

FROM PLANNING TO PRACTICE



A GUIDE TO IMPLEMENT THE
CORPORATE INTEGRITY SYSTEM™ MALAYSIA

ACKNOWLEDGEMENTS

This toolkit, titled *From Pledge to Practice: A Guide to Implement the Corporate Integrity System™ Malaysia* was developed by the Companies Commission of Malaysia (SSM) to complement its Best Business Practice Circular (BBPC) 3/2012, entitled *Achieving Corporate Integrity*.

Commissioned through a joint collaboration between SSM and the Corporate Integrity Roundtable – of which SSM is a member – this publication was prepared with input from the Corporate Integrity Roundtable Members, as listed below:

1. Companies Commission of Malaysia (SSM);
2. Malaysian Anti-Corruption Commission (MACC);
3. Performance Delivery and Management Unit (PEMANDU);
4. Integrity and Governance Division (BITU);
5. Transparency International Malaysia (TI-M);
6. Malaysian Institute of Integrity (INTEGRITI);
7. Securities Commission Malaysia (SC); and
8. Bursa Malaysia Berhad (Bursa).

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YB DATO' SERI HAMZAH BIN ZAINUDDIN

MINISTER OF DOMESTIC TRADE, COOPERATIVES AND CONSUMERISM

“ Ethics and integrity cultural values among the corporate community are vital components of corporate governance for a company to remain competitive and sustainable in a global business world. By signing the integrity pledge, it demonstrates the company's commitment to adhere to ethical business practices and to ensure that all officers carry out their duties responsibly. I believe that the principles and good practices incorporated in this Tool Kit can be embraced and practiced in managing and transacting businesses following the persistent efforts by the Government in combating corruption is successfully achieved. ”

YB SENATOR DATUK PAUL LOW SENG KUAN

MINISTER IN THE PRIME MINISTER'S DEPARTMENT

“ Malaysian companies must move beyond rhetoric and superficial statement of intent on good governance to real implementation and sustainable compliance with good practices. I urge them to use the SSM Toolkit to equip themselves with a strong Integrity System. ”



YB SENATOR DATO' SRI IDRIS JALA

MINISTER IN THE PRIME MINISTER'S DEPARTMENT, CHIEF EXECUTIVE OFFICER PEMANDU



“ When we first introduced the Corporate Integrity Pledge (CIP) in 2011, we had one aim – to institutionalise corporate governance structures in the fight against graft. To engrain support and commitment from our partners in the Economic Transformation Programme (ETP), all Entry Point Project (EPP) players are set with a KPI specifically dedicated to signing the CIP upon embarking on their projects. The road ahead remains challenging but to effect change, we must continue to strengthen the building blocks. With MACC leading the frequent engagements through Corporate Integrity System™ Malaysia (CISM) roundtables, I am convinced we are on the right track. ”

YBHG. DATO' SRI JAMIL BIN SALLEH

CHAIRMAN OF THE COMPANIES COMMISSION OF MALAYSIA

“ The Companies Commission of Malaysia (SSM) continuously plays an important role in instilling good ethical values to the corporate and business communities. This is in line with the Government's agenda in encouraging the private sector to carry out business which is free from corruption. This Toolkit signifies the effort in promoting integrity to achieve a conducive business environment that is fair, transparent, vibrant and sustainable among the corporations and businesses in Malaysia. ”



COMMENTS FROM ROUNDTABLE MEMBERS OF THE CORPORATE INTEGRITY SYSTEM™ MALAYSIA (CISM)

YBHG. DATO' ZAHRAH ABD WAHAB FENNER

CHIEF EXECUTIVE OFFICER, COMPANIES COMMISSION OF MALAYSIA

“ One of the objectives of the SSM Corporate Responsibility Agenda is promoting the concept of corporate governance in a more holistic manner. Therefore, to ensure the success of this agenda, SSM has played an active role as the Corporate Integrity Roundtable Member since 2011. This Toolkit is a complementary document to the SSM Best Business Practice Circular 3/2012. This Toolkit is to assist companies and businesses to improve its existing systems and procedures to efficiently and effectively prevent any corruption through the Corporate Integrity System™ Malaysia Value Chain (CISM Value Chain). ”

YBHG. TAN SRI DR. ABU KASSIM MOHAMED

CHIEF COMMISSIONER, MALAYSIAN ANTI-CORRUPTION COMMISSION

“ Corporate Governance is a process and structure carried out by companies and businesses to achieve business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, taking into account the interests of other stakeholders, including government and the community.

In order to realize a comprehensive and rigorous anti-corruption corporate culture, there is an urgent need for Malaysian companies and businesses to put in place preventive measures that reinforce ethical leadership, good governance, transparency, accountability and respect for the rule of law in their operational procedures. ”

YBHG. DATUK SERI TAJUDDIN ATAN

CHIEF EXECUTIVE OFFICER, BURSA MALAYSIA BERHAD

“ Bursa Malaysia congratulates Suruhanjaya Syarikat Malaysia (SSM) for the issuance of the new edition of its 'From Pledge to Practice' toolkit which provides guidance to organisations wishing to implement their own integrity systems. Such continual national efforts will contribute to a more sustainable marketplace for Malaysia and Malaysians. This enhancement is timely as it complements Bursa Malaysia's continued efforts in strengthening the level of corporate governance and sustainability practices in the Malaysian Capital Market. ”

DR ANIS YUSAL YUSOFF

PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE MALAYSIAN INSTITUTE OF INTEGRITY

“ Good business ethics and corporate governance are key focus areas highlighted in the National Integrity Plan. Only with these values in place can the success of the business community be sustained and enhanced. The support for the corporate integrity initiative under the Malaysian New Economic Model was strengthened when the Malaysian Institute of Integrity (INTEGRITI) first mooted the idea to set up the Corporate Integrity System™ Malaysia (CISM) back in 2010. This Toolkit “From Pledge to Practice” produced by the Companies Commission of Malaysia (SSM), as a result of efforts from the CISM roundtable members, will help Malaysian companies develop an effective ethics and governance infrastructure that is able to integrate integrity and ethical principles in their business operations. ”

YBHG. DATO' AKHBAR SATAR

PRESIDENT, TRANSPARENCY INTERNATIONAL MALAYSIA

“ Business sector in general face alarming risks of corruption which can be minimized by raising the level of corporate transparency and accountability. Responsible business must put through robust integrity system in their operation, walk the talk and revise the system from time to time to reflect current circumstances.

This toolkit visualizes the Corporate Integrity System™ framework for Malaysian and serves as one of the best guidelines to your business governance plan. Pledging is not a stop, keep strengthening your system and move towards a corruption-free business! ”

ZAEIDAH MOHAMED ESA

DIRECTOR OF INTEGRITY AND GOVERNANCE DIVISION

“ The Malaysian Government has been working continuously in creating awareness and enhancing integrity as well as good governance through the prevention of corruption by consistently emphasizing on the risk and consequences of corruption especially to the public and private sector. Through CISM, the involvement of the private sectors will mobilize better integrity and governance management towards a more effective and holistic environment, hence, contributing towards the preservation of the nation's growth. ”

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PREFACE

Integrity is broadly defined as the moral quality of having consistency in uprightness, as can be measured by the conduct of companies and businesses when unobserved. Integrity is violated when corporate governance policies and procedures are disregarded in the quest for personal and corporate gain, as the interests of the perpetrators are usually put before those of other stakeholders and the wider community.

Corporate Governance is a process and structure carried out by companies and businesses to achieve business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, taking into account the interests of other stakeholders, including the management, customers, suppliers, financiers, the government and the community. It requires systems of rules, policies and procedures to promote responsible stewardship and sound ethical leadership in the conduct of corporate daily operations.

FROM PLEDGE TO PRACTICE

This toolkit is a support resource for organisations implementing the Corporate Integrity System™ Malaysia (CISM). It is developed to clarify the procedure of the CISM Value Chain and to encourage companies and businesses to implement integrity programmes, after having signed the Corporate Integrity Pledge (CIP).



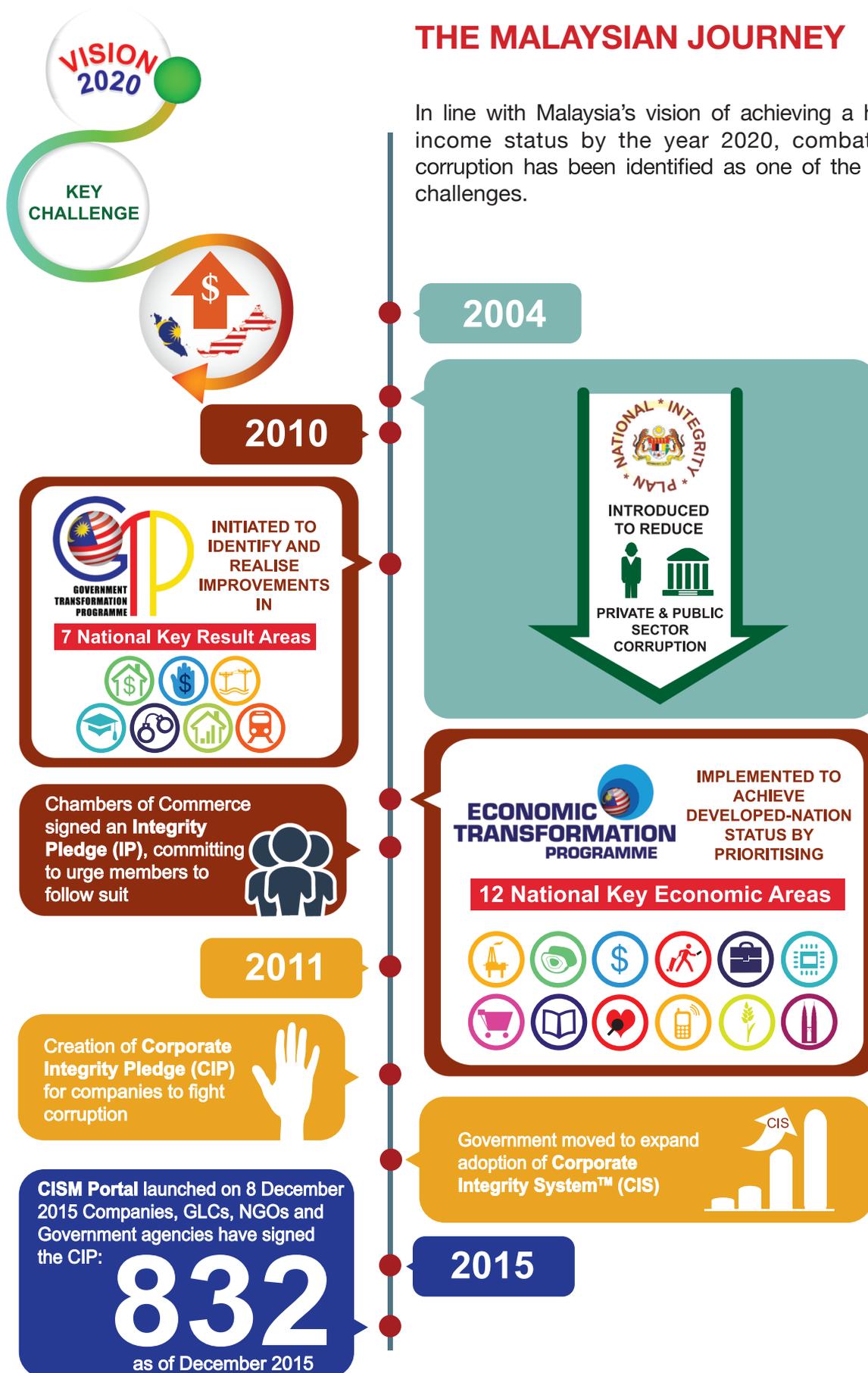
GOVERNANCE AND INTEGRITY

Corporate governance comprises a set of policies and procedures which make up the internal compliance framework of every company and business.

Corporate integrity builds on this to add further value to the company or business, by ensuring the exemplary ethical conduct of employees and the organisation as a whole.

THE MALAYSIAN JOURNEY

In line with Malaysia's vision of achieving a high income status by the year 2020, combating corruption has been identified as one of the key challenges.



PRESERVING PROFITABILITY

Enhancing Business through Private Sector Integrity

As companies and businesses become more global, they are increasingly aware of the threats and hazards posed by corruption. The entire range of stakeholders involved in the business process, including regulators, investors, consumers, business owners and employees are demanding higher standards of corporate integrity.

Integrity initiatives contribute towards corporate responsibility efforts and create value by boosting operational efficiency and the reputation of companies and businesses, while strengthening their sustainability and ability to build a sound brand name both locally and internationally. Global trends indicate that multinational companies are exhibiting increasing selectivity towards business partners who have publicly adopted and internalised corporate integrity and anti-corruption policies. While companies and businesses may be eager to enforce such anti-corruption policies, there always exists a common challenge of knowing where and how to begin.

Types of Corruption

PETTY CORRUPTION: Also known as administrative corruption, it involves the exchange of very small amounts of money and the granting of small favours. However, these can result in considerable public losses.

GRAND CORRUPTION: It spreads through the highest levels of government, bringing about major abuses of power, disobedience of the rule of law, economic instability and the breakdown of good governance.

Please refer to Appendix 1 for the complete list of types of corruption, as defined by the United Nations.

NATIONAL FRAMEWORKS ON CORPORATE INTEGRITY

In order to have effective corporate integrity and anti-corruption policies and procedures in place, companies and businesses must understand the problems and risks that they are susceptible to. This will ensure that they are tackling issues that really matter and that the effect of anti-corruption changes will be positively maximised.

Laws, legal codes and guidelines aimed at encouraging valuable and transparent corporate governance in Malaysian companies and businesses include the *Companies Act 1965*, which regulates all companies in Malaysia under the purview of the Companies Commission of Malaysia (SSM); the *Capital Markets and Services Act 2007*, which regulates the capital market under the purview of the Securities Commission Malaysia (SC) and the *Main Market and ACE Market Listing Requirements* issued by Bursa Malaysia Berhad (Bursa).



The Ernst & Young 14th
Global Fraud Survey in 2016*
revealed that **39%**
of respondents consider
bribery and **corruption** to happen
widely in their country
83% of respondents view **enforcement**
against management as an
effective deterrent against
fraud, bribery and corruption.

Note: * Based on 2,800 senior executives respondents from 62 countries and territories across the world

In the
United Nations 2012 Global
Compact Annual
Implementation Survey
– the largest survey
on corporate
sustainability practices with input
from over 1,700
businesses –
39% of respondents ranked
corruption as a major obstacle
to sustainable development,
highlighting the fact that
sustainability and overall market growth
cannot be achieved alongside
the prevalence of corruption.

There is also the *Malaysian Anti-Corruption Commission (MACC) Act 2009* which forms the core of the country's anti-bribery and anti-corruption framework, and is designed to align Malaysia's anti-corruption policies and procedures with internationally accepted standards under the United Nations Convention Against Corruption (UNCAC), particularly its obligations to counter bribery of foreign public officials.

Other laws that support the anti-corruption agenda include the *Anti-Money Laundering and Anti-Terrorism Financing Act 2001* – which outlaws money laundering and terrorism financing activities, the *Whistleblower Protection Act 2010* – which facilitates reporting of corrupt practice and protects whistleblowers from reprisal, and the *Witness Protection Act 2009* – which seeks to ensure protected parties are able to serve as witnesses.

Added to these are the *Malaysian Code on Corporate Governance 2012* and the *Malaysian Code of Business Ethics*. These codes are issued by the Securities Commission Malaysia and the Ministry of Domestic Trade, Co-operatives and Consumerism respectively. The objective of the former is to inculcate a culture of good governance as well as address and strengthen key areas of the corporate governance ecosystem in listed Malaysian companies, while the latter was created to engender ethical practices and promote self-regulation among companies and businesses.

CORRUPTION – FINDINGS OF SURVEY

Low ethical standards among companies and businesses – or even non-compliance – expose them to potential risk and damage to their reputation. This is possible because, while allegations about corrupt practices made against a company or business may not necessarily be true, the accusation itself can severely affect their image and ability to conduct business. This emphasises the importance of having transparent business procedures as well as inculcating and enforcing corporate anti-corruption practices.

Transparency International's *Bribe Payers Index (BPI)* – which surveys thousands of senior business executives from developed and emerging countries – showed that half of the 3,000 executives surveyed indicated that they had lost a contract in the preceding year because a competing company or business paid a bribe. On a scale of 0 to 10, where 10 represents the view that businesses and companies never bribe abroad and 0 is the opposite, Malaysia scored 7.6 and was ranked 15th out of the 28 nations studied.

One of the highlights of the index is that bribery is as common between companies and businesses as it is between the private and public sectors. Further, it was found that companies and businesses are as likely to pay bribes abroad as they are in their home countries. Finally, the index also indicated that there was no reduction in the perceived prevalence of bribery over three years.

Bribe Payers Index

Launched in 1999, Transparency International's Bribe Payers Index (BPI) evaluates the supply side of corruption. It ranks the world's wealthiest countries by the propensity of their firms to bribe abroad and looks at which industrial sectors are the worst offenders.

The countries and territories in the BPI were selected based on the value of their Foreign Direct Investment (FDI) outflows, the value of their exports and their regional significance. The latest edition of the BPI was released in 2011, as the report is not published annually.

Please visit Transparency International's website at www.bpi.transparency.org/ for the latest edition of the Bribe Payers Index.

PERCEPTION OF CORRUPTION

The perceived corruption in any country is typically measured by Transparency International's annual *Corruption Perception Index* (CPI), which evaluates nations around the world based on 12 surveys from various international institutions that include the World Bank and the World Justice Project. While the results are based on 'perception', international companies and businesses in the United States usually consult the CPI when estimating the risk of corruption in different countries.

Companies and businesses are also advised to institute transparent procedures and avoid corrupt practices entirely, as most forms of corruption are illegal, both where they occur as well as under the laws of the home country of the company or business committing the act. Corrupt practices include accepting gratification, corruptly procuring withdrawal of tenders, bribing officers of public institutions and using an office or position for personal gratification.

In recognition of the far-reaching negative effects of corruption, the United Nations Convention Against Corruption (UNCAC), of which Malaysia has been a signatory since 2003 and ratified in 2008, helps develop effective measures against corruption at domestic and international levels, through legally binding agreements. These measures aim to prevent corruption and criminalise certain conduct, as well as strengthen international law enforcement and judicial cooperation.

During Malaysia's UNCAC Country Review Report meeting in February 2014, the nation received commendations for the best practice initiatives it implemented under Chapter III (Criminalisation and Law Enforcement) and Chapter IV (International Cooperation) of the convention. Malaysia is carrying out the highest number of best practice initiatives among all countries reviewed, incorporating integrity pacts and pledges, as well as monitoring committees for large projects.

In 2008*,
PEMUDAH estimated that
corruption can cause
the country **10** **billion**
to lose RM **10** **billion**
a year in domestic growth –
indicating that such
practices do not only
disrupt individual
businesses
but have far wider impacts across
national social and economic
development.

Note: * As reported by The Sun Daily dated 6 July 2008

GAINFUL TRENDS

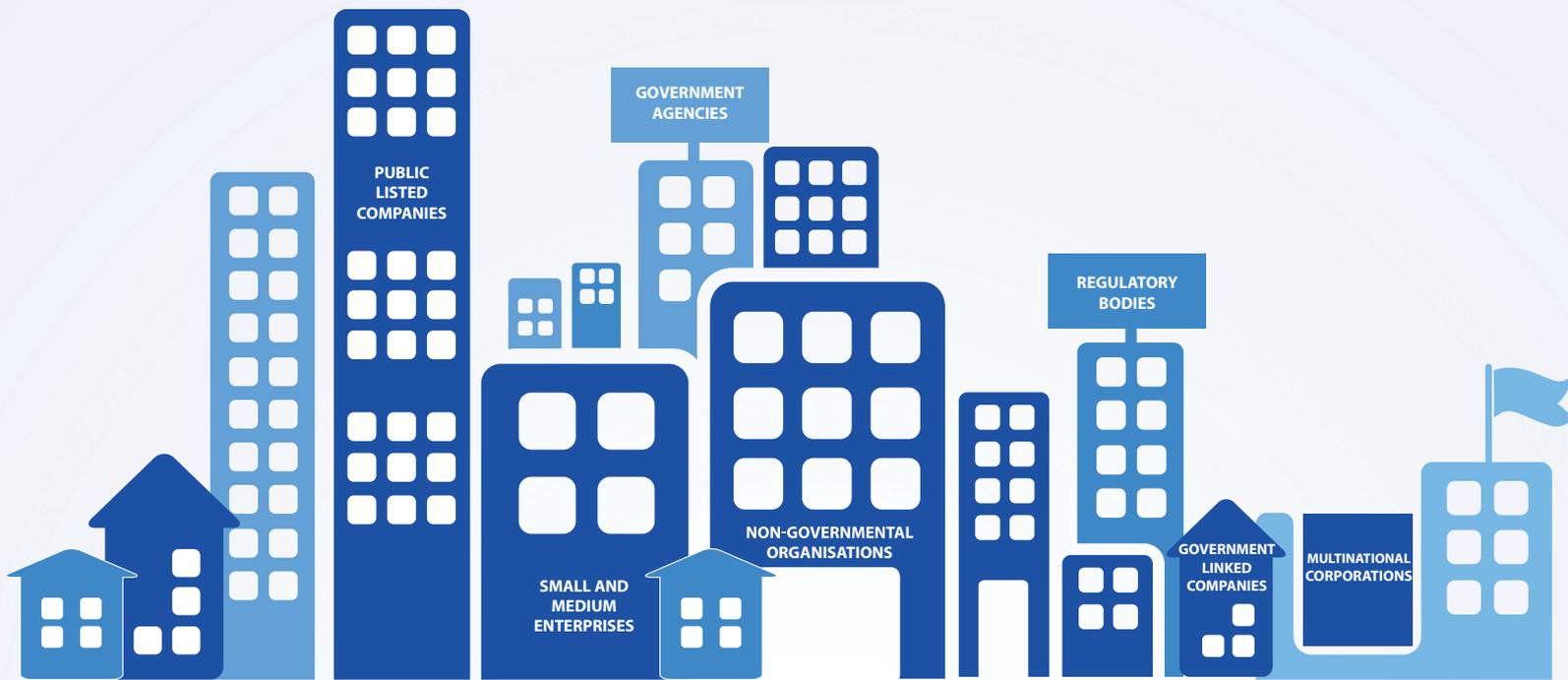
Private sector engagement and participation remains crucial and there are many measures companies and businesses can undertake, including reviews to determine their current integrity level, implementation procedures to establish and enhance corporate practices, and monitoring systems to ensure continuous improvement.

Eradicating corruption has become a high priority agenda in Malaysia, where many initiatives have already been successfully carried out through collaboration between the private sector and the NKRA Against Corruption. This agenda is also important as it helps protect the reputation of companies and businesses while promoting the development of sustainable and socially responsible practices – all vital to national development.

It should be noted however, that many companies and businesses still do not comprehend the effects of corruption or the need to combat it. Others cannot discern the difference between the various forms of corruption – such as bribery and grand corruption – and malpractice. Corruption limits opportunities to develop a competitive private sector, degrades the quality of public services, interferes with the fair awarding of contracts, and sabotages society's trust in public institutions.

Companies and businesses that engage in corrupt practices create instability for themselves, which also leads to reputational and financial risks. It is advised that companies and businesses identify their areas of vulnerability to corruption and establish guidelines, policies and procedures to strengthen these areas, rather than having to face the adverse conditions that may arise if they do not.

**Malaysia is ranked
18th from 189 countries
in the World Bank's Ease
of Doing Business Report
2016 by reducing
the number of
physical interactions required for
permits and approvals,
which indirectly also limits the
opportunities for
corruption
to take place.**



A COLLABORATIVE EFFORT AGAINST CORRUPTION

With the rising levels of perception of corruption in Malaysia, the Corporate Integrity System™ Malaysia (CISM) framework was initiated. To ensure the effectiveness of the CISM, stakeholders from various regulatory and economic bodies have formed a roundtable on corporate integrity to embed ethical values into the corporate culture of the nation. The Corporate Integrity Roundtable Members include the Malaysian Anti-Corruption Commission (MACC), the Malaysian Institute of Integrity (INTEGRITI), Transparency International Malaysia (TI-M), the Companies Commission of Malaysia (SSM), the Performance Management and Delivery Unit (PEMANDU), NKRA Against Corruption (NKRA), the Securities Commission Malaysia (SC) and Bursa Malaysia Berhad (Bursa).

The CISM framework is modelled to support corporate integrity initiatives – in order to enhance corporate integrity, business ethics and corporate responsibility – under the directions of the New Economic Model (NEM), Economic Transformation Programme (ETP), and National Integrity Plan (NIP).

THE CUSTODIAN

MALAYSIAN ANTI-CORRUPTION COMMISSION

Formed in 2009, the Malaysian Anti-Corruption Commission (MACC) is the latest incarnation of Malaysia's independent national corruption-fighting agency. Its functions integrate investigation, prosecution and prevention of corruption in the public and private sectors.



THE IMPLEMENTERS

MALAYSIAN INSTITUTE OF INTEGRITY

Entrusted to oversee and coordinate implementation of the National Integrity Plan (NIP), the Malaysian Institute of Integrity (INTEGRITI) is focused on developing a nation of high integrity that is resilient and embraces universal good values.



TRANSPARENCY INTERNATIONAL MALAYSIA

Transparency International Malaysia (TI-M) is the local chapter of a global anti-corruption coalition. As a non-governmental organisation, TI-M is committed to fight against corruption through advocacy and targeted studies into the actual prevalence of corruption, as well as professional consultation to assist companies and businesses in implementing their anti-corruption measures.



THE PROMOTERS

COMPANIES COMMISSION OF MALAYSIA

The Companies Commission of Malaysia (*Suruhanjaya Syarikat Malaysia or SSM*) is a statutory body that regulates companies, limited liability partnerships and businesses in Malaysia. Its other key functions include promoting corporate governance, incorporating companies, registering limited liability partnerships and businesses, as well as providing the public with information regarding the three (3) business vehicles.





PEMANDU
PERFORMANCE MANAGEMENT AND DELIVERY UNIT

PERFORMANCE MANAGEMENT AND DELIVERY UNIT

The Performance Management and Delivery Unit (PEMANDU), was established in 2009 to oversee and ensure the realisation of the Government Transformation Programme (GTP). Chaired by the Prime Minister, PEMANDU provides regular reporting on the progress of Ministries and Government agencies by recording and monitoring their implementation efforts.



Suruhanjaya Sekuriti
Securities Commission
Malaysia

SECURITIES COMMISSION MALAYSIA

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Act 1993*, and serves to regulate all matters relating to securities and derivatives, supervising exchanges, clearing houses and central depositories, as well as ensuring the proper conduct of market institutions and licensees, with the ultimate goal of protecting investors. The Commission also encourages and promotes the development of the Malaysian capital market.



BURSA MALAYSIA BERHAD

As a frontline regulator of the domestic capital market, Bursa Malaysia Berhad (Bursa) has the duty to maintain a fair and orderly market in securities and derivatives that are traded through its facilities, and is committed to maintaining high standards of corporate governance.



NKRA AGAINST CORRUPTION

The NKRA Against Corruption was established under the Government Transformation Programme (GTP) to coordinate and monitor implementation of anti-corruption initiatives tailored to the three areas identified during Horizon 1 of the GTP. These relate to government procurement, grand corruption – which involves political misconduct – and regulatory and enforcement agencies.

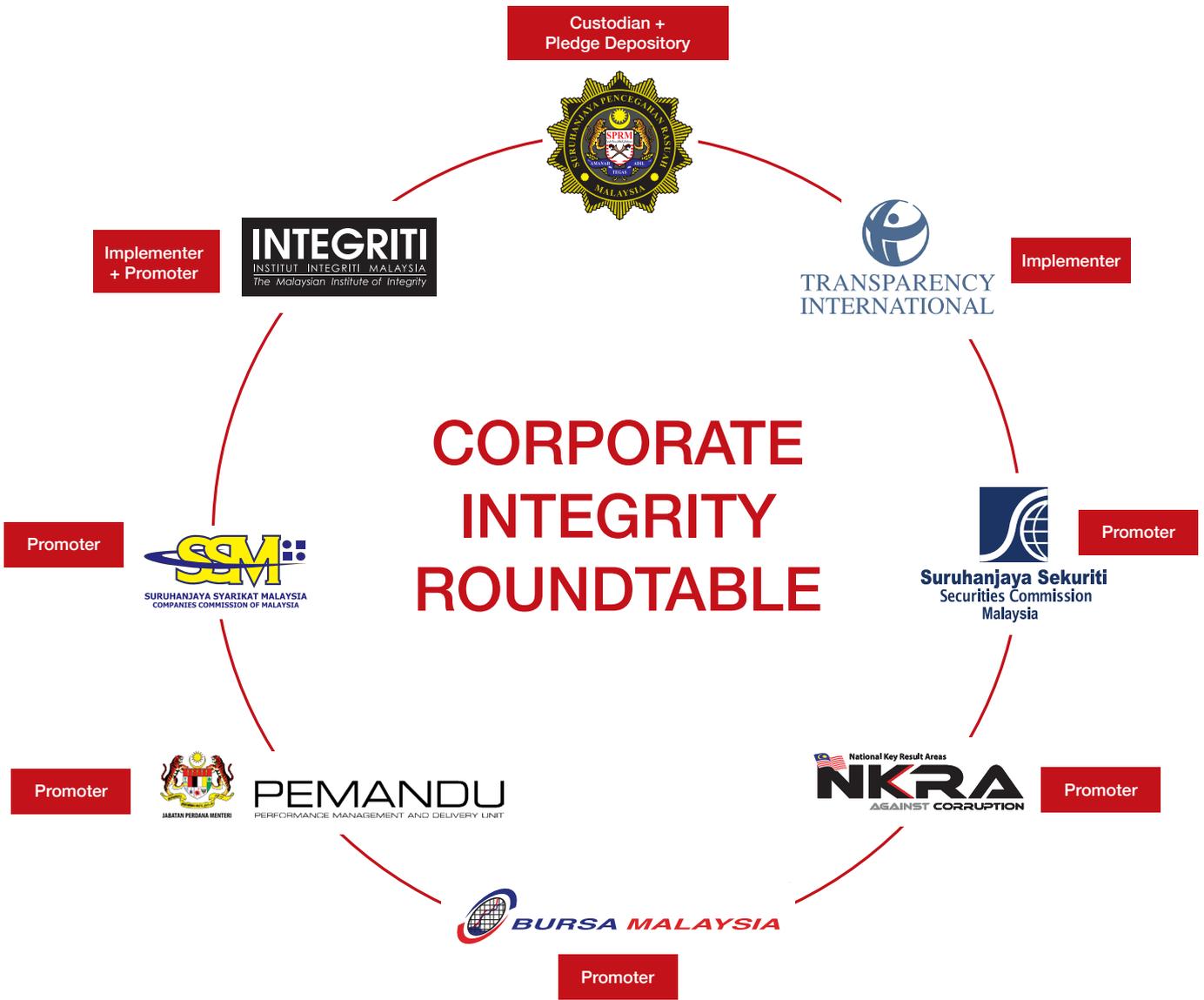


Figure 1: The Corporate Integrity Roundtable Members

WHERE DOES YOUR COMPANY STAND?

Before adopting or implementing the CISM Value Chain, companies and businesses are encouraged to assess and ascertain where they stand on integrity issues.

THE FOLLOWING ARE SOME BASIC QUESTIONS TO ASK:

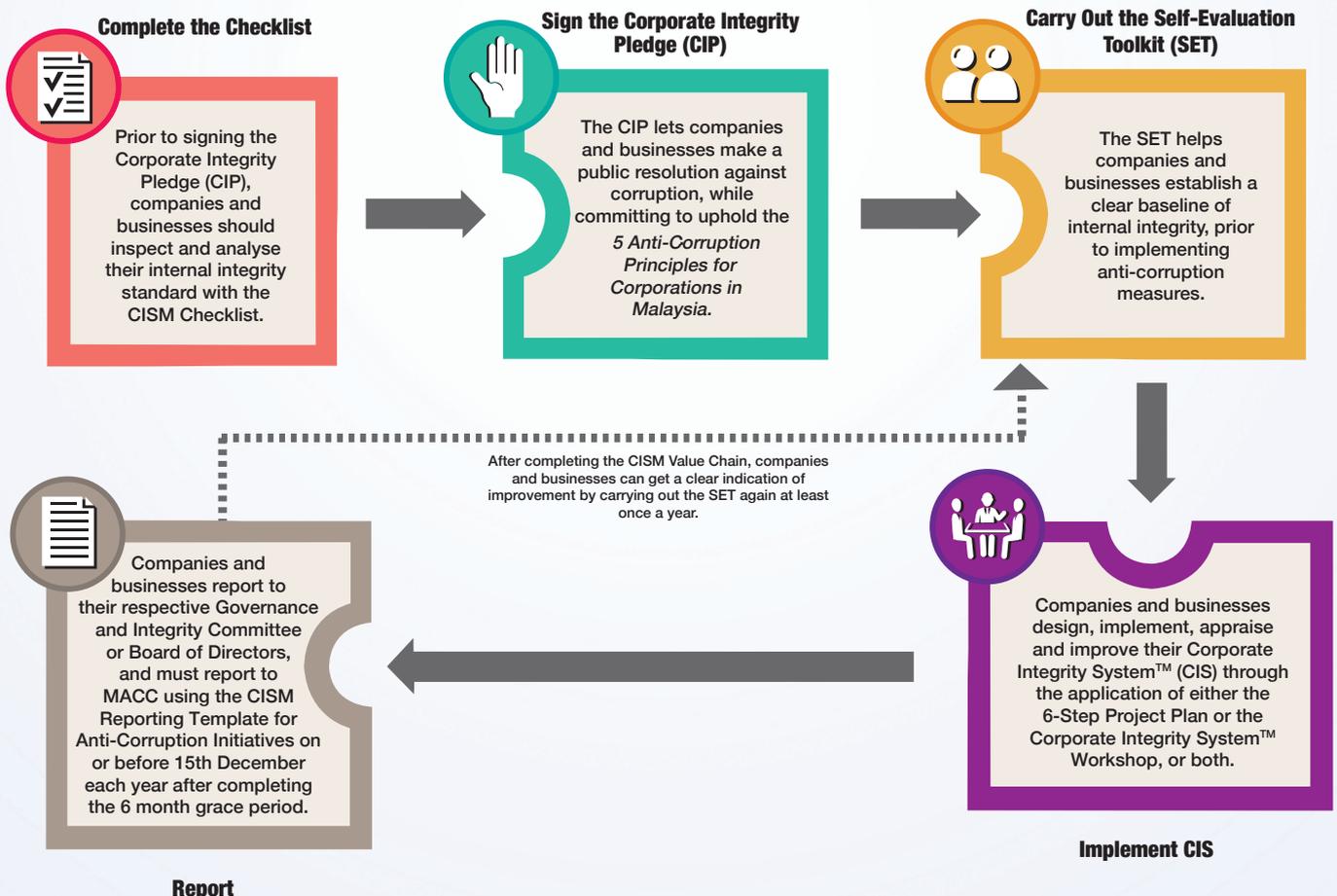


Executive officers or those responsible for compliance and integrity issues should use the list above to gauge the current status of integrity in their company or business.

HOW THE SYSTEM WORKS

In order to realise a comprehensive and rigorous anti-corruption corporate culture, there is an urgent need for Malaysian companies and businesses to put in place preventive measures that reinforce ethical leadership, good governance, transparency, accountability and respect for the rule of law in their operational procedures.

The Corporate Integrity System™ Malaysia (CISM) Value Chain identifies gaps and obstacles faced by companies and businesses pursuing corporate integrity. Implementation of the CISM requires all stakeholders to take ownership and have a long-term commitment to the initiative. This is in line with the corporate integrity and business ethics goals of the New Economic Model (NEM), the Economic Transformation Programme (ETP), the Government Transformation Programme (GTP) – specifically the NKRA Against Corruption – and the National Integrity Plan (NIP).



Stage 1: Complete the Checklist

The CISM Checklist was designed and developed based on the Anti-Bribery Checklist, released by Transparency International in 2009. It measures the internal corporate integrity of companies and businesses and establishes a baseline prior to signing the Corporate Integrity Pledge (CIP). The checklist allows administrators to assess existing integrity mechanisms, including policies, implementation procedures and monitoring and review systems.

Please refer to Appendix 2 for the complete CISM Checklist.

Stage 2: Sign the Corporate Integrity Pledge

Signing the Corporate Integrity Pledge (CIP) is a voluntary action that every company in Malaysia should undertake to make a unilateral declaration against corrupt practices and express its resolve to work towards a highly principled Malaysian business environment.

The pledgor agrees to uphold the five *Anti-Corruption Principles for Corporations in Malaysia*:

-  1. Committing to promote values of integrity, transparency, accountability and good corporate governance.
-  2. Strengthening internal systems that support corruption prevention.
-  3. Complying with laws, policies and procedures relating to fighting corruption.
-  4. Fighting any form of corrupt practice.
-  5. Supporting corruption prevention initiatives by the Malaysian Government and the Malaysian Anti-Corruption Commission (MACC).

Companies can obtain a copy of the CIP by downloading the form from the CISM Portal (www.cism.my) or by meeting MACC officials in person. The CIP must then be signed by the highest managerial officer in each company (such as the CEO), before being returned to the MACC. After signing, the company's name will be listed in the register of signatories on the CISM Portal. Business operators are then able to direct stakeholders to this website, in order to showcase their public commitment in support of integrity initiatives.



Stage 3: Carry Out the Self-Evaluation Toolkit

The CISM Self-Evaluation Toolkit (SET) was developed using the framework provided in Transparency International's Business Principles for Countering Bribery. It aims to assess the adequacy of companies' and businesses' policies and procedures, in order to establish a clearer baseline of existing conditions.

The SET should be completed in the order it is set out and will assist in identifying and prioritising the unique risks faced by each company and business. The first edition uses broad Core Indicators that employ a systematic approach to determine the extensiveness of internal integrity regimes.

Please refer to Appendix 3 for the complete CISM Self-Evaluation Toolkit.

Executive officers responsible for setting up integrity system should consult those familiar with the processes and procedures within the company or business while completing the SET.

It is advised that companies and businesses seeking to implement the CISM Value Chain first ensure that they are equipped with the necessary skills and knowledge on anti-corruption strategies. Having adequate, trained and efficient manpower provides anti-corruption initiatives with leadership and oversight, essential to the successful implementation of integrity programmes.

Another essential element to effectively achieve the goals of the Integrity Programme is to establish a system of check and balance by separating the integrity function from the key management position.

Please refer to Appendix 4 for the Corporate Integrity System™ Best Practice: Structure & Reporting Framework.



Stage 4: Implement CIS

After evaluating and identifying gaps through the SET, companies and businesses follow through on their commitment by implementing an integrity system. One of the key objectives of anti-corruption initiatives is to minimise and mitigate the opportunity for corruption to take place, comparing initial observations with actual realities after the system's deployment.

To adequately implement anti-corruption measures, companies may engage with competent service providers such as Transparency International Malaysia (TI-M), through its Business Integrity Programme, and the Malaysian Institute of Integrity (INTEGRITI), through its Corporate Integrity System™ Workshop.

6 STEP PROJECT PLAN

Transparency International's Business Integrity Programme uses the 6-Step Project Plan to provide companies and businesses with a straightforward procedure to effectively design and implement their Corporate Integrity System™ (CIS):

1

COMMITMENT TO CIS PROJECT

Initially, the senior management of the company or business is provided with an overview of the project, before a work proposal is formulated. Once the scope of work and pricing have been agreed, a detailed project plan and appropriate timelines are prepared. Standard CIS projects can take between eight weeks to 12 months to complete, depending on the size of the company or business, the scope of the project and the resources available to project managers.

2

RISK ASSESSMENT

This is followed with a risk assessment of operations undertaken by the company or business. It is a crucial step towards identifying specific work items needed to strengthen the overall level of integrity. The assessment also determines the project's final scope, highlighting areas that need special attention.

3

MATERIALS DESIGN

Specific CIS components – tailored to the risks of each company and business – are then designed. To guarantee practicality and effectiveness, the prepared materials are then verified with the project manager of the company or business, in order to ensure that the materials work well in their particular context.

4

PREPARE FOR IMPLEMENTATION

Once the materials are verified and approved, companies and businesses need to prepare for implementation. This involves drafting communication and training plans, preparing IT and HR staff for the changes, and working with the staff designated to leading the project during rollout. Staff ownership strengthens the programme, while also building in-house capacity to manage the system in the long term.

5

IMPLEMENTATION

The CIS is then launched, spearheaded by the designated staff of the company or business. Policies and procedures are put in place, and communication and training plans are implemented. An 'Integrity Day' with competitions, prizes and other events can be a great way to raise awareness and generate momentum for a successful start to the programme.

6

POST-IMPLEMENTATION REVIEW

Once the programme is in place, a review will be conducted to assess implementation and discuss onward action. Items remaining from the CIS programme are prioritised, and recommendations on further improvements to the system are discussed. After this final briefing, the CIS is now in place to help safeguard corporate integrity in the company or business.

Please refer to Appendix 5 for Key Activities of Implementing a Corporate Integrity System™ (CIS).

CORPORATE INTEGRITY SYSTEM™ WORKSHOP

The Malaysian Institute of Integrity (INTEGRITI) offers another option for companies and businesses to achieve implementation through its Corporate Integrity System™ workshop. The workshop comprises the following five modules:

MODULE ONE: Institutional Integrity

Through the sharing of insights on the challenges faced by employers and employees, as well as information on solutions and best practices, this module helps participants develop a conceptual framework for thinking about integrity at both the individual and the institution level.

MODULE THREE: The Corporate Integrity System™ Malaysia

This module concerns accountability and the mechanisms to safeguard it, exhaustive corporate governance frameworks, and the institution of professional ethical values which will lead to the creation of a fair and conducive business environment.

MODULE FIVE: Measuring and Benchmarking CISM Performance

This module equips participants with an awareness of Malaysia's progress since the anti-corruption agenda was prioritised by the Government, in line with the Government Transformation Programme (GTP) 2.0. It also enables participants to track this progress, in relation to global trends in the promotion of integrity.

MODULE TWO: The National Integrity System and The National Integrity Plan

This module provides participants with an awareness of the critical elements of the National Integrity Plan and the roles of the various integrity institutions that make up National Integrity System and contribute to the Plan's success.

MODULE FOUR: Case Studies in Resolving Corruption Issues

In this module, participants are presented with specific scenarios that have been faced by other companies in the past. Besides identifying the issues or problems involved, participants are encouraged to discuss possible causes of action that do not compromise integrity and ethics.



Companies and businesses may commence their initiatives by undertaking the Corporate Integrity System™ Workshop, which is a crucial step towards understanding what is required in an effective system. At the end of the course, participants are given the Corporate Integrity System™ Assessment Questionnaire (CIAQ), to measure the vulnerability of their company or business to corruption, evaluate their risks and identify areas for improvement.

THE CORPORATE INTEGRITY SYSTEM™ ASSESSMENT QUESTIONNAIRE (CIAQ)

The Corporate Integrity System™ Assessment Questionnaire (CIAQ) is used to evaluate implemented Corporate Integrity Systems and comprises the following 12 dimensions:



The CIAQ was adapted from the Global Ethics and Integrity Benchmarks, developed by Joan Elise Dubinsky and Alan Richter in 2008. However, it was refined to incorporate improved measures to assess current ethics and integrity practices.

Please refer to Appendix 6 for more information on the CISM Corporate Integrity System™ Assessment Questionnaire.



Stage 5: Report

Reporting initiatives can help enhance organisational transparency and boost the confidence of shareholders, other key stakeholders and members of the public. Findings produced at the conclusion of this stage can augment the Annual Reports and Financial Statements of a company or business, using quantifiable data on the efforts made to strengthen its stance against corruption.

As CISM Custodian, MACC is entrusted to monitor and conduct reviews on the CIP Signatories at least once after signing the CIP; and for subsequent reviews is based on the signatories request. Signatories will have the opportunity to share their integrity initiatives and ethical best practices.

To achieve this, the MACC has identified a set of Ten Anti-Corruption Initiatives which are integral to the development of integrity and prevention of corrupt activities in the corporate environment. This template can be emulated when companies do their reporting at this stage.



Please refer to Appendix 7 for the complete CISM Reporting Template for Anti-Corruption Initiatives.

Reviews will be conducted for a minimum of six months after CIS takes effect, depending on the availability of the company or business. They can either take place through physical observation, where MACC officers conduct discussions with those supervising integrity activities, or through self-evaluation documents that are available from MACC. Once MACC has collected all findings on the implementation of the 10 Anti-Corruption initiatives, it will prepare a detailed feedback/consultation to the company or business and propose the reporting to be disclosed in their annual report or CISM Portal.



At the same time, companies and businesses are also encouraged to independently measure their improvement by completing the CISM Checklist again and comparing the results with the initial assessment.

Finally, companies and businesses should take note that the CISM Value Chain is not a one-time solution that assures good governance and integrity in perpetuity once completed. Rather, it is a control mechanism that can identify and recommend areas for improvement – and should thus be undertaken regularly, to continuously enhance organisational integrity.

GAINING COMPETITIVE ADVANTAGE

Through the Corporate Integrity System™ Malaysia (CISM)

In support of the government's campaign to abolish corrupt practices and encourage transparency in the country, adoption of anti-corruption policies by the private sector is paramount to promote good business practices and in meeting the country's future economic goals. As small and medium enterprises constitute 97.3% of business establishments in Malaysia, their economic contribution is significant. Thus, the introduction of integrity initiatives among them will undoubtedly have a major impact on the nation.



Case Study

Company X is a five year old state-owned company. As a relatively new company, it did not have clear company policies and procedures, especially in the areas of tendering and contract enforcement. Poor contract management created problems for the company as the contractors underperformed, which put significant strain on the company's revenue.

In addition, the company's tendering procedure was conducted in a very obscure manner, thus exposing the company to corruption risk, demonstrated by the fact that some contractors were not capable of doing the job required and defaulted on their terms. To help fix these problems, the company engaged Transparency International Malaysia (TI-M) to implement an Integrity Pact (IP) system with the aim of improving its tendering and contract enforcement

procedures. Based on TI-M's recommendations, the company:

- *Established a Committee on Governance and Integrity (CGI) at the Board of Directors level.*
- *Appointed a Chief Integrity Officer (CIO).*
- *Adopted Integrity Pacts (IP) in its service supply contracts with contractors, making them commit to stamp out corrupt practices and abide by the contract terms and conditions.*
- *Developed a whistleblowing procedure.*
- *Organised briefings for staff and contractors on the new policies and procedures.*

The new policies and procedures were well received by the staff and contractors, who demonstrated their support during the briefing session. The company's tendering procedure is now more protected from corruption risk, while contract enforcement is also being made easier with the implementation of the IP system.

Source: Transparency International Malaysia

Transparency International's *Global Corruption Report* indicates that while the private sector has the potential to contribute to the overall development of the country, it may also be detrimental to society. The unchecked spread of corruption across the sector can undermine fair business competition, stifle economic growth and threaten stable development.

By implementing the CISM, companies and businesses can bring their practices closer in line with global integrity standards, as more and more countries introduce anti-corruption acts or integrate corporate liability clauses into existing legislation. Companies and businesses sign the Corporate Integrity Pledge (CIP), which allows them to make a public commitment to uphold the 5 Anti-Corruption Principles for Corporations in Malaysia.

They should then proceed to implement the rest of the voluntary CISM Value Chain, in order to enhance corporate governance and ensure that anti-corruption principles are present in all facets of business practice. The CISM Value Chain provides distinct guidelines to the practice after signing the CIP and helps nurture closer cooperation between the private and public sectors, as well as between regulatory and enforcement agencies.

Companies and businesses are also encouraged to initiate additional assessment and implementation measures to gain better insight into their operations and help them easily identify any inherent weaknesses that may give rise to corrupt activities.

Recent statistics indicate that corruption prevents sustainable development and adds unnecessary cost to business transactions. Taking this into

Case Study

Company Y – a trustee company – is a Government Owned Company (GOC) that has served the nation for over 90 years. In line with the Government's call for corporations to adopt the National Integrity Plan (NIP), this GOC has initiated a move to instill the principles of the NIP in the workplace by introducing its own comprehensive integrity plan.

In order to clearly understand its current level of integrity, the GOC submitted a completed Corporate Integrity System™ Assessment Questionnaire (CIAQ) to the Malaysian Institute of Integrity (INTEGRITI). As a result of INTEGRITI's findings from the self-assessment, the company:

- *Established a Personnel & Integrity Committee.*
- *Set up the office of the Chief Integrity Officer (CIO) to formulate and review corporate integrity strategies and create action plans to promote integrity.*
- *Developed its own integrity plan to foster and maintain public confidence in the company.*
- *Introduced and enforced whistleblowing policies and set up a Compliance Unit under the CIO to receive and investigate complaints.*
- *Executed 'Surprise Checks' based on the findings of Internal Audit Reports.*
- *Established a hotline for the public to lodge complaints and provide information on corrupt practices perpetrated by the company's employees.*
- *Issued partners with certificates attesting to their compliance with the company's Code of Business Ethics.*
- *Ensured that its vendors and suppliers adopted Integrity Pacts (IP).*

Thanks to these efforts, this GOC has become a pioneer in its industry and remains a great example for other companies to emulate.

Source: Malaysian Institute of Integrity



consideration, the CISM plays the essential role of providing clear guidelines on how to implement effective corporate integrity and anti-corruption policies and procedures. Widespread adoption of these initiatives will also improve and promote business confidence in the Malaysian private sector among local and foreign investors.

According to the Malaysian Anti-Corruption Commission (MACC) Act 2009, the MACC is entrusted to eliminate all forms of corruption in both the public and private sectors of Malaysia. To this end, the MACC's Inspection and Consultancy Division is dedicated to providing companies and businesses with any assistance in the course of establishing and enhancing their respective internal anti-corruption systems.

APPENDICES

APPENDIX 1: TYPES OF CORRUPTION

The United Nations Handbook on Practical Anti-Corruption Measures for Prosecutors and Investigators lists the more commonly encountered forms of corruption, which include:

I. PETTY CORRUPTION

Also known as administrative corruption, it involves the exchange of very small amounts of money and the granting of small favors. These however, can result in considerable public losses.

II. GRAND CORRUPTION

It spreads through the highest levels of government, bringing about major abuses of power, disobedience of the rule of law, economic instability and the breakdown of good governance.

III. ACTIVE AND PASSIVE CORRUPTION

The former refers to the act of offering or paying a bribe (where the payment of a bribe has taken place) and the latter refers to the request or receiving of a bribe (a bribe was offered but not accepted).

IV. BRIBERY

Bribery is the most common form of corruption. It is described as the act of conferring a benefit in order to influence an action or decision. It comes in the form of cash, company shares, inside information, sexual or other favours, entertainment, employment or future benefits such as a retirement job. The benefit can pass directly to the person bribed, or indirectly to a third party such as a friend, relative, associate, favourite charity, private business, political party or election campaign. Once bribery has occurred, it can lead to other forms of corruption.

V. EMBEZZLEMENT, THEFT AND FRAUD

Embezzlement, theft and fraud involve stealing by an individual exploiting his or her position of employment. Fraud involves the use of false or misleading information to induce the owner of property to part with it voluntarily. Theft is universally regarded as falling within corruption definitions where it occurs, carrying with it as it does, a breach of a fiduciary duty.

VI. EXTORTION

Extortion relies on coercion to induce cooperation, such as threats of violence or the exposure of sensitive information.

VII. ABUSE OF FUNCTION

The abuse of function or position is the performance of or failure to perform an act by a public official, in violation of the law, to obtain an undue advantage for himself/herself or for another person or entity.

VIII. FAVOURITISM AND NEPOTISM

Favouritism, nepotism and clientelism all involve abuses of discretion. Such abuses usually do not involve a direct personal benefit to an official but promote the interests of those linked to the official, be it through family, political party, tribe or religious group.

IX. CREATING AND EXPLOITING CONFLICTING INTEREST

Most forms of corruption involve the creation or exploitation of some conflict between the professional responsibilities of an individual and his or her private interest. The offering of a bribe creates such a conflict where none may have existed hitherto. In both the public and private sectors, employees and officials are routinely confronted with circumstances in which their personal interests conflict with their responsibility to act in the best interests of the state or their employer. Well-run organisations have systems to manage these situations, usually based on clear codes of conduct.

X. IMPROPER POLITICAL CONTRIBUTION

Donations made with the intention or expectation that the party will, once in office, unduly favour the interests of the donor, is tantamount to the payment of a bribe.

Types of Bribery	Definition
Corruption against the rule	A payment is made to ensure that the giver or someone connected to him/her actually receives a service to which they are not entitled.
Corruption with the rule	A payment is made to ensure that the giver or someone connected to him/her actually receives a service to which they are lawfully entitled.
Offering or receiving improper gifts, gratuities, favours or commissions	Accepting tips or gratuities in exchange for a service, frequently in violation of relevant codes of conduct. As links always develop between payments and results, such payments become difficult to distinguish from bribery or extortion.
Bribery to avoid liability for taxes	Officials in revenue collecting agencies, such as tax and customs, may be asked to reduce the amounts demanded or to overlook evidence of wrongdoing, including evasion or similar crimes. They may also be invited to ignore illegal imports or exports, or to turn a blind eye to illicit transactions, such as money-laundering.
Bribery in support of fraud	Payroll officials may be bribed to participate in abuses such as listing and paying non-existent employees.
Bribery to avoid criminal liability	Law enforcement officers, prosecutors, judges or other officials may be bribed to ensure that criminal activities are not properly investigated and prosecuted or, if they are prosecuted, to ensure a favourable outcome.
Bribery in support of unfair competition for benefits or resources	Public or private sector employees responsible for making contracts for goods or services (public procurement) may be bribed to ensure that contracts are made with the party that is paying the bribe, and on unjustifiably favourable terms. Where the bribe is paid out of the contract proceeds, it is described as a 'kickback' or a secret commission.
Private sector bribery	Corrupt banking and finance officials are bribed to approve loans that do not meet basic security criteria and are certain to default, which may lead to widespread economic damage to individuals, institutions and economies. Just as bribes can be offered to public officials conducting procurements, so too can bribes pollute procurement transactions within the private sector.
Bribery to obtain confidential or 'inside' information	Employees in the public and private sectors are often bribed to disclose confidential information and protected personal details for a host of commercial reasons.
Influence peddling	Public officials or political or government insiders illicitly sell the access they have to decision-makers. Influence peddling is distinct from legitimate political advocacy or lobbying (see Article 18 of the UN Convention Against Corruption).

APPENDIX 2: THE CISM CHECKLIST

CISM Anti-Bribery Checklist: How does your company stand on countering bribery?



(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A
1.0 POLICY			
1 Is there a formal, up to date, published policy on zero tolerance of bribery?			
2 Is there a public commitment to be consistent with all relevant anti-bribery laws in all jurisdictions in which your company operates?			
3 Have you made a commitment to implement an anti-bribery programme ¹ ?			
2.0 IMPLEMENTATION			
4 Do you carry out regular risk assessment to determine the risks of bribery and tailor the programme to mitigate these risks?			
5 Does your programme have detailed policies, procedures and controls for:			
a) Political contributions			
b) Charitable donations and sponsorships			
c) Facilitation payments			
d) Gifts, hospitality and travel expenses			
6 Does your leadership assign unambiguous responsibility and authority to managers for carrying out the programme?			
7 Is the programme implemented in all business entities over which your company has effective control?			
8 Do you encourage an equivalent programme in business entities in which your company has a significant investment or with which it has significant business relationships?			
9 Is the programme communicated to :			
a) All employees			
b) Business partners			
c) Other stakeholders			
10 Do your human resources practices ² reflect your company's commitment to the programme?			
11 Is tailored training provided to:			
a) All directors, managers, employees and agents?			
b) Key high-risk third parties including other intermediaries, contractors and suppliers?			
12 Does your company provide secure and accessible channels through which employees and others can obtain advice or raise concerns (whistleblowing) without risk of reprisal?			
13 Is the whistleblowing policy communicated adequately to external parties and authorities?			
14 Are there internal controls to counter bribery, with financial and organisational checks on accounting and record keeping practices and related business procedures?			
15 Are there procedures/mechanisms which require employees to declare any personal interest in any significant business decisions?			
16 Does your company include an anti-corruption clause in procurement/tender contracts?			
17 Does your company require senior management to declare their assets?			
3.0 MONITORING AND REVIEW			
18 Have you performed a review to ensure that your company is compliant with anti-corruption legislation in Malaysia and countries where you operate?			
19 Are the internal control systems, in particular the accounting and record keeping practices, subjected to regular review and audit?			
20 Do you have procedures in place to deal with any incidents of bribery?			
21 Does your senior management periodically review the programme's suitability and effectiveness and implement improvements?			
22 Does the Audit Committee, Board or equivalent body make a regular independent assessment of the adequacy of the programme?			
23 Does your company publicly disclose information about its programme and its implementation?			
24 Do you carry out external assurance of the programme and is the opinion statement published publicly?			

For further information please contact: ti-malaysia@transparency.org.my

¹ The whole of an enterprise's anti-bribery efforts including values, code of conduct, detailed policies and procedures, risk management, internal and external communication, training and guidance, internal controls, oversight, monitoring and assurance.

² Including those for recruitment, training, performance evaluation, recognition and promotion.



APPENDIX 3: THE CISM SELF-EVALUATION TOOLKIT (SET)

Self-Evaluation Indicators



(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A	Unclear
1.0 THE PRINCIPLES				
1.1 Prohibition of bribery in any form				
1 Does the company have a high level public statement such as Corporate Values statement which includes a commitment to business integrity?				
2 Has an Anti-Bribery Programme been formally approved by the Board or equivalent body or if a family-owned company, the owner-manager?				
3 Does the company have a Code of Conduct or equivalent policy document which includes an explicit statement of the no-bribes policy?				
2.0 DEVELOPMENT OF THE PROGRAMME FOR COUNTERING BRIBERY				
2.1 Design				
4 Does the programme clearly and in reasonable detail, articulate values, policies and procedures to be used to prevent bribery from occurring in all activities under the company's effective control? (If the programme has yet to be designed, tick N/A.)				
2.2 Monitoring emerging best practices and engagement with interested parties				
5 Does the company have a procedure to ensure that it is informed of all internal and external matters related to the effective development and implementation of the programme, and in particular, emerging best practices?				
3.0 SPECIFIC FORMS OF BRIBERY				
3.1 Political contributions				
6 Is there a policy and procedure covering political contributions whether made directly or indirectly?				
7 If the policy is not to make political contributions, does the company have procedures to prevent political contributions being made?				
8 If the policy allows for political contributions, does the policy and procedure ensure that contributions are not made directly or indirectly to political parties, organisations or individuals engaged in politics as a way of obtaining an advantage in business transactions?				
9 Is there a procedure to record accurately in the books any political contributions made? ¹				
3.2 Charitable contributions				
10 Are there procedures and controls to ensure that charitable contributions are not used as a subterfuge for bribery?				
11 Is there a review and approval procedure for charitable contributions with designated levels of approval?				
12 Is there a procedure to record charitable contributions accurately in the books?				
13 If the company has a foundation or trust, are that entity's contributions subject to procedures and controls to ensure they are not used as a subterfuge for bribery to gain an undue advantage for the company?				
3.3 Sponsorships				
14 Is there a policy and procedure covering sponsorship to ensure that sponsorships are not used as a subterfuge for bribery?				
15 Are there procedures for approval and payment of sponsorships which are in line with the normal purchasing procedures?				

¹Even if there is a policy not to make political contributions, such contributions may be made either inadvertently or in contravention of the policy – in such cases, they must be recorded correctly.

Appendix 3

(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A	Unclear
3.4 Facilitation payments				
16 Is there a policy and procedure covering facilitation payments?				
17 If the policy does not prohibit facilitation payments, then does it require the company to work to identify and eliminate such payments?				
18 Does the company have a procedure to monitor implementation of its policy on facilitation payments?				
3.5 Gifts, hospitality and expenses				
19 Does the company have policies and procedures covering gifts, hospitality and expenses?				
20 Are there procedures and controls including thresholds and reporting procedures, to ensure that the company's policies relating to gifts, hospitality and expenses are followed?				
21 Are there clear guidelines to enable employees to know how to handle the giving or receiving of gifts, hospitality and expenses?				
22 Is there a procedure to communicate to employees and business partners the guidelines for gifts, hospitality and expenses?				
4.0 ORGANISATION AND RESPONSIBILITIES				
4.1 Commitment to a Programme and assignment of responsibilities				
23 Has the Board of Directors or equivalent body or owner-manager committed to an anti-bribery policy and programme?				
24 Does the Board of Directors or equivalent body or owner-manager provide oversight to the programme either directly or through a Board committee?				
25 Is the Chief Executive or equivalent responsible for ensuring that the programme is carried out consistently with clear lines of authority?				
26 Does a director or senior manager have responsibility for implementing the programme?				
4.2 Demonstration of commitment by the Board and management				
27 Does the company make compliance with the programme mandatory for directors?				
28 Is there a sanctions procedure for breaches of the programme by directors?				
5.0 SUPPORT AND OPERATIONAL FUNCTIONS				
29 Are there procedures to ensure that support and operational functions have the skills and resources to assist in implementing the programme?				
30 Are there procedures to examine sales and marketing procedures regularly where risks of bribery apply and to implement appropriate remedies?				
31 Are there procedures to examine contracting and purchasing procedures regularly where risks of bribery apply and to implement appropriate remedies?				
6.0 BUSINESS RELATIONSHIPS				
6.1 Subsidiaries				
32 Is there a policy and procedure to implement the company's programme in all business entities over which it has effective control?				
33 Is it the company's policy to hold General Managers of subsidiaries accountable for implementation of the programme?				

Appendix 3

(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A	Unclear
34 Is there a procedure for General Managers of subsidiaries to provide regular written assurance that the parent company's programme is being implemented?				
35 Do the records show that General Managers are making written reports regarding implementation of the Programme?				
6.2 Significant investments				
36 Is there a policy and procedure to encourage the implementation of a programme equivalent to its own in which the company has a significant investment?				
6.3 Joint ventures and consortia				
37 Is there a procedure to conduct due diligence before entering into a joint venture or consortium?				
38 Is there a policy to ensure that the joint ventures and consortia over which the company maintains effective control have a programme consistent with its own?				
39 Is there a procedure to ensure that the joint ventures and consortia over which the company maintains effective control have a programme consistent with its own?				
40 Where the company has effective control of a joint venture or consortium is there a procedure to make known its programme to the other entities in the venture and encourage them to adopt a programme for the venture consistent with its own?				
41 Where the company does not have effective control of a joint venture or consortium is there a procedure to make known its programme to the other entities in the venture and encourage them to adopt a programme for the venture consistent with its own?				
42 Does the company have a procedure to monitor the Programmes and performance of its joint ventures and consortia?				
43 In the case of policies and practices that are inconsistent with its own Programme, is there a procedure for the company to take appropriate action?				
6.4 Exit strategy				
44 In the case of policies and practices that are inconsistent with its own programme, is there a procedure for the company to take appropriate action?				
45 Does the company have a procedure that where it is unable to ensure a joint venture or consortium has a Programme consistent with its own, it has a plan to exit from the arrangement if bribery occurs or may be reasonably thought to have occurred?				
6.5 Agents and other intermediaries				
46 Are there procedures to ensure that the company does not channel improper payments through agents or other intermediaries?				
47 Is there a policy and procedure to undertake due diligence before appointing agents and other intermediaries?				
48 Is there a procedure to provide guidance to employees for conducting due diligence before appointing agents and other intermediaries?				
49 Does the company have a procedure to properly document due diligence reviews?				
50 Is there a procedure for all agreements with agents and other intermediaries to require prior approval of senior management?				
51 Is there a policy to require agents and other intermediaries to contractually agree to comply with the company's programme?				
52 Is there a procedure for the company to have the contractual right of termination in the event that agents and other intermediaries pay bribes or act in a manner inconsistent with the programme?				



Appendix 3

(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A	Unclear
53 Is there a procedure to make provision in all contracts with agents, advisers and other intermediaries relating to the right of access to records, cooperation in investigations and similar matters pertaining to the contract?				
54 Does the company have a procedure to provide its agents and other intermediaries with advice and documentation explaining the obligation to comply with the company's programme, as well as applicable sanctions?				
55 Is there a policy that compensation paid to agents and other intermediaries is an appropriate and justifiable remuneration for legitimate services rendered, and are there procedures to ensure this?				
56 Are there policies and procedures to ensure that compensation paid to agents and other intermediaries is paid through bona fide channels?				
57 Is it the company's policy not to make payments to agents and intermediaries to off-shore accounts, and are there procedures to ensure this?				
58 Is there a procedure to contractually require agents and other intermediaries to keep proper books and records available for inspection by the company, auditors or investigating authorities?				
59 Does the company have a procedure to properly document material aspects of the relationship with the agent, adviser or other intermediary?				
60 Is there a procedure to monitor the conduct of the company's agents and other intermediaries?				
61 Does the company apply sanctions to agents and intermediaries that pay bribes or act in a manner inconsistent with the programme?				
6.6 Contractors, subcontractors and suppliers				
62 Does the company have an explicit public statement to conduct its contracting and procurement practices in a fair and transparent manner, and are there procedures to ensure this practice?				
63 Does the company have a procedure to perform due diligence on contractors and procedures to avoid dealing with contractors and suppliers known or reasonably suspected to be paying bribes?				
64 Does the company have procedures to make known its anti-bribery programme to contractors, subcontracts and suppliers?				
65 Does the company have procedures to monitor significant contractors and suppliers to ensure they have an effective anti-bribery programme?				
66 Are there procedures for the company to have the right of termination in the event that contractors and suppliers pay bribes or act in a manner inconsistent with the company's programme?				
6.7 Other business relationships				
67 Is there a policy to require or encourage the implementation of a programme equivalent to its own in entities with which the company has significant business relationships?				
7.0 HUMAN RESOURCES				
7.1 Alignment of human resource practices with the programme				
68 Do the company's human resource practices including those for recruitment, training, performance evaluation, remuneration, recognition and promotion reflect the company's commitment to the programmes?				
7.2 Mandatory compliance with the programme and sanctions				
69 Is there a policy and procedure to make compliance with the programme mandatory for employees, and do they include sanctions in the event of a violation?				
7.3 Protection of employees for refusing to pay bribes				
70 Is it the company's policy that no employee will suffer demotion, penalty or other adverse consequences for refusing to pay bribes even if such refusal may result in the company losing business?				

Appendix 3

(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A	Unclear
8.0 TRAINING				
71 Are there procedures for the training of directors, managers and employees so that they clearly understand the company's programme, and know the company's expectations and the sanctions procedure in the event of a violation?				
72 Is refresher training done annually or bi-annually for the staff?				
9.0 RAISING CONCERNS AND SEEKING GUIDANCE				
9.1 Complaints channels for employees				
73 Does the company encourage employees and others to raise concerns and report suspicious circumstances to responsible company officials as early as possible?				
74 Does the company provide secure and accessible channels through which employees feel able to raise concerns and report violations ("whistle-blowing") in confidence and without risk of reprisal?				
9.2 Complaints channels for business partners and others				
75 Are there secure and accessible communication channels that encourage and allow business partners or other external parties to raise concerns and report violations ("whistle-blowing") in confidence and without risk or reprisal?				
10.0 COMMUNICATION				
10.1 Internal communication				
76 Does the company have procedures for communicating its programme in an accessible way to all its employees?				
10.2 Guidelines on the programme				
77 Is there a procedure to require all employees to sign that they have read and understand the guidelines?				
10.3 External communication				
78 Is there a policy and procedure to publicly disclose information about the programme including the management systems employed to ensure its implementation?				
79 Is there a procedure to communicate the policies and procedures on bribery risk areas and the whistle-blowing channel to external parties such as suppliers, contractors, customers and business partners?				
11.0 INTERNAL CONTROLS AND RECORD KEEPING				
11.1 Internal controls system				
80 Is there an Audit Committee or equivalent that provides oversight of internal controls, financial reporting processes and related functions, including countering bribery?				
81 Does the company ensure that there is an appropriate separation duties?				
82 Is there a procedure to discuss the results of internal audits of the programme with relevant operational personnel?				
83 Is there a procedure to address identified weaknesses with a documented corrective action plan and a timetable for action?				
11.2 Books and records				
84 Are there procedures to maintain and be available for inspection, accurate books and records that properly and fairly document all financial transactions?				



Appendix 3

(Y: Yes, N: No, N/A: Not Applicable)

	Y	N	N/A	Unclear
85 Are there procedures to ensure that there are no 'off-the-books' accounts, inadequately defined transactions or false entries?				
86 Is there a procedure to implement accountability throughout the company and its subsidiaries, to enforce internal controls and proper books and records?				
11.3 Review and internal audit				
87 Is there a procedure to ensure that the internal control systems, in particular the accounting and record keeping practices, are subject to regular internal audits to provide assurance that they are effective in countering bribery?				
88 Is there a procedure for ensuring that there is an adequate audit trail to support all recorded transactions?				
89 Is there a procedure for Internal Audit to carry out regular review of the programme to assess its effectiveness and identify areas for improvement?				
12.0 MONITORING AND REVIEW				
90 Are there feedback mechanisms and other internal processes supporting the continuous improvement of the programme?				
12.1 Use of risk assessment in improving the programme				
91 Is there a procedure for regular risk assessment for bribery that extends to all operations under the company's effective control?				
12.2 Use of consultation in the monitoring and improvement of the programme				
92 Is there a procedure by which the views and comments of employees are incorporated into the continuing improvement of the programme?				
93 Is there a procedure for consulting regularly with key stakeholders about implementation and improvement of the programme?				
12.3 Use of experience from incidents to improve the programme				
94 Is there a procedure to use the experience from incidents to improve the programme?				
12.4 Reviews by Audit Committee and the Board				
95 Is there a procedure for senior management to monitor the programme and periodically review its suitability, adequacy and effectiveness, and implement improvements as appropriate?				
96 Is there a procedure for senior management to periodically report the results of programme reviews to the Audit Committee, Governance Committee, Board or equivalent body?				
97 Is there a procedure for prompt reporting of any issues or concerns to senior management and the Board?				
13.0 EXTERNAL VERIFICATION AND ASSURANCE				
98 Has an external verification or assurance been conducted?				
99 If external verification or assurance has been conducted, have the findings been reported to the Board?				
100 If external verification or assurance has been conducted, have the findings been acted upon?				

**APPENDIX 4: CORPORATE INTEGRITY SYSTEM™ BEST PRACTICE:
GOVERNANCE STRUCTURE AND REPORTING FRAMEWORK**

	MAJOR COMPANIES (e.g. MNCs, GLCs, PLCs)	SMALLER COMPANIES (SMEs/SMIs)	NOTES
BOARD OF DIRECTORS	Board of Directors	Board of Directors	
SUB-BOARD COMMITTEE	Committee on Governance and Integrity (CGI)	Committee on Governance and Integrity (CGI)	<p>CGI:</p> <ul style="list-style-type: none"> i) An oversight body of the Corporate Integrity System™ chaired by an Independent Director (larger companies) or owner/CEO (smaller businesses) ii) Main roles include: <ul style="list-style-type: none"> - Providing oversight for CIS, ensuring it is effective, up to date and comprehensive - Managing corruption incidents and whistleblowing cases - Ensuring compliance with Malaysian laws and regulations iii) Meets quarterly, normally 2 weeks before main Board meeting
MANAGEMENT	Chief Integrity Officer (CIO)	Integrity Manager	
EXECUTIVE	Integrity Manager	Integrity Officer (for larger SMEs)	<p>Integrity Officer:</p> <p>* Hiring/appointing of an integrity officer is optional and subject to a company's resources.</p>
	Integrity Department		

Source: Transparency International-Malaysia Business Integrity Programme (TI-M BIP)

APPENDIX 5: KEY ACTIVITIES OF IMPLEMENTING A CORPORATE INTEGRITY SYSTEM™ (CIS)

A

CAPITAL EXPENDITURE AND START-UP ITEMS

- Setting up Integrity Department:
 - Renovations/Refurbishments
 - Furniture
 - Office and Administration Equipment & Start-up Stationery

B

CONSULTANCY ITEMS (*)

- CIS Project Cost
- Legal Consultation Fees

C

ADMIN OPERATIONAL COSTS

- Initial training cost for Integrity Manager and Integrity Officers (*)
(e.g. *Certified Integrity Officer training course*)
- Training Costs
- Communication Costs
- Printing Costs
- Travel Costs

D

ANNUAL PAYROLL COSTS

- Integrity Manager / Certified Integrity Officer (**)
- Integrity Officer - 1 Full Time Employee
- EPF & SOCSO

Notes:

* Non-recurring cost

** Companies may assign the role of Integrity Manager as a dual role for existing managers. The employment of a full time Integrity Officer also depends on a company's size and needs. However, a bigger team is needed as a company grows larger.

APPENDIX 6: THE CISM CORPORATE INTEGRITY SYSTEM™ ASSESSMENT QUESTIONNAIRE (CIAQ)

The Twelve Dimensions of Corporate Integrity System™ Assessment Questionnaire

The Corporate Integrity System™ Assessment Questionnaire (CIAQ) instrument is a valuable tool for managing opportunities and risks internally, unearthing opportunities for improvement and turning them into strategic, organisational and operational advantages. The Twelve Dimensions assessed are:

1

Vision & Goals

The company's identification and definition of ethics, integrity and moral conduct, and how these principles are integrated into everyday business conduct.

Leadership

The roles and responsibilities of the company's leadership in setting the tone from the top, and shaping, guiding and supporting the company's ethics and integrity initiatives.

2

3

Infrastructure

The structure of the ethics and integrity programme so that it can be implemented effectively, including staffing, resource allocation, responsibilities and reporting relationships.

Legal Compliance, Policies & Rules

The core policies and rules that ensure compliance with external laws under which the company operates, and the systems and controls which translate a legal commitment into enforceable guidance.

4

5

Organisational Culture

The definition and promotion of ethical conduct through the company's mission, vision, structure, and strategy, how these define the culture, whether the employees have ownership and whether the reality matches the intent.

6

Disciplinary & Reward Measures

How the company sets and enforces its standards, addressing incentives that promote ethical behaviour and disciplinary action taken to limit or punish unethical work conduct.

Measurement, Research & Assessment

How ethics and integrity strategies are measured or assessed and the company's commitment to continuous improvement.

7

8

Confidential Advice & Support

How the company provides confidential, neutral, professional and independent ethics advice to all employees and stakeholders.

Ethics Training & Education

Skill-building training and education, as well as the overall development of ethics and integrity in all employees throughout the employment cycle.

9

10

Ethics Communications

How ethics and integrity are articulated and promoted, both internally and externally.

Whistleblowing

How individuals are encouraged to report questionable conduct and the systems used to protect whistleblowers from retribution.

11

12

Corporate Social Responsibility

How the company establishes links with and invests in the communities and stakeholders with which it interacts, encompassing government relations, environmental consciousness, sustainability, and community impact.

Please visit the CISM Portal at www.cism.my to obtain the complete Corporate Integrity System™ Assessment Questionnaire (CIAQ).

APPENDIX 7: CISM REPORTING TEMPLATE FOR ANTI-CORRUPTION INITIATIVES

OBJECTIVES	EVALUATION TEST	NOTES
A. CODE OF ETHICS		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) A comprehensive and clear Code of Ethics (COE) is to be introduced by the company/organisation. ii) A clear commitment is specified in the COE to avoid corruption including offering, receiving or soliciting which can lead to corruption. iii) The COE clearly addresses company values, principle, management support and personal responsibility. iv) A commitment to compliance through enforcement and monitoring is clearly stated. 	<p>Determine if the company/organisation has introduced a comprehensive and clear Code of Ethics to its employees including its Board of Directors/senior management.</p> <p>If there is such code, review for any specified provisions which clearly state the company/organisation commitment to the avoidance of corrupt practice.</p> <p>Identify and evaluate the adequacy of the enforcement and monitoring processes of the company/organisation Code of Ethics and determine who has the overall oversight responsibility.</p>	
B. CONFLICT OF INTEREST		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) The company/organisation has established a procedure/mechanism to reduce the risk of business decisions that are not transparent. ii) The senior management of the company/organisation do not misuse their position to accumulate wealth through unethical means in compliance with statutory law such as the Companies Act (1965) and the MACC Act (2009). 	<p>Determine if there is a procedure/mechanism introduced by the respective company/organisation which requires employees including its Board of Directors and senior management, to declare any personal interest in any significant company/organisation business decisions.</p> <p>Determine if any requirement is imposed on company/organisation employees including its Board of Directors and senior management, to declare their assets.</p> <p><i>Note: This is only applicable to some organisations such as government agencies and government-linked companies.</i></p>	
C. WHISTLEBLOWING POLICY		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) A policy for reporting corrupt or unethical practices is established by company/organisation. ii) The policy is properly communicated to employees/stakeholders of the company/organisation and awareness programmes are held. iii) There is a clear reporting line stated in the policy. iv) The best possible protection is given to an informant in accordance with the Whistleblower Protection Act (2010). 	<p>Determine if a policy/procedure for reporting corrupt or unethical practices has been established by the respective company/organisation.</p> <p>Review if the policy is made known to the company/organisation employees/stakeholders and proper training/awareness programmes are conducted with employees/stakeholders to enhance their understanding and compliance.</p> <p>Determine if there are proper reporting lines in the policy and how reports are communicated to external parties/authorities.</p> <p>Evaluate the adequacy of the policy to ensure that the best possible protection is given to an informant.</p>	



Appendix 7

OBJECTIVES	EVALUATION TEST	NOTES
D. REFERRAL POLICY		
<p>To ensure that:</p> <p>i) There is a comprehensive and clear written policy/statement on obligation to report to the relevant authority when a serious breach of company/organisation regulation or statutory law involving any of its employees has occurred.</p> <p>ii) The policy/statement is properly communicated to the company/organisation employees.</p>	<p>Determine if there is a policy/statement on the obligation to report to a relevant authority in the event of serious breach of company/organisation regulations or statutory law involving any of the respective company/organisation employees has occurred.</p> <p>Review the adequacy of the policy/statement and determine how it is communicated to the company/ organisation employees.</p>	
E. SPECIFIC CORRUPTION RISK AREAS		
<p>To ensure that:</p> <p>i) A process has been developed to specifically identify potential corruption risks before they occur so that risk-handling activities may be planned to mitigate adverse impacts on achieving the company/organisation objectives.</p> <p>ii) A proper action plan has been developed in addressing the risk identified.</p>	<p>Determine if the respective company/organisation has established and maintained an organisational policy for planning and performing the risk management processes.</p> <p>Determine if the respective company/organisation has a process to determine risk sources and categories.</p> <p>Review how the company/organisation defines the parameters used to analyse and categorise risks, and the parameters used to control the risk management effort.</p> <p>Determine if a process has been established and maintained for the strategy to be used for risk management.</p> <p>Determine if the respective company/organisation has a process to develop a risk mitigation plan for the most important risks i.e. establish a no gift policy, a vendor code of conduct, HR screening policy etc.</p> <p>Determine if the company/organisation has a process to monitor and review the risk i.e. whether the mitigation has been effective.</p>	
F. ETHICS TRAINING, EDUCATION AND COMMUNICATION		
<p>To ensure that:</p> <p>i) Formal ethics education is provided to the company/organisation employees, business partners and other stakeholders.</p> <p>ii) The content of training focuses on enhancing ethical awareness, ethical decision-making, leadership and personal accountability.</p> <p>iii) Communication or discussion about ethics and integrity issues is established within the company/organisation.</p> <p>iv) Ethical issues are properly communicated with external parties and relevant government agencies.</p> <p>v) The company/organisation is encouraged to share its policies/procedures with other companies/organisations.</p>	<p>A training plan has been developed and sufficient resources are allocated by the company.</p> <p>Review the adequacy of the training content and whether it focuses on enhancing ethical awareness, and determine if the company/organisation has assigned a specific employee/ department who will lead the training programme.</p> <p>Determine whether the company/organisation has measured employee awareness after the training on a yearly basis to gauge the effectiveness of the integrity programme.</p> <p>Determine if the company/organisation has established and documented formal communication or discussion about ethics and integrity issues within the company/organisation, including subsidiaries/Joint-Venture companies.</p> <p>Determine if the company/organisation has established and documented formal communication with external parties such as suppliers, contractors, agents, customers and government agencies on issues related to ethics.</p>	

Appendix 7

OBJECTIVES	EVALUATION TEST	NOTES
G. POLICY COMPLIANCE		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) The company/organisation develops and maintains a compliance programme that ensures full compliance with all applicable policies, procedures, laws and regulation that are imposed upon the company/organisation as a whole. ii) The company/organisation has complied with the internal systems of control that are imposed to achieve compliance with the external imposed rule. 	<p>Review if the company/organisation has developed and maintained a compliance programme within the company/organisation by the introduction of policies/procedures to ensure that the financial transactions of the company/organisation are recorded accurately.</p> <p>Review if the company/organisation has introduced anti-corruption procedures for its tendering and procurement contracts such as introducing anti-corruption clauses/obligations to report any misconduct in such contracts via an established internal reporting mechanism or secure whistle-blowing channel.</p> <p>Review if the company has assigned dedicated and suitably trained personnel (Management level) with an overall responsibility to oversee compliance functions.</p>	
H. ANTI-CORRUPTION REPORTING		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) The processes and procedures for reporting on anti-corruption issues within the company/organisation have been established. ii) Reporting on anti-corruption measures is effectively communicated to the company/organisation stakeholders. 	<p>Determine if the company/organisation has established any form of reporting on anti-corruption issues. This includes introducing anti-corruption elements in its internal controls and monitoring of internal control functions by the company/organisation.</p> <p>Determine to what extent the company/organisation has included reporting on anti-corruption measures in its annual report to stakeholders (if any).</p>	
I. LEADERSHIP		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) The senior management of the company/organisation have been directly involved in discussing matters related to the development of integrity within the company/organisation. ii) The company/organisation has taken proactive measures to ensure a high level of ethical conduct within all levels of the company/organisation. 	<p>Determine if the company/organisation Board of Directors/senior management have been directly involved in discussions on matters related to the development of integrity with employees/stakeholders and to ensure that programmes/activities are held on an ongoing basis.</p> <p>Determine if the company/organisation has taken any steps to ensure a high level of ethical conduct within all levels of the company/organisation including mandating its Board of Directors/senior management to participate in integrity development related programmes/activities.</p>	
J. CORPORATE SOCIAL RESPONSIBILITY		
<p>To ensure that:</p> <ul style="list-style-type: none"> i) The company/organisation has organised community based activities/programmes with its stakeholders. ii) The company/organisation takes into consideration its stakeholders' social welfare when conducting its business activities. 	<p>Determine if there are any steps taken by the company/organisation to organise activities/community-based programmes which involve its stakeholders and to provide procedures/guidelines for the implementation of such activities/programmes.</p> <p>Determine if the company/organisation has taken into account the social welfare aspects of its stakeholders in the course of its business activities. This includes compliance with employment and environmental laws and regulations.</p>	



SSM
SURUHANJAYA SYARIAH MALAYSIA
COMPANIES COMMISSION OF MALAYSIA

TRANSPARENCY
ETHICS
INTEGRITY
DISCLOSURES

SSM BEST BUSINESS PRACTICE CIRCULAR 3/2012 ON: **ACHIEVING CORPORATE INTEGRITY**

In Collaboration With:

MINISTRY OF DOMESTIC TRADE,
COOPERATIVES AND CONSUMERISM

**CODE OF
BUSINESS ETHICS
MALAYSIA**

KERAJAAN MALAYSIA

**PELAN
INTEGRITI
NASIONAL**

SSM'S BEST BUSINESS PRACTICE CIRCULAR (BBPC) 3/2012 ON ACHIEVING CORPORATE INTEGRITY

Released by the Companies Commission of Malaysia (SSM) on the 27th of January 2012, this publication was a collaborative effort by SSM with the Corporate Integrity Roundtable Members, comprising the Malaysia Institute of Integrity (INTEGRITI), the Performance Management and Delivery Unit (PEMANDU) of the Prime Minister's Department, the Malaysian Anti-Corruption Commission (MACC), the National Key Result Area (NKRA) Against Corruption, Transparency International Malaysia (TI-M), Bursa Malaysia and the Securities Commission Malaysia (SC).

It serves to introduce companies to the Corporate Integrity Pledge (CIP) and the Corporate Integrity Assessment System Questionnaire (CIAQ), which are the second and fourth stages of the CISM Value Chain, respectively. It also informs readers of the factors that led to the creation of the CIP, future steps that should be taken after signing the pledge, and the benefits of implementing comprehensive anti-corruption mechanisms.

THE MALAYSIAN CODE OF BUSINESS ETHICS

The Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) initiated the development of the *Malaysian Code of Business Ethics* and its supporting legislation, to instill in the business community firm moral and ethical principles based on the religious, philosophical and cultural values of the Malaysian people.

The Code comprises six principles established by the National Consumer Advisory Council and the MDTCC. It seeks to enable and encourage self-regulation among businesses in Malaysia by achieving the following objectives:

1. Setting out the overarching principles to be applied by businesses;
2. Assisting businesses to practise high ethical standards, in order to safeguard all stakeholder interests and bolster national economic growth; and
3. Symbolising the universal values gleaned from the doctrines and beliefs of the various religions, philosophies and cultures found within Malaysia.

THE NATIONAL INTEGRITY PLAN

Formed in 2004 under the direction of former Prime Minister Tun Abdullah Ahmad Badawi, the *National Integrity Plan* (NIP) was developed by the Malaysian Institute of Integrity (INTEGRITI) to articulate the nation's need for a comprehensive mechanism to counter corruption, as well as relevant approaches and implementation strategies.

Beyond the administrative government sector – which was addressed in the preceding Prime Minister's Directive No. 1 of 1998 – the NIP seeks to embed integrity in the private sector, political parties, non-government organisations, religious groups, the media and women, youth and student groups. The NIP's main goal is to meet the fourth challenge of Vision 2020, which is “to establish a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards.”

The publication has been translated into six local languages, to promote the application of its principles among Malaysia's diverse cultural and ethnic groups.

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please refer to the relevant
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