimand or penalty), with a written policy and procedure which are clearly and effectively communicated to all levels of staff and workers
- Disclose to the purchasing company any personal or professional connections with government officials
- No bribes are given to government officials of any kind
- Report any concerns of potential bribery or corruption
- Avoid conflicts of interest that may jeopardize your company's ability to act in the best interest of the purchasing company, and disclose any actual or potential conflicts of interest to the purchasing company
- Keep transparent and accurate records of matters related to business with the purchasing companies
- Ensure your business complies with all economic sanctions and anti-money laundering regulations.
- Fair Competition: The purchasing companies are committed to the principles of lawful and free competition based on the merits of products and services. All suppliers must also abide by all applicable anti-trust and competition laws in all countries in which they operate
- Tax Evasion: Suppliers must take a zero tolerance approach to the criminal evasion of taxes wherever they operate, and to the knowing facilitation of another's tax evasion (both employees and those they transact with)



PRACTICAL TIPS AND TOOLS FOR IMPROVEMENT

Tackling bribery & corruption

Bribery is not just cash in exchange for preferential treatment or business opportunities. These regulations also prohibit:

- Lavish travel and hospitality given by business partners/suppliers
- Anything of value (including gifts or entertainment) with the intention to improperly influencing a business decision or obtaining undue advantage
- Political contributions
- Hiring relatives of government employees or people you wish to positively influence

Have a meeting with your senior management to discuss how you can ensure bribery and corruption does not happen in your business.

- Brainstorm the bribes that happen and are perceived as part of 'normal' business activity in your country and sector
- Discuss and role-play how employees should respond if they are asked for a bribe or offered a bribe
- Review the connections of all senior staff to ensure there are no conflicts of interest

For more practical tools and to understand what the key issues are in any particular region, you may want to look at Transparency International's resources ⁸⁹ including:

- Corruption Perception Index
- Global Corruption Barometer
- Global Corruption Report

Whistle - blowing

If you are serious about weeding out fraud, whistle-blower tips are the most common method of detecting and resolving occupational fraud.

- 60% of frauds are uncovered by whistle-blower tips ⁹⁰
- Nearly 40% of tips are received from internal employees ⁹¹
- 34% of employees have observed workplace misconduct and more than $\frac{3}{4}$ would report it if they could remain anonymous, do so without retaliation and receive a financial reward for the tip ⁹²

You may choose to make whistle-blowing part of your grievance procedure, which is covered in Section 5.3 (page 75-77). However, it may be appropriate for there to be a separate system. If that's the case, here are some steps you can take to set up a system for whistle-blowing:

- **Define the purpose:** For example, the purpose could be to encourage and facilitate the reporting of issues including allegations of fraud, corruption, bribery, unethical behaviour, misconduct, questionable business practices;

warnings about particular risk areas going unchecked; non-compliance with policy or law observed. Who is it for? Many companies make it available to external stakeholders including suppliers etc as well as employees

- **Reporting mechanism:** Set up a variety of channels that are easily and cheaply accessible 24 hours a day, 365 days a year. This might include a telephone hotline, in-person reporting, online forms, a dedicated email address or postal address
- **Intake operators:** Those who receive the information must be trained to handle sensitive reports appropriately, *in workers' first languages*, including gaining sufficient relevant information even if the person is hesitant, emotional or anxious
- **Internal or external:** If the system is internal, the costs of training, operations, technology and perception of trustworthiness need to be considered. A third-party hotline provider may be the best solution
- **Anonymity:** This can build confidence to report concerns. However, if the report is anonymous it is important to get specific and credible information to support the complaint eg alleged perpetrators, location and type of incident, names of other people aware of the incident etc
- **System for review and action on complaints:** A team should be formed to regularly review any complaints/reports and gain further evidence if necessary and to make a conclusion and recommended action to resolve the situation. Investigation procedures may be different for different issues, eg harassment claims should be referred to human resources; employee theft or external fraud might be referred to a different department. Each of these functions might operate differently, but the investigation and reporting protocols should be formalised
- **Record keeping:** must be effective and consistent with appropriate data security measures
- **Provide support to the whistle-blowers:** including an openly communicated and fully enforced anti-retaliation policy. Some companies offer financial rewards for accurate reports
- **Communicate the outcome:** This must be done in a timely manner
- **Training and communication:** Ensure every employee is aware of the system and how it works, what can be reported, how to access it, what the process will be and their right to anonymity and confidentiality. If there is a hotline/helpline number, details can be displayed on posters in the facility, in multiple languages if necessary. It also needs to be communicated to vendors, contractors, customers and other third-parties.

Ensure you are aware of your customers' requirements and mechanisms/services available for whistle blowing by checking their supplier code and website.



TACKLING TOUGH SITUATIONS

WHAT DO YOU NOTICE
👁️👁️

David recently learned that one of the workers at his company made a small payment to a local health inspector to make sure an inspection of their production facility went smoothly. It's fairly common in his region to make these sorts of payments.



PAUSE



THINK



WHAT NEXT

David should report this payment through internal reporting channels at his company. His company should also let the purchasing company know about the improper payment. Giving money or anything else to secure a business advantage is against the law, and even ignoring a small payment can lead to legal consequences. The purchasing company can be held responsible for the actions of suppliers and other business partners, so it's important to let them know of any possible violations of the anti-bribery laws.

WHAT DO YOU NOTICE
👁️👁️

Ada suspected that her manager was embezzling money from the company. She called the whistleblower hotline and chose to give her name, although she knew she could stay anonymous. The company investigated the matter right away. A few days later, her manager started acting hostile toward her. He assigned her the most undesirable shifts at work, shouted at her and told her he suspected it was her who made the report about him. She reported his abusive behavior, but after several weeks, nothing had changed.



PAUSE



THINK



WHAT NEXT

Her employers did the right thing to take her first report seriously and investigate her suspicions. The company should have made it clear to all senior staff that no retaliation would be accepted. Her company's policies and procedures should provide for investigation and follow-up on reports of retaliation. After Ada reported retaliation, her company should have acted immediately to stop the retaliation.



REFERENCES

⁸⁹ <https://www.transparency.org/>

⁹⁰ Research by the Association of Certified Fraud Examiners, quoted in 'Creating an Effective Whistleblower Program', Security Magazine, James D. Ratley, President and CEO of the Association of Certified Fraud Examiners (ACFE)

⁹¹ Research by the Association of Certified Fraud Examiners, quoted in 'Creating an Effective Whistleblower Program', Security Magazine, James D. Ratley, President and CEO of the Association of Certified Fraud Examiners (ACFE)

⁹² The Ethics & Action Survey conducted by law firm Labaton Sucharow, quoted in 'Creating an Effective Whistleblower Program', Security Magazine, James D. Ratley, President and CEO of the Association of Certified Fraud Examiners (ACFE). <http://www.securitymagazine.com/articles/83343-creating-an-effective-whistleblower-program>