CORRUPTION RISK ASSESSMENT FRAMEWORK FOR BUSINESS ASSOCIATIONS AND CHAMBERS OF COMMERCE
Background

The business community plays an important role in the fight against corruption by creating an environment intolerant of bribery and illicit activity. Business membership organizations including chambers of commerce and business associations face a unique set of risks as hybrid entities that engage government, collect fees and dues, represent the needs of the private sector, and are the face of the local market to international audiences. As such, improving anti-corruption compliance knowledge and practice in business organizations allows them to better promote good governance and business ethics and set an important tone about integrity across their membership and in the wider economy. As associations and chambers implement anti-corruption compliance best practice, they can further promote these values to their member companies and contribute to global conversations on the importance of business-led compliance.

To that end, the Center for International Private Enterprise (CIPE) launched the Principles on Combating Corruption for Business Associations and Chambers of Commerce in partnership with the International Chamber of Commerce (ICC) at the 11th edition of the International Chamber of Commerce World Chambers Congress in Rio de Janeiro, Brazil in June 2019. The principles outline ethical business practices, good governance and are designed for all business organizations regardless of location, size, or membership model. The guidance supports business organizations to demonstrate their commitment to integrity internally and to their members, and maintain credibility in the fight against corruption.

Upon launching the principles, CIPE partnered with the Washington, DC office of Baker McKenzie to develop a risk assessment framework and training program to assist business membership organizations with understanding, evaluating and addressing corruption risks. The risk assessment steps outlined below are designed to guide compliance staff through the process of analyzing risks as part of an effective association compliance program. For more information or training opportunities for conducting risk assessments in business organizations, please visit www.cipe.org.

Introduction

Risk assessments are an essential element of any organization’s compliance program. The Principles on Combating Corruption for Business Associations and Chambers of Commerce (“Principles”) advise business membership organizations (“Associations”) to conduct periodic risk assessments “with the aim of preventing, detecting, and remedying corruption while promoting a culture of integrity.”

By carefully examining their operations, practices, organizational structures, and business models, Associations can anticipate where the risks of bribery and corruption are strongest, and can take steps to mitigate such risks, including through implementing controls to prevent misconduct and to detect it if it were to occur.

The first step of a risk assessment is to gather information about the Association’s operations and practices, including its organizational model, interactions with government, use of third parties, and existing policies and procedures. Section I below
provides a sample inventory of the types of documents and information that should be collected.

The second step of a risk assessment is to conduct interviews of key employees and stakeholders with knowledge of the Association’s operations. Section II provides a target list of interviewees. If the Association does not have all of the functions listed in Section II, then equivalent functions should be interviewed if they do exist. A sample list of questions that may need to be asked during an anti-corruption risk assessment interview is provided in Section III.

The third step of a risk assessment is to evaluate the information gathered and develop a risk profile of the Association. The risk profile is a function of the unique risks and circumstances of each Association. A sample list of risks that affect an Association’s risk profile is provided in Section IV.

The final step of a risk assessment is to develop recommendations on how to address these risks through enhancing the Association’s compliance program. The Association should implement those recommendations in a timely manner. Section V provides a list of five essential elements of compliance that should be present in every organization’s compliance program - assuming a risk-based approach in which controls are proportional to the risks faced by the organization, and corresponding sample recommendations for enhancing an Association’s compliance program.

Capitalized terms that are not defined below shall have the same definitions as set forth in the Principles.

To summarize, a risk assessment includes the following 4 steps:

i. Collect and Review Key Documents

ii. Conduct Target Interviews

iii. Evaluate Risks

iv. Mitigate Risks

I. INVENTORY OF DOCUMENTS FOR RISK ASSESSMENT

Below is a list of the types of documents and information that should be collected and reviewed by a designated compliance officer, if the Business Association has one, as part of its anti-bribery and anti-corruption risk assessment. As recommended by the Principles, the Board of Directors of an Association should appoint one or more senior officers (full or part-time) to oversee and coordinate compliance, equipped with an adequate level of resources, authority and independence, and reporting periodically to the Audit Committee of the Board of Directors or other body with ultimate responsibility for the Association. The size and structure of a compliance function will vary depending on the size of a Business Association and its risk profile. A large organization may have dedicated compliance staff while a small one may designate a senior officer to serve as an ethics and compliance lead. The Association should ensure the compliance lead has prior compliance experience or receives necessary training.
Governance

- Minutes of Board of Director meetings
- Business plans, annual reports, and other materials describing operations and strategic initiatives
- Organizational charts reflecting management responsibilities
- Criteria for selection of the Association’s leadership
- Conflicts of Interest Policy

Membership

- List of the Association’s Members
- Membership selection criteria
- Offer letters or similar correspondence with Members and prospective Members
- Records of Association events conducted

Internal Procedures

- Policies or procedures reflecting Association standards or operational protocols, including but not limited to the following core compliance policies described in the Principles:
  - Code of Conduct
  - Anti-corruption/ Anti-bribery Policy
  - Whistleblower Policy
  - Procurement Policy
  - Finance and Accounting Policy
- Existing compliance structure or program and any previous internal or external reviews or assessments of the compliance program
- Anti-corruption compliance training curriculum and related materials, including attendance lists

External Parties

- Business partner inventory lists, including any Public Officials or Government Entities with whom the Association interacts
• Previous internal or external reviews and investigations of reports received through a whistleblower hotline or other misconduct reporting mechanisms

• Litigation lists and settled cases for past five years, including any government enforcement actions against the Association

II. TARGET INTERVIEWERS

Following a review of the documents and materials collected, key stakeholders with knowledge of the Association’s operations should be identified and interviewed. Below is a list of individuals for the target interviews for anti-bribery and anti-corruption risk assessments. If your Business Association does not have all of the functions listed below, then equivalent functions should be interviewed if they do exist.

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<thead>
<tr>
<th>TITLE</th>
<th>FUNCTIONAL RESPONSIBILITY</th>
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<tr>
<td>1. President or Chief Executive Officer or Chief Staff Officer</td>
<td>Identify the individual charged with operating the business of the Association on a day-to-day basis.</td>
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<tr>
<td>2. Chief Financial Officer or Financial Manager</td>
<td>Identify individuals whose responsibilities include ensuring operations are profitable, assets are protected, and financial information is accurate and available upon request.</td>
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<td>3. General Counsel / Compliance Counsel / Compliance Manager</td>
<td>Identify individuals charged with providing legal, compliance, ethics, or risk management advice to the Association.</td>
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<td>4. Public Policy Advocate / Government Relations / Lobbyist</td>
<td>Identify individuals who advocate for changes in laws or regulations that impact the Association or the Association’s members.</td>
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<td>5. Operations / Supply Chain / Logistics / Procurement Manager</td>
<td>If the relevant responsibilities are held by multiple individuals, identify individual(s) involved in developing policies and procedures, particularly around Third Party engagement.</td>
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<tr>
<td>6. Membership Manager / Sales Manager / Marketing Manager</td>
<td>Identify individuals who coordinate efforts and strategies to grow the Association’s membership.</td>
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<td>7. Regulatory Reporting Manager</td>
<td>Identify individuals who manage regulatory reporting and trade compliance.</td>
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<td>Role</td>
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<tr>
<td>8.</td>
<td>Communication Manager</td>
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<td>9.</td>
<td>Human Resources</td>
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<td>10.</td>
<td>Representatives from Key Member Entities</td>
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### III. ANTI-CORRUPTION RISK ASSESSMENT INTERVIEW QUESTIONS

Understanding how an organization operates in practice and the compliance culture within the organization is key to identifying areas of risk. The sufficiency of an Association’s anti-bribery and anti-corruption risk assessment process depends on whether the Association made a good faith effort to uncover emerging risks of misconduct in its operations. Accordingly, interviews should be reasonably designed to identify unknown or new areas of risk in an organization’s operations.

Below is a sample of the types of questions that may need to be asked when conducting interviews for an anti-bribery and anti-corruption risk assessment. Risk assessment questions should be tailored to the functional responsibilities of the interviewee. For example, the interviewer should pay close attention to risks related to purchasing and suppliers when interviewing a Procurement Manager.

The interviewee’s responses to questions should be documented in contemporaneous notes and summarized in a memorandum soon after the interview is conducted. All notes and interview summaries should be kept, together with the final risk assessment report, as evidence of the Association’s efforts to uncover risks.

**Association**

1. Does the Business Association have a compliance department or dedicated compliance employee? If so, does the compliance function have access to the Board of Directors? If there is no compliance department or dedicated compliance employee, does the Association have a point person on staff or a member of the Board of Directors responsible for compliance issues?
2. Is the Association’s leadership sufficiently engaged in the compliance program (Tone at the Top)?
3. How does the Association select its leadership? What criteria is used to select leadership?
4. What other organizations does the Association cooperate with?
5. What does the Association consider to be its greatest achievements over the last 5 years?

6. Has the Association implemented any core compliance policies (e.g., anti-bribery and anti-corruption policy, Code of Conduct (“CoC”), whistleblower policy, procurement policy, finance and accounting policy)? Are employees required to comply with the CoC? Does the Association impose sanctions on employees who do not comply with the CoC or the other compliance policies?

7. Are the CoC and other compliance policies routinely presented to newly hired employees? Is there a control mechanism to check whether employees comply with the CoC and other compliance policies? Is there a conflict check for additional, outside work by employees?

8. Does the Association operate a whistleblowing hotline? If not, does the Association have another means of receiving allegations of non-compliance or wrongdoing? Does the Association have a policy in place protecting those who report misconduct from retaliation?

9. Do the Association’s employees or Directors have any connections to Public Officials or other Politically Exposed Persons?

10. According to the Transparency International Corruption Perceptions Index, what is the corruption risk in any countries in which the Association operates or where it has interactions with Public Officials?

Members

1. What types of entities are the Association’s Members? How many Members does the Association have? What industries do the Members represent?

2. What services does the Association provide to its Members? Does the Association attempt to lawfully engage a government’s or Public Official’s decision-making or policymaking in a manner that might positively impact the Association's or its Members' interests and the wider business ecosystem (“Advocacy”)? If so, which government agencies does the Association advocate with?

3. What are the membership criteria? How does the Association recruit new Members?

4. Who represents the Member entities in the Association (e.g., chief executives, government relations staff)?

5. In the previous five years, how many Members have withdrawn from the Association? Has the Association expelled any Members? If so, why?

6. In the previous five years have any of the Association's Members been charged with corruption violations? If so, what were the details of the charges or allegations? Does the Association impose sanctions on members convicted of bribery?
7. What is the membership dues structure and how is it determined?

8. Do the Association’s Members include Politically Exposed Persons (PEP) or Public Officials? If so, who are those individuals and are they able to exercise influence over the government regarding matters of interest to the Association or its Members?

9. Do the Association’s Members include employees of Government Entities (including state-owned enterprises)? If so, how common is this?

10. Do the Association’s Members use the Association as a forum for interacting with Public Officials (e.g., at Association roundtables or conferences)?

Customers

1. How many Customers (non-Member entities the Association provides services for) does the Association approximately have?

2. Who/what are the typical Customers?

3. Do the Association’s Customers include Politically Exposed Persons (PEPs), Public Officials, or employees of Government Entities (including state-owned enterprises)? If so, how many?

Donors

1. Does the Association have any Donors?

2. If so, do the Association’s Donors include PEPs, Public Officials, or employees of Government Entities (including state-owned enterprises)? If so, where and to what extent?

3. If so, do the Association’s Donors include international organizations with headquarters in other countries? If so, where and how many?

Third Parties

1. Has the Association engaged any Third Parties (e.g., lobbyists, policy advocates, consultants)? If so, who and for what purposes? Does the Association have written agreements with them?

2. Who are the Association’s partners, including all Third Parties and joint venture partners? What types of compensation arrangements exist with Third Parties? Are any Third Parties compensated based on commissions? If so, does the incentive structure increase bribery risks?

3. Is there a policy or guideline on the use of consultants/agents? Does the Association screen its consultants/agents? If so, how?
Corruption Risk

1. Do you see any specific corruption risks at the Association? How would you rank the corruption risks at the Association (i.e., high, medium, or low)?

2. Does the Association have established procedures covering Gifts and Hospitality the offer or receipt of gifts and hospitality to Public Officials and other individuals or entities? If so, what processes or internal controls are in place?

3. Please describe the handling of any honoraria (speaking fees), travel, hospitality or other gifts, expenses or gratuities which the Association pays or reimburses in connection with Association events where Public Officials attend and/or present.

4. Does the Association have a process for handling donations or sponsorships? If so, what process is in place for handling and approving or rejecting donations or sponsorship requests?

5. Does the Association have a policy or procedure in place requiring receipts for reimbursements to employees? Are self-receipts accepted according to the policy/procedure?

6. In the Association’s home country, are there any legal requirements for the Association to register as a lobbyist or advocacy organization? If so, does the Association have a policy in place requiring compliance with such requirements?

7. In the previous five years, have there been past violations of law or credible allegations of misconduct within the Association?

8. Does the association offer free or discounted memberships to any of its Members? If so, please explain the underlying policy or rationale for such free or discounted memberships (e.g. tiered-membership structure).

9. Does the Association represent businesses focused on highly-regulated industries (e.g., healthcare, extractives, etc.)?

10. Does the Association make facilitation payments or small “grease” payments to expedite governmental services or approvals you are otherwise due? If so, please describe the circumstances.

11. In the previous five years, has the Association faced circumstances that present a high risk of bribery? If so, please describe.

Trainings

1. How often are employees trained with respect to compliance?

2. Are compliance training courses compulsory for employees?

3. Do employees have ready access to the compliance training material (e.g., on the Association’s website or intranet?)
Purchasing/Procurement/Suppliers

1. Does the association maintain a central purchasing department?
2. How many suppliers does the Association approximately have? Who/what are typical suppliers?
3. How are suppliers selected?
4. What is the average contract volume? Are there any "high-volume" suppliers?
5. Is there a policy or guideline on purchasing or procurement?
6. Does the Association screen its suppliers? If so, how?
7. Are all relationships covered by a contract? How do contracts limit liabilities and/or financial risks?
8. Do suppliers have to sign a compliance or anti-bribery declaration? If so, how is this included in the contract?
9. Do model contracts exist for use with suppliers? If so, do the model contracts oblige the contracted parties to comply with national and international compliance standards (anti-corruption, labor, taxation, environmental, etc)? With the CoC? In circumstances in which contracts deviate from the model contract, is the legal department contacted?

Books/Records and Internal Controls

1. How are your books and records maintained? Do you maintain your books under International Financial Reporting Standards (IFRS)?
2. Does the Association have off-books funds or accounts?
3. What controls does the Association have in place to ensure transactions are accurately reflected in its books, and to prevent fraud or misuse of funds?
4. When do employees use cash? How is this accounted for/backed up/reconciled? Is there a cash use policy?

IV. EVALUATING RISKS

The third step of a risk assessment is to evaluate all information gathered and develop the Association’s risk profile. The information accumulated in the preceding steps should be analyzed in detail to identify the nature and extent of the risks and any red flags within the organization. Issues requiring additional investigation or review may be identified during this stage of the risk assessment. Below is a sample list of common risk areas and red flags. This is a non-exhaustive list intended for instructive purposes.
Compliance Program Deficiencies

- The Association has no Third Party vetting or due diligence procedure
- The Association lacks an adequate anti-bribery and anti-corruption compliance program, including:
  - Lack of policies and procedures
  - Lack of an adequate training program
- The Association has unclear compensation arrangements with its employees, Board of Directors, or Third Parties
- The Association does not adequately maintain its records
- The Association lacks financial controls

Government Touchpoints

- The Association has contracts with government in a high-risk jurisdiction
- The Association has multiple government touchpoints with inadequate controls
- The Association, its Members, or Third Parties have a close relationship with a Public Official
- The Association frequently works with Third Parties that have close ties to the government and the organization does not have sufficient transparency or controls regarding the Third Parties dealings with the government

Reputational Concerns

- The Association and/or a Third Party it works with are located in a country with high corruption risk
- A Member, Third Party, or their key executives/owners has a reputation in the market for corruption or an otherwise unsavory reputation
- Negative media coverage exists about the Association, its Members, or Third Parties
- Information about a Member or Third Party is not verifiable, e.g., a lack of published information about the Member or Third Party, where such information could be expected to be available
- A Member or Third Party has business ties to sanctioned countries?

Questionable Circumstances

- A Third Party requests unusual terms or payment arrangements, such as payments in cash or "special" invoices
- A Third Party asks for advance payments urgently or payments ahead of schedule, or has poorly documented invoices that include vague descriptions and inaccurate documentation of expenses
• A Third Party asks for payments to be made through third countries, without sound commercial reasons, to other parties or to shell and off-shore companies, or to multiple accounts without explanations

• A Third Party requests an unusually high commission, a large, non-standard contingency fee, or a compensation significantly higher than market rates

• A Third Party has an investor or beneficial owner that was not disclosed

• The role or function of a Third Party is unclear

• A Third Party has minimal or no staff, or less than adequate facilities or staff to perform the work

• A Third Party will not complete anticorruption certifications or refuses right-to-audit clauses in contracts, or hesitates to allow the organization to fully exercise them

V. EVALUATING RISKS

The final step of a risk assessment is to develop recommendations on how to address the risks facing the Association through enhancing the Association’s compliance program. Potential enhancements to an Association’s compliance program depend, in part, on the unique risks and circumstances of the organization. There is no “one-size-fits-all” approach to this process. However, there are thematic areas that Associations can focus on when considering enhancements to their compliance program. Baker McKenzie has distilled the key themes from the compliance program expectations of government regulators around the world into five essential elements of corporate compliance that should be present in every organization’s compliance program:

(1) Leadership: A successful compliance program consists of not only well-articulated internal policies and procedures, but must also be built on a solid foundation of ethics endorsed by the Board of Directors. Organizations should have a compliance officer in place who has the ear of those ultimately responsible for the organization’s conduct, including the Board of Directors. Effective leadership ensures that an ethical tone is set and that the compliance agenda is disseminated throughout the organization.

(2) Risk Assessment: An awareness of the nature and extent of risks everywhere the organization operates is a critical first step in implementing adequate compliance programs. Organizations should have formal processes in place for assessing and monitoring the risks to which they are exposed to in an on-going manner. Without such a process, it is difficult to credibly claim to have a robust and risk-based program.

(3) Standards and Controls: Authorities are looking for clear evidence that an organization’s compliance program is more than just a piece of paper. Associations should not only have detailed written policies but also clear procedures and protocols for ensuring those policies are effectively implemented. This may require a benchmarking exercise against similarly situated
organizations and/or periodic auditing to ensure that policies are effectively implemented.

(4) Training and Communication: Organizations should ensure that compliance training programs are reaching the Board, senior management, and employees. Keys to effective programs include live, annual training for high-risk personnel; tailoring programs to each country where an organization operates; and frequent updates to programs that demonstrate an understanding of evolving trends and new legislation. Organizations should also communicate the importance of their compliance programs both internally and externally.

(5) Monitoring, Auditing and Response: Organizations should rely on three essential activities—monitoring, auditing and responding—to maintain continuous oversight of their compliance programs. In addition to establishing a monitoring system to identify problems and address them promptly, it is also critical that managers report on compliance issues and establish protocols for internal investigations and disciplinary action.

Adhering to the substance of these essential elements across organizational compliance risk areas will produce a compliance program that promotes a culture of ethics and integrity, ensure all staff and stakeholders understand the Association’s commitment to combatting corruption and expectations of their own behavior, reduces the likelihood of fraud and abuse in any form to maintain business sustainability and reputation, and meaningfully meets the expectations of governmental authorities across the globe.

The action items based on answers to the Anti-Corruption Risk Assessment interview questions are two-fold. First, compliance officers should draw conclusions about potential gaps or areas for improvement in the existing compliance program and present their recommendations for the Board approval, including details on how these recommendations will be implemented. For example, if a new or updated gift policy is needed, the recommendations should specify who is responsible for writing the policy (compliance officer) and approving it (Board of Directors) and how it will be shared with all staff and/or integrated into the code of conduct (human resources), and a timeline for completing each of these activities. Second, compliance officers should mitigate the corruption risk areas identified at the operational level by analyzing specific corruption risks facing the organization, prioritizing them based on likelihood and impact, and creating mitigation plans. While the latter process is beyond the scope of this guidance, many tools exist for businesses that can be adapted by chambers and associations (for instance, A Guide for Anti-Corruption Risk Assessment from the United Nations Global Compact).

Below is a sample list of recommendations for enhancing an Association’s compliance program. This is a non-exhaustive list of recommendations intended for instructive purposes. Each Association will have to develop its own compliance program enhancements based on its particular risk profile and circumstances.
### Key Opportunities for Enhancement

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<th>Element</th>
<th>Opportunities</th>
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| **Leadership**               | • Management should deliver messages on the importance of ethics and compliance in team meetings and in written internal communications to establish a “tone at the top” that prioritizes compliance.  
   • Ensure all relevant departments, including Procurement, Finance, and Sales/Commercial functions are made aware of the obligation to involve Compliance prior to executing non-routine business agreements with Government Entities and/or Public Officials.  
   • Ensure the compliance manager has adequate resources. |
| **Risk Assessment**          | • Ensure compliance manager reviews all agreements with Government Entities and/or Public Officials.  
   • Review structure and controls of promotional activity to determine if enhanced / ongoing monitoring by compliance manager is appropriate.  
   • Conduct periodic (e.g., annual) assessments of the nature and extent of the risks to which an Association is exposed and update its compliance program to address any changes in risk profile. |
| **Standards and Controls**   | • Implement procurement policy to ensure fair and competitive bidding.  
   • Execute contracts with appropriate anti-corruption provisions.  
   • Ensure Third Parties are screened when executing a contract.  
   • Develop a plan for prompt screening of existing, high-risk business partners. |
| **Training and Communication** | • Provide targeted anti-bribery risk and compliance training for employees in government-facing functions.  
   • Ensure all employees receive training on appropriate travel and expense reimbursement submissions.  
   • Provide financial oversight guidance to all managers and finance employees regarding the responsibility to exercise appropriate review of financial transactions. |
| **Monitoring, Auditing and Response** | • Implement compliance monitoring and audits around government requests to ensure responses/decisions are substantiated.  
   • Monitor Third Parties and address any red flags as they arise.  
   • Investigate all potential corruption violations, and institute remediation and disciplinary measures promptly and impartially. |
VI. CONCLUSION

This risk assessment framework is designed to be conducted by an Association on a regular basis as part of its compliance with the Principles. To begin this process, individuals in charge of the compliance function should be given adequate authority and resources to complete the risk assessment, make any necessary updates to the Association’s compliance program, and update the Board of Directors on any such changes. This process should reflect a risk-based approach where policies, procedures, and controls are reasonable and proportional to the corruption risk faced by the Association.

For more information, visit www.cipe.org and www.acgc.cipe.org.

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