



TRANSPARENCY INTERNATIONAL MALAYSIA



The Malaysian Society for Transparency and Integrity

Achieving Corporate Integrity

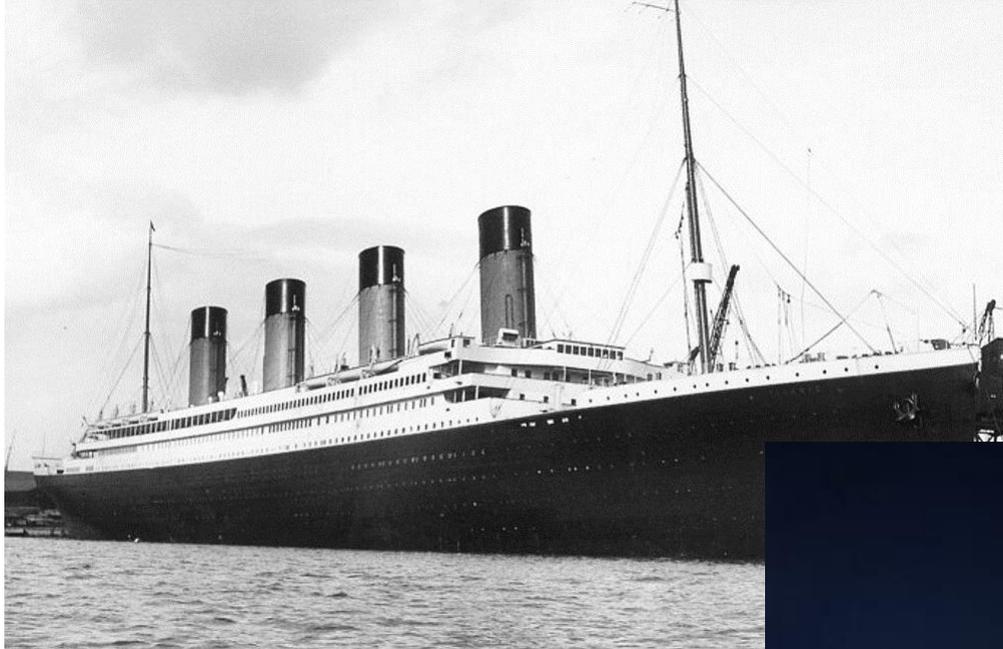
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Integrity



‘Unsinkable’

Titanic’s
current state



How is integrity compromised?



Corruption in business: the cost

- Corruption adds up to **10% to the total cost** of doing business globally, and **up to 25% to the cost** of procurement contracts in developing countries.*
- In 2012, the cost of private sector corruption was over **US\$500 billion** in 105 developing countries. This **excludes** public sector Government corruption.**
- PKNS: **Saved RM375 million over 4 years** by improving tendering procedure, incl. Integrity Pacts.***
- **61%** of companies in Malaysia **do not have adequate procedures** to combat bribery & corruption.****

Sources:

* WEF, 'Good Business Is Clean Business'

** *The Costs of Corruption*, CSIS, Jan 2014

*** PKNS own figures

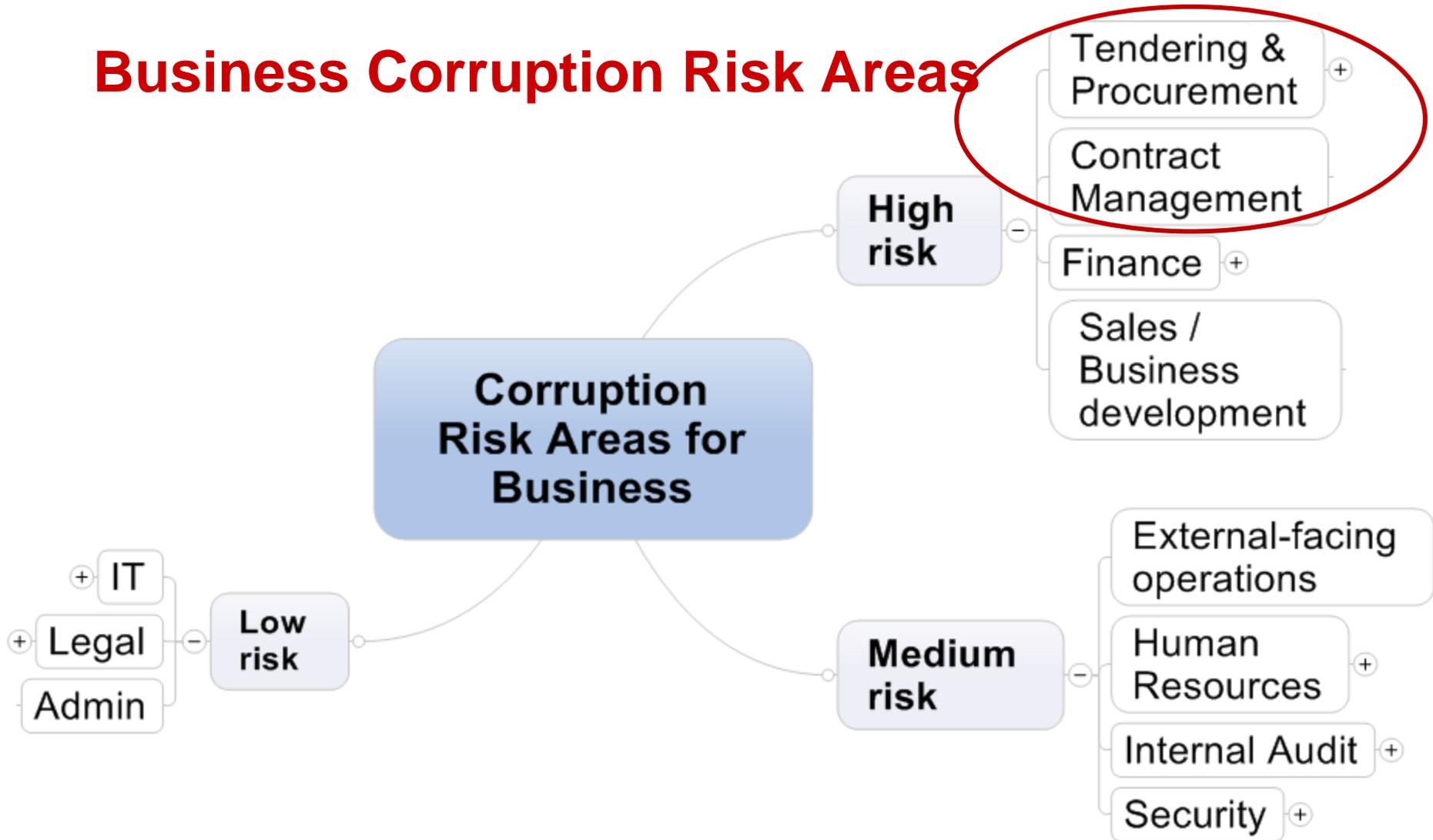
**** KPMG *Fraud, Bribery & Corruption Survey 2013*



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Business Corruption Risk Areas



Impact of Corruption

- High costs, poor quality
 - Collusion between staff and suppliers short changes the company
 - Good, ethical suppliers excluded
 - Poor contract performance
- Low staff morale, poor performance
 - Cynicism about the company; good staff leave, corrupt or indifferent staff become embedded
- Director's prosecutions
- Reputational risk
 - Customer and investor trust damaged
 - Exclusion from Government tendering and other opportunities



**The impact is
SERIOUS
and
NEGATIVE**



Transparency International

- **TI founded in Berlin in 1993, Malaysian chapter founded in 1998**
- **100 + chapters world-wide**
- **Basic principles of TI's anti-corruption struggle:**
 - **coalition building: government, business, civil society**
 - **proceeding incrementally, step by step**
 - **politically non-partisan**
 - **Use advocacy campaigns to lobby governments and the private sector to implement anti-corruption reforms**



Two of TI's Global Corruption Indicators



Corruption Perception Index (CPI)

Bribe Payers Survey



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TI's Global Corruption Indicators



Corruption Perception Index (CPI)

Ranks more than 170 countries in terms of perceived levels of public sector corruption, as determined by expert assessments and opinion surveys



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CPI 2013 Results

Countries where **PUBLIC SECTOR INTEGRITY** is perceived to be **HIGHEST**:

| <i>Rank</i> | <i>Country</i> | <i>Score</i> |
|-------------|--------------------|--------------|
| 1 | Denmark | 91 |
| 1 | New Zealand | 91 |
| 3 | Finland | 89 |
| 3 | Sweden | 89 |
| 5 | Norway | 86 |
| 5 | Singapore | 86 |



CPI 2013 Results

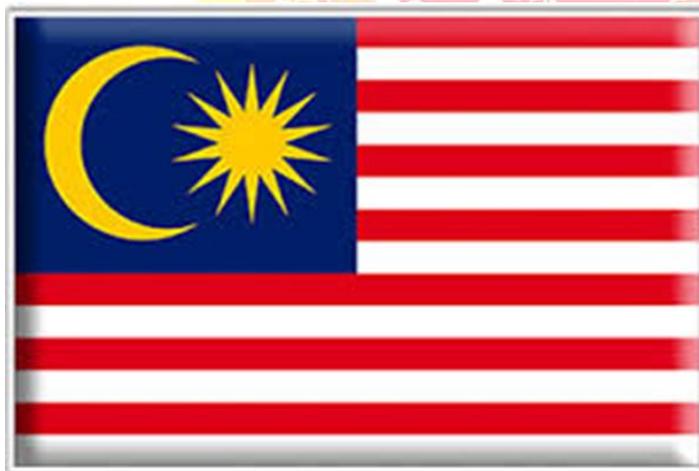
Countries where **PUBLIC SECTOR INTEGRITY** is perceived to be **LOWEST**:

| Rank | Country | Score |
|-------------|--------------------|--------------|
| 172 | South Sudan | 14 |
| 173 | Sudan | 11 |
| 174 | Afghanistan | 8 |
| 174 | North Korea | 8 |
| 174 | Somalia | 8 |



MALAYSIA

Corruption Perceptions Index 2013



CPI Score : 50 / 100

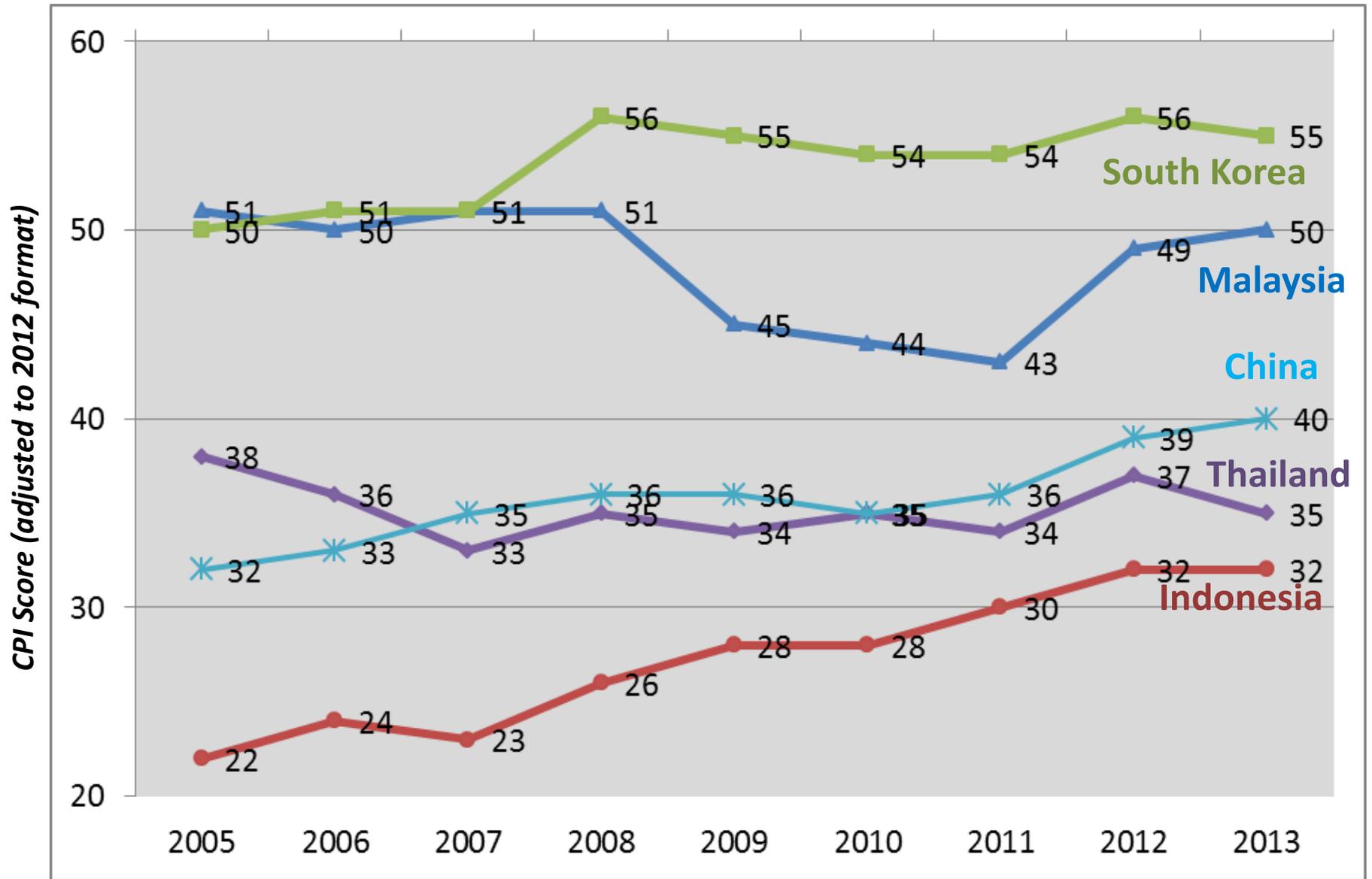
Country Rank : 53 / 177

MALAYSIA'S CPI SCORE

| | |
|------|---|
| 2013 | CPI: 50 out of 100 Country Rank: 53 out of 176 |
| 2012 | CPI: 49 out of 100 Country Rank: 54 out of 176 |
| 2011 | CPI: 43 out of 100 Country Rank: 60 out of 183 |



CPI Scores of Selected Asian Countries



CPI Scores of Asian Countries

| Rank | ASEAN | Position (177) | CPI Score | GDP per capita |
|----------|-----------------|----------------|-----------|-----------------|
| 1 | Singapore | 5 | 86 | \$51,709 |
| 2 | Brunei | 38 | 60 | \$41,127 |
| 3 | Malaysia | 53 | 50 | \$10,381 |
| 4 | Philippines | 94 | 36 | \$2,587 |
| 5 | Thailand | 102 | 35 | \$5,480 |
| 6 | Indonesia | 114 | 32 | \$3,557 |
| 7 | Vietnam | 116 | 31 | \$1,596 |
| 8 | Laos | 140 | 26 | \$1,399 |
| 9 | Myanmar | 157 | 21 | - |
| 10 | Cambodia | 160 | 20 | \$946 |



CPI SCORE vs. GDP PER CAPITA



Source of GDP Figures: World Bank: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD/countries>



TI BRIBE PAYERS SURVEY: Putting Corruption Out of Business

PUTTING CORRUPTION OUT OF BUSINESS: LOST BUSINESS DUE TO BRIBERY



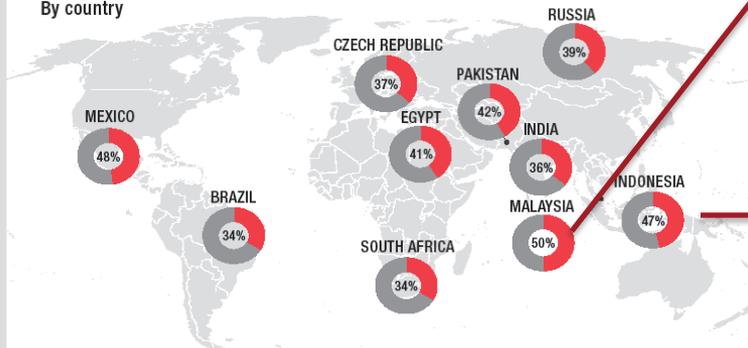
We interviewed more than: **3,000** business executives from **13** sectors and in **30** countries about their views on business and bribery.

More than **1 in 4** business people worldwide believe that they have **lost business** because a competitor paid a bribe.



Percentage of business people who believe they lost business due to bribery:

By country



By sector



View the results for all countries and sectors here:
www.transparency.org/bps
#CleanBusiness



50%
Malaysia:
Lost Business
Due to Bribery

47%
Indonesia :
Lost Business
Due to Bribery

Practical Measures to Fix the Problem



Transparency International Malaysia

| | | | | |
|--|---|---|---|---|
|  <p>HOW Do Integrity</p> |  <p>Corpo</p> |  <p>PUBLICATIONS</p> |  <p>CISM Co</p> |  |
| TOOL View me | STAKEHOLDERS View me | PUBLICATIONS View me | TRAINING PROGRAMME View me | |

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- [Corporate Integrity Agreement](#)

LIST OF PLEDGES

Total **434** companies have pledged.

[Click here](#) for full list.

| MNC | GLC | PLC |
|---|---|---|
|  |  |  |

Highlights

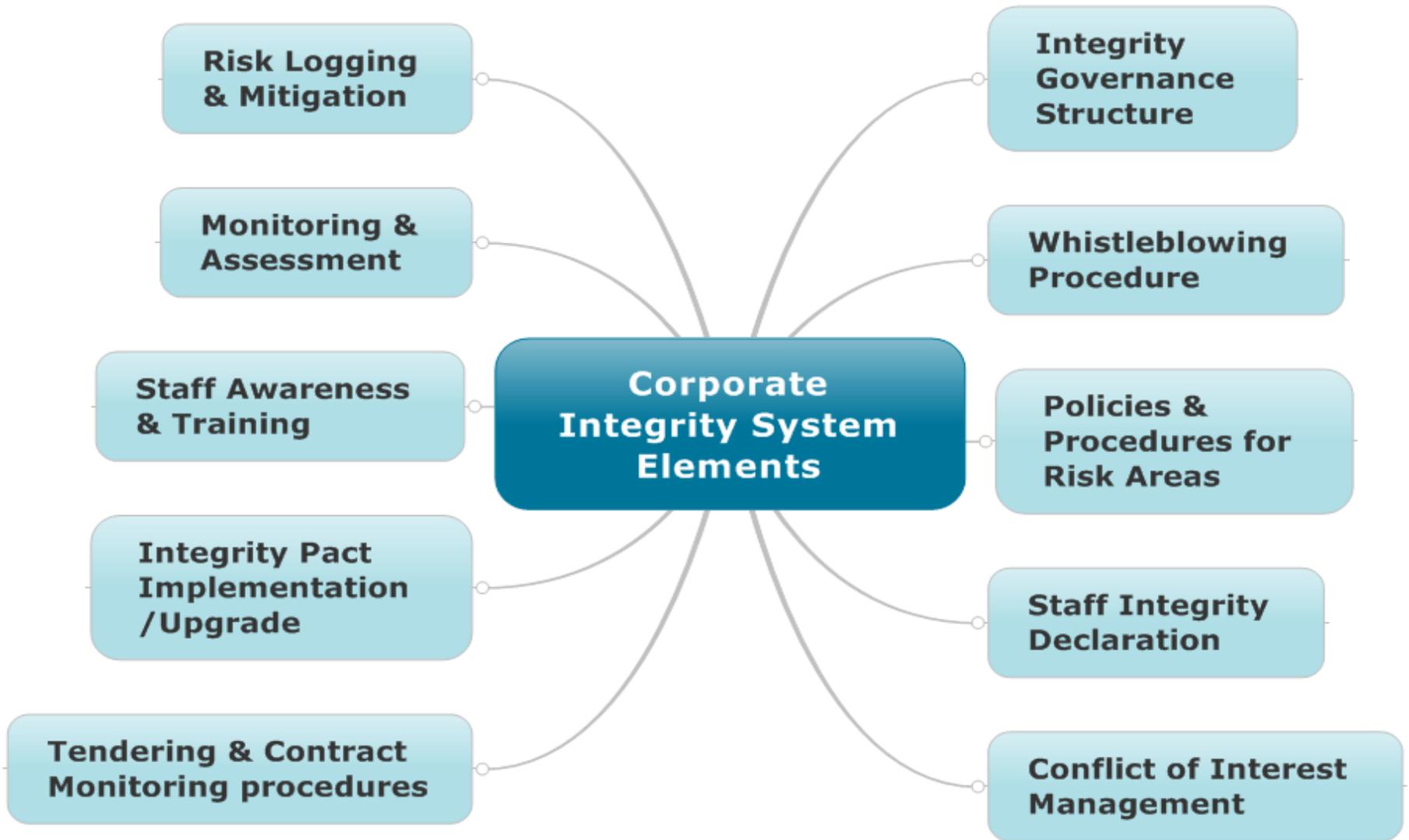
- [PDC signs Integrity pledge to wipe out graft](#)
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- [Kumpulan Mampu Tingkatkan Integriti](#)
30/04/2014
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- [CaDO jadi pakar rujuk subjek integriti](#)
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FROM PLEDGE TO PRACTICE

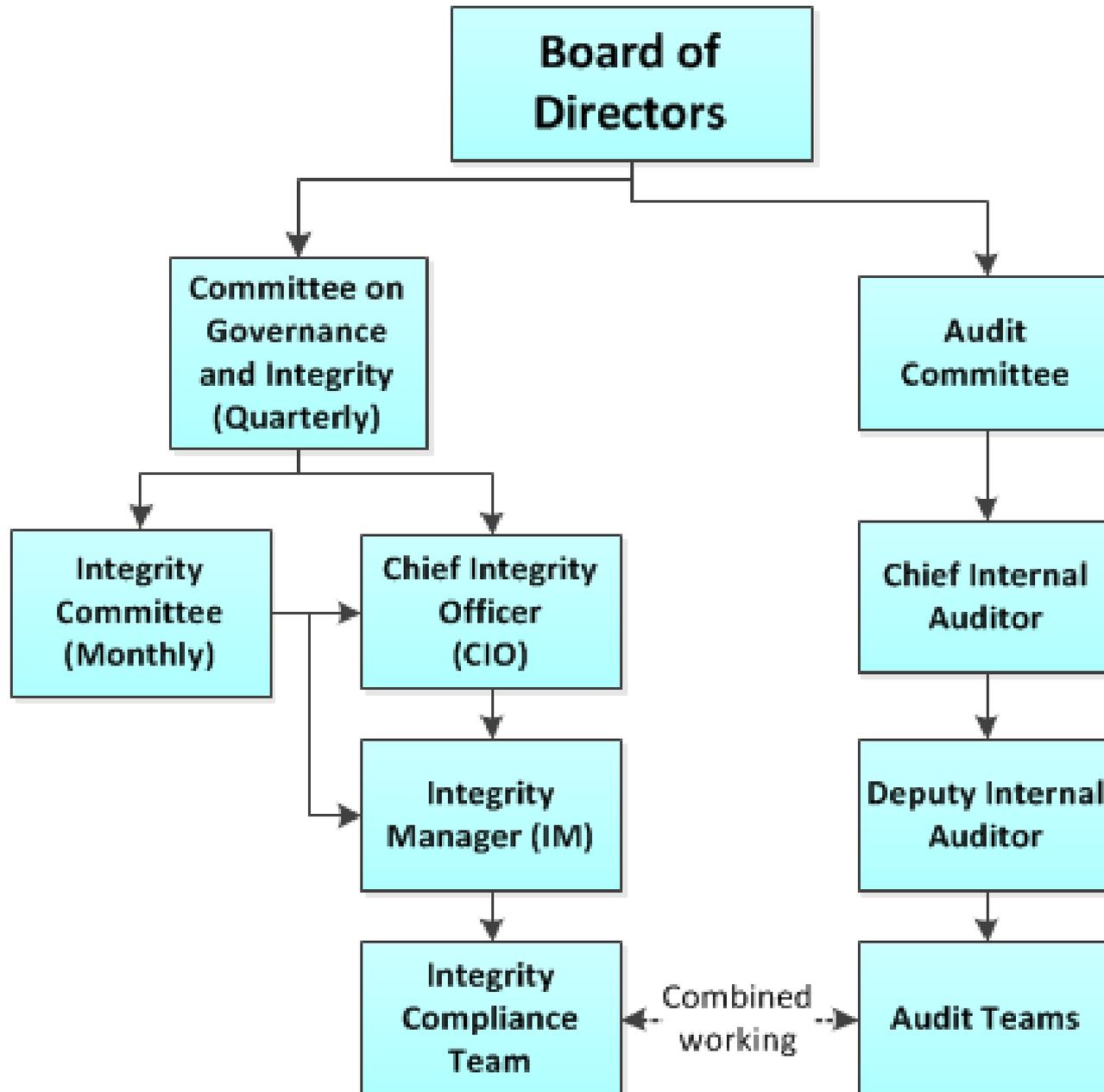


**A GUIDE TO IMPLEMENT THE
CORPORATE INTEGRITY SYSTEM™ MALAYSIA**

Corporate Integrity System Elements



Integrity Governance Structure



Whistleblowing procedure

POLISI WHISTLE BLOWING



PKNS

sebarang aduan sila hubungi

Y.Bhg. Dato' Mohd Salleh bin Mahmud
Pengerusi Polisi Whistleblowing

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Alamat untuk
di hubungi

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Risk areas

- Gifts & Hospitality
- Charitable donations & sponsorships
- Political contributions
- Facilitation payments
- Support letters

Clear policies & procedures needed to deal with these areas



Integrity declarations

- Personal declarations to act with integrity
- Conflicts of Interest
 - Board of Directors
 - Purchasing / Tendering Committees
 - Other key roles, eg Investigations Teams
- Asset declarations
 - Government Servants
 - some GLCs



Integrity Pacts

- Used worldwide by TI to great effect
- Targeted at tendering & procurement sectors of the company
- Builds integrity into bidding and contract management
- Legal framework, with sanctions, to drive out misbehavior, fraud, collusion and other costly malpractices
- Must have **teeth**:
 - **Clear codes of behaviour**
 - **Monitoring & whistleblowing line**
 - **Sanctions for breaking the pact, including non-payment, termination**



Communication & Training

- General communications
 - Newsletter
 - Team meetings
 - Intranet / portal
- Training for specialist functions
 - Sales
 - Tendering & Procurement
- Customer & Supplier communications
 - Letter or leaflet
 - Integrity pacts for new contracts



Monitoring & Enforcement

- Auditing
- Awareness testing
 - Staff
 - Suppliers & customers
- Investigations
 - Audit report
 - Whistleblowing incidents
- Sanctions for misdemeanors





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MALAYSIA

Thank You

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