

TOOL 1

# Corporate Governance and Business Integrity Manual



Foreign, Commonwealth  
& Development Office





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# PROLOGUE

The United Nations Development Program (UNDP) is the leading UN agency working in 170 countries and territories to eradicate poverty, reduce inequalities, and build resilience. In addition, it is the UN Programme that leads the efforts to achieve the Sustainable Development Goals (SDGs). UNDP articulates its mandate in Mexico, accompanying the implementation processes of the 2030 Agenda and its SDGs through the construction of multi-stakeholder bridges of collaboration between sub-national governments, civil society, the private sector, academia, citizens and key actors of the international development cooperation.

In order to improve corporate integrity practices in Mexico, in 2019 UNDP's Country Office in Mexico and the British Embassy in Mexico, in collaboration with the United Kingdom's Department for International Development (DFID), undertook a collaboration for the implementation of the project "Strengthening capacities of MSMEs to identify and combat corruption risks in Mexico", within the framework of the Business Integrity Initiative (BII). The main objective of this project is to support the efforts of the private sector in Mexico to strengthen compliance with current regulations on administrative responsibilities. In particular, providing support to micro, small, and medium-sized enterprises (MSMEs) in their efforts to strengthen their ethics and integrity practices through the implementation of tools that facilitate the identification, analysis, and management of corruption risks in their business strategies.

Looking ahead at the 2030 horizon, UNDP in Mexico seeks to transversally advance the three dimensions of sustainable development based on a contextualized approach focusing on the local level, addressing the challenges and priorities of Mexico. However, after five years from the adoption of the 2030 Agenda for Sustainable Development, the international community is facing a crucial moment on the route towards 2030.

The COVID-19 pandemic presents challenges that jeopardizes socio-economic structures, challenging the stability of markets and the development of peoples. Therefore, UNDP in Mexico, recognizing its mandate to provide support to the country to respond urgently and effectively to the systemic shocks derived from the contingency, proposes the present Business Integrity Toolkit so that companies have instruments that allow them to shield their corporate practices against any risk of corruption and thus manage to absorb the impacts of the crisis, highlighting the creation of economic value based on ethical behaviour and strict adherence to the law.

It is in this context that UNDP, determined to make this pivotal year a turning point in the process of localizing the 2030 Agenda in Mexico, seeks to join efforts aimed at strengthening the corporate integrity of MSMEs. By the development of the Corporate Integrity Toolkit, made up of five thematic guides, an e-learning course, a digital application to identify and mitigate corruption risks and a set of editable templates to strengthen the capacities of MSMEs, UNDP Mexico aspires to be a key ally in the fight against bribery and corruption. Thus, the purpose of this Corporate Governance Manual is to contribute to eradicate business practices that represent obstacles to development and prevent closing the socioeconomic and equality gaps.

With the purpose of effectively materializing the targets of SDG 16 and address the challenges of the private sector in Mexico, the Corporate Governance and Business Integrity Manual offers a guide to establish an internal organization model that describes the co-responsibility of every member of the company in the fight against bribery and corruption. The following lines demonstrate that actors at all levels have the potential to promote just, peaceful and inclusive societies, guided by an active citizenry that participates in the co-creation of value based on the implementation of honest and sustainable economies.

**Lorenzo Jiménez de Luis**

Resident Representative  
UNDP México

**805 years ago, the Magna Carta was signed in the UK; the first legal document to mention the concepts of bribery, anti-corruption and human rights. It established the foundations of our vision and commitment on accountability, of popular democracy, and even of the importance of engaged citizens. Its enduring significance lies in two themes: business fairness and justice.**

Corruption is still a major barrier to international trade, affecting foreign investment, productivity, profitability, competitiveness, and basic human rights. According to the OECD (2017), Mexico loses between 5 and 10% of its GDP to corruption<sup>1</sup>. At company level, evidence shows that bribery and corruption come at a commercial as well as a reputational cost, and that doing business with integrity is more sustainable in the long term<sup>2</sup>.

The UK is as committed now as ever to fighting corruption at home and abroad, as demonstrated by our Bribery Act, which sets an internationally respected standard for business integrity, and the UK Anti-Corruption Strategy, published in 2017, that sets out a wide range of measures to ensure we keep operating to the highest standards.

It is in this context that the UK government launched its Business Integrity Initiative (BII) in 2018. The BII aims to help companies trade sustainably in emerging markets and provides companies with practical guidance to navigate issues such as bribery and corruption. As part of this initiative, three pilots were set up in Mexico, Kenya and Pakistan to test a new approach to business integrity support from British diplomatic missions.

The BII in Mexico aims to help companies put integrity front and centre of their strategies in order to attract long-term, sustainable investment, and help tackle corruption and human rights abuses.

In 2019, after consulting with a wide range of stakeholders from industry, government, NGOs and academia, BII Mexico designed four projects to improve transparency and support firms manage integrity risks. These are:

- ▶ User-friendly, **digital registers** of legal requirements for investors at the federal, state and municipal level, produced in collaboration with the federal government;

- ▶ **Capacity building for Small and Medium-Sized Enterprises (SMEs)** to broaden their knowledge of international integrity requirements (supported by this how-to toolkit);

- ▶ Support the creation of a **'government white list'** of companies considered reliable to do business with in Mexico for the reference of UK and international firms. Inclusion on the list follows the principles within the UK Bribery Act;

- ▶ **A Communications Campaign** to raise awareness of the advantages of doing business with integrity.

The relationship between the UK, Mexico and the United Nations Development Programme is based on our common objectives to achieve the Golden Thread of rule of law, strong institutions, accountable government, and sustainable trade. As such, I am pleased to release this toolkit, with the certainty that it will help companies and individuals to assess corruption risks and prepare accordingly to ensure integrity becomes the rule of sustainable local and international trade.

### **Corin Robertson**

Her Majesty's Ambassador to Mexico

<sup>1</sup> Organisation for Economic Co-operation and Development (OECD) (2017) *Integrity Review of Mexico - Taking a Stronger Stance Against Corruption*, Paris, OECD.

<sup>2</sup> For example, an OECD study reports that bribes average 10.9% of the value of a given transaction and a staggering 34.5% of profits. OECD (2014). *Foreign Bribery Report. An Analysis of the Crime of Bribery of Foreign Public Officials*, Paris, OECD, p. 8.

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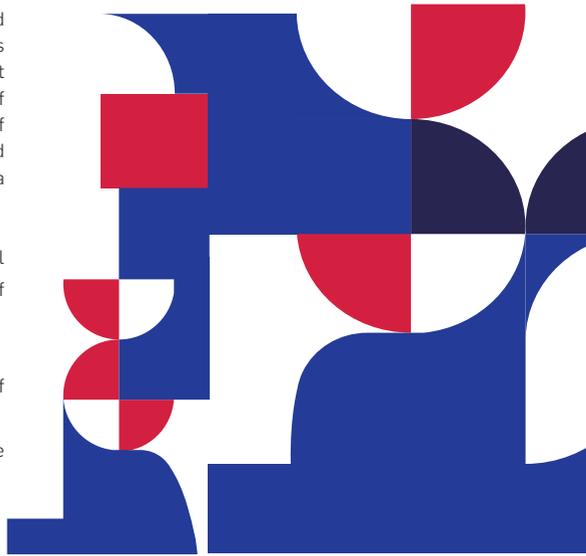
# LIST OF ACRONYMS

<b>LGRA</b>	General Law of Administrative Responsibilities
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>UNDP</b>	United Nations Development Programme
<b>SFP</b>	Ministry of the Civil Service
<b>UNCAC</b>	United Nations Convention against Corruption

# PREAMBLE

The present tool will help to obtain the desired results for the business, among which will highlight the ethical and honest decisions, a business leadership that encourages good reputation to strengthen the processes against possible acts of corruption and to have a solid code of conduct. To this end, UNDP Mexico, with the support of DFID, the Department of International Trade (DIT) and the Foreign and Commonwealth Office (FCO), designed a Business Integrity Toolkit which includes:

- ▶ **1.** Corporate Governance and Business Integrity Manual
- ▶ **2.** Guide to establish the Code of Ethics or Code of Conduct
- ▶ **3.** Guide to establish the Whistleblower Channel
- ▶ **4.** Manual for design a Policy or Protocol in case of receiving gifts, hospitality and donations
- ▶ **5.** Self-diagnosis tool to identify, analyse and mitigate corruption risks



For this first tool, we recommend the following elements that your internal organization manual should include:

## **I** CORPORATE GOVERNANCE AND RESPONSIBLE BUSINESS PRACTICES

### **1)** What is an internal organization manual?

The tool you have in your hands will be a guide to describe the organizational structure of your company, detailing the role of each position in the fight against corruption and prevention of bribery. Therefore, in this document you will read about the functions, responsibilities and chains of command oriented to the prevention of corruption within the Company, and how to generate an organizational culture with "zero tolerance for bribery", as established

in article 25 of the General Law of Administrative Responsibilities (LGRA), which states that all companies in Mexico must have an "Organization Manual", and in Principle 2 "High Level Commitment" of the UK Anti-Bribery Act, where general management and/or owners are expected to commit to prevent bribery and to promote a culture of ethics and integrity within the company.

## 2) What is the internal organization manual for?

This manual is a commitment to ethical behavior in business strategy, operations and culture, which will help with the reputation of integrity in micro, small and medium enterprises (MSMEs). Corporate governance helps your business operate successfully and sustain its growth, through the basic processes and decision making of those who manage it.

Good corporate governance practices instill in companies the essential vision, processes and structures for making decisions that ensure long-term sustainability. More than ever, we need companies that can be profitable, as well as achieve environmental, social and economic value from business to society<sup>3</sup>. As stated in the 2030 Agenda approach, to solve problems in a holistic manner, involving the public sector, academia, civil society, and where the private sector is no exception.

The achievement of 2030 Agenda and the 17 SDG represent new opportunities for growth and risk reduction in MSMEs. Companies can use the SDG as a general framework to shape, direct, communicate and report on their strategies, goals and activities, which will allow them to capitalize on these benefits. These include: Identifying future business opportunities, enhancing the value of corporate sustainability, strengthening relationships with stakeholders, and keeping up with policy development, stabilizing partnerships and markets, and using a common language and shared purpose<sup>4</sup>.

Corporate governance helps, regardless of the size of the enterprise, to make visible the consequences of non-compliance with the integrity policy for employees, managers and all persons associated with the company; to strengthen the range of anti-bribery procedures that businesses put in place, and above all, to assess the people and key areas involved in the development and implementation of such processes for the prevention of bribery and anti-corruption of the organization<sup>5</sup>.



**BEYOND PRODUCING AN INDICATOR, THE RELEVANCE RELIES ON PLACING CORPORATE INTEGRITY TOPICS AT THE CENTRE OF THE AGENDA FOR MEXICAN COMPANIES AND LATIN AMERICAN FIRMS AS WELL.**

Leonor Ortiz Monasterio, Mexicans against Corruption and Impunity (MCCI)

**CORPORATE INTEGRITY**



<sup>3</sup> Rachel Kyte in *Global Compact, Corporate Governance, The Foundation for Corporate Citizenship and sustainable businesses*, p. 1, New York, 2009.

<sup>4</sup> *Global Compact, SDG Compass. The guide for business action on the SDGs*, p. 8-9, in [https://sdgcompass.org/wp-content/uploads/2016/06/SDG\\_Compass\\_Spanish-one-pager-view.pdf](https://sdgcompass.org/wp-content/uploads/2016/06/SDG_Compass_Spanish-one-pager-view.pdf), reviewed on May 4, 2020.

<sup>5</sup> Ministry of justice, *The Bribery Act 2010*, p. 23, in <http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>, reviewed on April 25, 2020.

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For this reason, and with the purpose of making this guide useful in your company, this document is divided into three areas that will help you to understand and implement: 1) a culture of prevention of bribery and corruption from the perspective of corporate governance, 2) the minimum procedures and functions that your MSMEs<sup>6</sup> should have to prevent risks of corruption and bribery, and 3) the responsibility that each member of your company's structure has in the prevention of bribery and acts of corruption considered in articles 66 to 72 of the LGRA<sup>7</sup>.

### 3) Legal frameworks involved in corporate management

Good corporate management is a key element to ensure sustainable and responsible business at a financial, social and human level, so it is essential to understand what is an internal organization manual, what is the importance in business, and the legal frameworks it implies.

Therefore, it is important to know the conducts related to corruption, which are generally established by the United Nations Convention against Corruption (UNCAC) and defined by the LGRA, since these are the costs that MSMEs will have to assume if they do not implement anti-corruption tools.

Administrative offences include<sup>8</sup>:

#### BRIBERY

The individual who promises, offers or delivers any undue benefit to one or more Public Servants, directly or through third parties, in exchange for those Public Officials to perform or refrain from performing an act related to their functions or those of another public servant, or abuse their real or supposed influence, with the purpose of obtaining or maintaining, for himself or for a third party, a benefit or advantage. **Article 66**

#### UNLAWFUL PARTICIPATION

In administrative proceedings, the individual who performs actions or omissions to participate in the said proceedings, whether federal, local or municipal, notwithstanding that by a provision of law or resolution of the competent authority they are impeded or unable to do so. **Article 67**

#### INFLUENCE PEDDLING

It will entail influence peddling to induce the authority, the individual who uses his influence, economic or political power, real or fictitious, on any public official, with the purpose of obtaining for himself or for a third party a benefit or advantage, or to cause prejudice to any person or to the public service. **Article 68**

#### USE OF FALSE INFORMATION

The individual who presents false or altered documentation or information, or simulates compliance with requirements or rules established in administrative procedures with the purpose of obtaining an authorization, a benefit, and an advantage or to prejudice any person will be responsible. **Article 69**

#### OBSTRUCTION OF INVESTIGATIVE CAPABILITIES

The individual who, having information related to an investigation of administrative misconduct, provides false information, deliberately and unjustifiably delays the delivery of the same, or does not respond at all to the requirements or resolutions of investigating, substantiating or resolving authorities, as long as urgent measures have been previously imposed in accordance with the applicable provisions. **Article 69**

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<sup>6</sup> Micro, Small and Medium-sized enterprises.

<sup>7</sup> From Code of Conduct Sample for SMEs, México, 2018, p. 11 in <https://anticorruccionmx.org/integridad-corporativa>, reviewed on April 25, 2020.

<sup>8</sup> Described textually in Chapter III of the acts of individuals linked to serious administrative offences, of the General Law of Administrative Responsibilities, in [http://www.diputados.gob.mx/LeyesBiblio/pdf/LGRA\\_191119.pdf](http://www.diputados.gob.mx/LeyesBiblio/pdf/LGRA_191119.pdf), reviewed on April 27, 2020.

## COLLUSION

The individual who executes with one or more private individuals, in matters of public contracts, actions that involve or have the purpose or effect of obtaining an undue benefit or advantage in public contracts of a federal, local or municipal nature. It will also be considered collusion when individuals agree or enter into contracts, agreements, arrangements or combinations between competitors, whose object or effect is to obtain an undue benefit or cause damage to the Public Treasury or the assets of public entities.

### Article 70

## IMPROPER USE OF PUBLIC RESOURCES

The individual who carries out acts through which he appropriates, makes improper use or diverts the object for which the public resources are intended, whether material, human or financial, when for any circumstance he handles, receives, manages or has access to these resources, will be responsible. It is also considered an improper use of public resources when there is no accountability to prove the destination of such resources. **Article 71**

## UNDUE RECRUITMENT OF FORMER PUBLIC SERVERS

The individual who hires a former public servant during the previous year, who has privileged information that he or she has directly acquired as a result of his or her employment, position or commission in the public service, and who directly allows the contracting party to benefit from the market or to place himself or herself in an advantageous position with respect to his or her competitors, shall be liable. In this case, the former public official hired will also be sanctioned. **Article 72**

Ministry of JUSTICE

## THE BRIBERY ACT 2010

Quick start guide

**Knowing exactly who you are dealing with can help to protect your organisation from taking on people who might be less than trustworthy. You may therefore want to ask a few questions and do a few checks before engaging others to represent you in business dealings.**

UK Government, The Bribery Act 2010 – Quick start guide.



## II CORPORATE GOVERNANCE AND ITS ROLE IN BUSINESS INTEGRITY

Corporate governance refers to the policies and processes that lead a company to reach its objectives, avoiding risks, crisis or any problem resulting from the development of corporate activities. It also ensures that there is a balance between the needs of the company's members (employees, investors, suppliers, customers, the community where the company is located, etc.), ensuring accountability, equity and transparency in a company's relationship with all stakeholders<sup>9</sup>.

The intention of designing and adopting corporate governance is that all the people involved in your company's activities take an active role in promoting ethics and integrity as a key element in preventing acts of corruption and bribery in the company.

The first thing you should know is that implementing corporate governance in your company does not require a large investment. Integrity will be your most useful tool, and we recommend that you place its meaning in a visible place or send it digitally to motivate your colleagues.

Integrity refers to behaviors and actions consistent with a set of moral or ethical standards and principles adopted by individuals, companies and institutions, which act as a barrier against corruption and in favor of the public good and promote transparency in business.

It is also the behavior adhered to an ethical code that is reflected in acts of honesty, transparency and complete harmony in what one thinks, says and does.

To prevent bribery and other corruption-related behavior it is necessary to build, as already mentioned, an ethical commitment among those involved in your company. Therefore, we recommend that the commitment be visible from the highest level; for example, from the general management, directive board, managers, etc. At the highest level there must be a commitment to prevent bribery in any of the areas and people involved. In addition, we recommend that all staff be aware that the company has zero tolerance for bribery and any acts of corruption mentioned in the LGRA.



**AS SMES REPRESENT A SIGNIFICANT PART OF THE MEXICAN ECONOMY, IT IS IMPERATIVE TO FOCUS ON MENTORSHIP FROM THE LARGEST TO THE SMALLEST COMPANY TO STRENGTHEN INTEGRITY POLICIES AND TACKLE CORRUPTION.**

Silvia Davalos, Business Coordinating Council (CCE)

**STRENGTHEN  
INTEGRITY  
POLICIES**



<sup>9</sup> On the definition of corporate governance, on the Mexican Stock Exchange <https://www.bmv.com.mx/es/mi-empresa-en-bolsa/gobierno-corporativo>, reviewed on April 8, 2020.

## 1) Elements that comprise good corporate practices

### General management or the highest authorities

of the company are best placed to foster a culture of integrity where bribery is unacceptable. The purpose of this principle is to encourage the involvement of senior management in determining procedures for the prevention of bribery and corruption. This will help leaders to make key decisions related to the risk of bribery and set an example for the whole organization to help manage risks.

**Procedures** also play a central role, because regardless of the size of the company, it is necessary to have simple communication channels and materials to make workers aware of the position against bribery and corruption, and to include the participation of those who work there (from top to bottom) in the development of procedures for the prevention of bribery and corruption<sup>10</sup>.

**Internal and external communication** is necessary in the commitment of zero tolerance of corruption and bribery. For example, a properly communicated statement to company members, as a preventive measure, can be very effective in establishing an anti-bribery culture within your organization.



We recommend that you customize your communication to different audiences and according to their role within the company, including third parties such as suppliers, temporary consultants and/or customers. We also invite you to generate regular information through various channels (posters, mailings, official website, digital applications, etc.) that can be useful to communicate and that constantly reinforce the commitment to prevention<sup>11</sup>.



**CONDITIONAL CLAUSES HELP BUSINESS TO TRANSFORM THEIR CORPORATE CULTURE. COMMERCIAL AGREEMENTS THAT PROVISION THESE KIND OF ANTI-CORRUPTION CLAUSES ARE THOSE THAT TRIGGER A REAL CHANGE IN BUSINESS BEHAVIOUR.**

José Luis García Chagoyan, National Anti-Corruption Commission. Employers Confederation of the Mexican Republic/ Confederación Patronal de la República Mexicana (COPARMEX)

<sup>10</sup> Idem.  
<sup>11</sup> Idem.

## 2) Practical tips for promoting a culture of integrity

In addition to involving the management, it is necessary to have effective procedures and channels of communication. Here are some tips to establish a culture of prevention in a company:

**We recommend you incorporate them into your business strategy!**

- ▶ **1.** Commitment to do business in a fair, honest and open manner.
- ▶ **2.** Commitment of zero tolerance to corruption and bribery.
- ▶ **3.** Having within the procedures the consequences of the infringement of the policy for employees and managers.
- ▶ **4.** Commitment to not doing business with people or companies that do not share zero tolerance for corruption and bribery.
- ▶ **5.** Communicating the business benefits of rejecting corruption and bribery (including customers, suppliers, employees and business partners).
- ▶ **6.** Have anti-corruption procedures in place and communicate them. These should include regulations and sanctions (outlined in the LGRA in Articles 21 to 24 and considering the guidelines in Article 25).
- ▶ **7.** Communicate who and what areas are key to the development and implementation of a culture of prevention of bribery in the company.
- ▶ **8.** Communicate any prevention activity that may motivate employees, which may include union meetings, anti-corruption days, meetings and agreements for business integrity.
- ▶ **9.** Include an anti-corruption clause in all contracts within and outside the company.





**COMPLIANCE SHALL BE IMPLEMENTED FROM TOP TO BOTTOM AS BUSINESS INTEGRITY SHALL BE THE CO-RESPONSIBILITY OF EVERY MEMBER OF THE COMPANY, NOT ONLY OF THE LEGAL DEPARTMENT OR THE HUMAN RESOURCES OFFICE.**

Max Kaiser, Founder of the Centre for Business Integrity and Ethics (CIEN)

### III PROCEDURES AND FUNCTIONS TO PREVENT RISKS OF CORRUPTION AND BRIBERY

The procedures and roles of each and every one of the members of your company are decisive in the fight against corruption and in the zero tolerance of bribery, which is why we have prepared an example of a structure for MSMEs in Mexico.

#### 1) Pillars of good corporate governance

All roles are designed from a corporate governance perspective and must be founded on ethics and integrity and the pillars<sup>12</sup> of:

**•Responsibility.**

To take correct action on the company's assets and keep it on an ethical and sustainable path that helps it to achieve its goals.

**•Equity.** Being fair when considering the interests of all the people involved in a company.

**•Accountability.** Used to support decisions and actions within the company.

**•Transparency.** To inform stakeholders about the performance and sustainability of the company.



<sup>12</sup> From *Governance in SMEs. A guide to the application of corporate governance in small and medium enterprises*, p. 6.

## 2) Key points of a successful corporate management

► **1.** It is recommended to have a **strategy** that guides the work of your company. This should be aligned with the mission, vision and values of the organization, as well as with the expectations of development in the sector in which you work, helping you to give continuity and coherence to your work; it will also allow you to know the risk areas.

Strategic thinking is related to what the organization wants to be and/or to do/achieve. Strategic planning is related to how your company will achieve the strategic vision; this includes considering and preparing the business plan or action plan, the structures and the required processes. The right strategic planning and the right attitude are essential to prevent risks of corruption and bribery, but most of all, they are the key to the success of your company<sup>13</sup>.

► **2.** To have a **directive board or directive council**, whose role will be to provide effective leadership based on the foundations and pillars mentioned above; to ensure the visibility of the company's good reputation and responsibility; to assure that the company's ethics is effectively managed, and to help prevent corruption. Its characteristics are:

- Independence and balance of power/authority within this body.

- To have formal appointment processes to ensure that people within the directive board have the skills, experience and capacity to make decisions in the best interests of the company.

- Establish key procedures for the delegation of responsibilities in order to have clarity of roles and conflicts between the board and the staff that works in the daily management of the company. Who does what within the business is mentioned below as part of preventing bribery and corruption in section IV) of this document.

- Note that not all companies are capable of having more than one independent director. However, in the interest of the objectivity and balance they should strive for, it is recommended that at least the Chairman of the board or council should be independent. It all comes down to the quality of the decision making one wants to achieve.

Ministry of JUSTICE

# THE BRIBERY ACT 2010

Quick start guide

**Those at the top of an organisation are in the best position to ensure their organisation conducts business without bribery. If you are running a business, you will want to show that you have been active in making sure that your staff (including any middle management) and the key people who do business with you and for you understand that you do not tolerate bribery.**

UK Government, The Bribery Act 2010 – Quick start guide.



<sup>13</sup> Ibid, p. 8.

▶ **3.** To have **work committees/commissions** that carry out thematic activities for the directive board. As MSMEs develop their functions and these become more complex, depending on the areas of risk and the nature of the business, it may be necessary to set up working groups to resolve issues of risk of corruption and bribery. However, it is important to know that they are only an extra help to the directive board, who is the highest body.

For example, it is recommended to have an **audit committee, or for micro and small businesses, an audit manager**. Adequate supervision of internal and external audit, in order to effectively identify, monitor and manage risks as they occur, and to have the necessary information for decision-making on risks of corruption and improvement in the company.

▶ **4. A general manager** whose role is to obtain the results desired by the company. In MSMEs, this role is often played by the owner of the company. However, it is recommended that this role be external, as it requires independence from the company's interests, a high sense of responsibility, declaration of possible conflicts of interest and adherence to the current regulations that apply to the company and to its Code of Conduct.

▶ **5. Risk management.** When we speak of corporate governance, the most important element is to incorporate risk management, in this case those related to corruption and bribery in the company. It is recommended to have a risk management area, but if this is not possible, the owner can carry out this function, taking with great responsibility the identification, mitigation and monitoring of risks in the company.

▶ **6. Internal audit or internal control.** This area or responsible person will be essential to verify that the procedures and controls designed are updated and useful for the good performance of the company. This is an employee who will supervise the procedures and behavior according to the code of conduct of the members of the company and the controls established to face possible risks of corruption. Keeping in mind that this role is different from the Audit Committee (responsible) that was set up to support the directive board.

▶ **7. Include technology** as an action framework that supports the effective and efficient management of information technology to facilitate the achievement of your company's objectives. In many cases, the processes can be systematized and generate lower costs for the company. In addition, this is a tool to have greater control of information and to best manage the risks of possible acts of corruption within the company. For example, systematize, through technology, the company's invoicing.

▶ **8. Compliance area,** which will be responsible for ensuring that the company complies with the guidelines of laws, rules, codes and standards applicable to the company. If it is not possible to have this area, it is recommended that the owners take control, because failure to comply with current regulations could cause serious financial and reputational problems for the company in terms of integrity.





**FOR FOREIGN AND NATIONAL COMPANIES, CORRUPTION REDUCES OPPORTUNITIES TO COMPETE, MEANING CUSTOMERS MISS OUT ON THE BEST OPTIONS AND PRICES OF PRODUCTS AND SERVICES.**

Laura Atkinson, British Chamber of Commerce in Mexico.

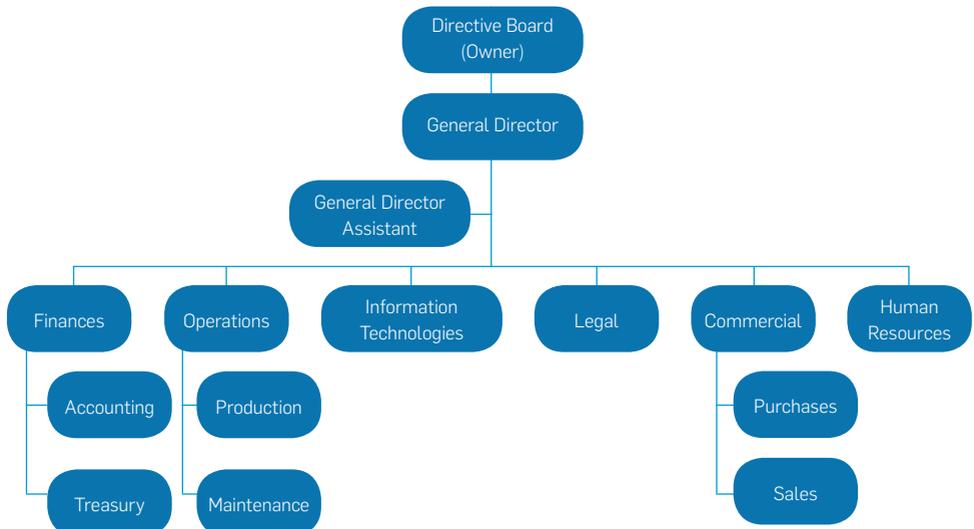
#### IV

### DEFINING RESPONSIBILITIES AND LIMITING AREAS OF CORRUPTION

The previous section described the areas responsible for preventing bribery and corruption within the company. However, not all MSMEs have the opportunity to have such detailed areas; therefore, below we show you a common company structure and the responsibilities that each area will have in prevention:

#### 1) Minimum structure of an enterprise

Below, we show you a basic structure of the company and the responsibilities that each area will have in the prevention of integrity risks:



Source: Self made

## 2) Roles and responsibilities

Based on the above organization chart, the fundamental roles of the main areas will be:

**Directive Board.** Most MSMEs in Mexico do not have a Directive Board; however, this role is carried out by the owners, who will be in charge of the first link in the chain of command in the company's activities, but also in the prevention of possible acts of corruption. They could be in charge of parts of the internal audit functions, in a sort of a responsible for receiving and reviewing results presented by the internal audit.

Also, in MSMEs the leaders of the company (Directive Board, owners or general management) are responsible for clearly defining preventive measures to achieve the protection of the company's assets, to provide service to customers, and therefore strengthening trust. They will always be in charge of implementing the most convenient actions that make risk management viable within an ethical and transparent framework for the company<sup>14</sup>.



**BUSINESS INTEGRITY PRACTICES CAN HELP US TO IMPROVE COMPETITIVENESS CONDITIONS, WORK WITH INTERNATIONAL COMPANIES, BUILD ALLIANCES WITH REPUTABLE COMPANIES, IMPROVE IMAGE, REPUTATION AND TRUST, HIRE AND RETAIN COMPETENT STAFF AND BE ABLE TO REGULATE CONFLICTS OF INTEREST.**

Kennia Aguirre, Directora ejecutiva de bikeNcity



<sup>14</sup> About what has been developed by the Global Compact and the Government of Paraguay, Practical Guide, Corruption Risk Management, p. 20. in <http://pactoglobal.org.py/uploads/hUJFJ.pdf>, reviewed on April 29, 2020.

**General Management.** It will be the area in charge of coordinating all activities within the company and supervising the performance of workers, so it will be, along with the owners, the one in charge of prevention (procedures, communications, training) and mitigation of acts of corruption are carried out in the company. It is recommended that this area gives a report, in addition to the essential activities, on the anti-bribery and corruption prevention processes in the company; at least every quarter.

**Financial.** In addition to being in charge of the management of the company's economic resources, it will be responsible for managing risks of corruption and bribery, and will have part of the internal audit functions. The procedures established for the control of risks of corruption and bribery should fall within this area, since it is necessary to structure guiding criteria for decision-making and for the definition of the strategy associated with the treatment of risks and their effects within the company. Among its functions will be the protection of resources and the efficient use of them, through such procedures<sup>15</sup>.



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**Operations.** This is usually where the largest number of employees is concentrated, as they are responsible for carrying out the activities for which the company was created. It is therefore very important that employees are informed and trained about their responsibility in preventing risks of corruption and bribery, and that they know and abide by the values of the code of conduct.

**Information technologies.** Usually will be responsible for the proper functioning and maintenance of all company equipment. However, its role will also be to look after the security of the information, and to establish processes to shield the company from possible data theft to commit bribery or acts of corruption. Implement automated processes that save the company's human and financial resources. In addition, it will be in charge of the dissemination of electronic communications in favor of ethics and integrity in your company.

**Legal.** Besides being in charge of drafting contracts and leading the legal issues of the company, it will be the area where the processes of compliance of the company fall. In the case of Mexico, at least, be responsible to comply with the provisions of Article 25 of the LGRA.

**Article 25.** When determining the liability of legal persons referred to in this Law, it will be valued whether they have a policy of integrity. For the purposes of this Act, a policy of integrity shall be considered to be one that has at least the following elements:

- I.** An organizational and procedural manual that is clear and complete, delimiting the functions and responsibilities of each of its areas, and clearly specifying the various chains of command and leadership throughout the structure;
- II.** A code of conduct properly published and socialized among all members of the organization, with systems and mechanisms for real implementation;
- III.** Adequate and effective control, monitoring and audit systems, which constantly and periodically review compliance with integrity standards throughout the organization;
- IV.** Adequate reporting systems, whether within the organization or to the competent authorities, as well as disciplinary processes and specific consequences for those who act against internal rules or Mexican legislation;
- V.** Adequate training and education systems and processes regarding the integrity measures contained in this article;
- VI.** Human resources policies aimed to avoid the incorporation of persons who may generate a risk to the integrity of the corporation. These policies shall, in no case, authorize discrimination against any person on the grounds of ethnic or national origin, gender, age, disability, social status, health conditions, religion, opinions, sexual preferences, marital status, or any other factor that undermines human dignity, and is intended to nullify or undermine the rights and freedoms of persons; and
- VII.** Mechanisms to ensure transparency and publicity of their interests at all times.



**WE NEED TO ADDRESS THE PRIORITIES OF SMES BY RAISING AWARENESS OF THE BUSINESS BENEFITS AND INCENTIVES FROM ADOPTING CORPORATE INTEGRITY PRACTICES, SUCH AS BETTER ACCESS TO CREDITS, INCREASED POSSIBILITIES TO MAKE BUSINESS WITH LARGE AND INTERNATIONAL COMPANIES, LOWER TRADING RISKS, LESS EXPENSIVE INSURANCES AS THE RISK OF CORRUPTION DECREASES, AMONG SEVERAL OTHER ADVANTAGES.**

Sergio Martín Esquivel, President of the Public Procurement Commission, CONCAMIN

**Commercial.** This is usually where all the outside company's economic transactions are carried out, sometimes with public officials, so it represents a vulnerable area. A map of processes should be in place to raise awareness among workers of their responsibility for zero tolerance of bribery and corruption.

**Human resources.** Besides being in charge of the selection and hiring the company's personnel, it will have the responsibility of leading the training processes in ethics and integrity to all the areas and members of the organization. It is recommended that in each contracting process you give an induction on the work of the company and its responsibility with zero tolerance to bribery and corruption, and generate forms for them to sign the pledge<sup>16</sup>.

<sup>16</sup> The administrative sanctions to which companies can be entitled, for possible acts of corruption, in Mexico are, according to article 81 of the LGRA:

a) Economic sanction that may reach up to two times the benefits obtained, in case of not having obtained them, for the equivalent of one thousand up to one million five hundred thousand times the daily value of the Unit of Measurement and Update;  
b) Temporary disqualification to participate in acquisitions, leases, services or public works, for a period of not less than three months and not more than ten years;  
c) Suspension of activities, for a period that shall not be less than three months nor more than three years, which shall consist of temporarily stopping, deferring or depriving individuals of their commercial, economic, contractual or business activities due to serious administrative faults provided for in this Law;  
d) Dissolution of the respective company, which shall consist of the loss of the legal capacity of a legal entity, for the fulfillment of the purpose for which it was created by jurisdictional order and as a consequence of the commission, linkage, participation and relation with a serious administrative fault foreseen in this Law;  
e) Compensation for damages caused to the Federal, local or municipal Treasury, or to the assets of public entities.  
However, if anti-corruption mechanisms are in place, the person who does not abide by the rules within the organization will be liable.

The following are three examples, in a synthesized format, of the responsibilities in the fight against corruption of the people within the company:



**1. Position: Human Resources Director**

Role: Recruit employees

Responsibility for corruption: Dismissal, disciplinary sanctions, denial of references to future employers as deemed appropriate.



**2. Position: Accounting Manager**

Role: Controls and analyzes accounting data and prepares reports or financial statements.

Responsibility for Corruption: Indicates diversion of resources to the general management, denial of payment to suppliers with false invoices.



**3. Position: Legal Director**

Role: Complies with current regulations. Carries out negotiation processes and draws up contracts.

Responsibility for corruption: Defending the interests of the company in any legal proceedings with employees or third parties who do not comply with the law or have violated any of the administrative faults.

The areas, people and processes described are the minimum that MSMEs should have; however, it is possible to change them or adjust them to the structure of your company, as long as you keep in mind that each member of the organization has responsibility for preventing corruption and zero tolerance of bribes. Even though, in many occasions, companies arise in families, so it is relevant to have very clear the role of the relatives and to formalize their participation in the company, in order to avoid possible risks of corruption related to this characteristic of the company.

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# CORPORATE INTEGRITY TOOLKIT



Use your mobile device's camera to scan the following codes and check the Corporate Integrity Toolkit online.



**MAIN PLATFORM**



**CORPORATE  
GOVERNANCE AND  
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MANUAL**



