Developing a collective action scheme for the banknote industry

Challenges and Successes
ICCA conference
26th June 2014
Introduction to GoodCorporation

Founded in the UK in 2000, GoodCorporation is recognised worldwide as one of the leading organisations working in the field of corporate responsibility and business ethics.

We conduct independent and confidential assessments of ethical management practices.

We also support our clients through training, consultancy and further compliance services and resourcing.

We have completed over 500 assignments in more than 60 countries.

We have over 100 clients ranging from 17 FTSE 100 and 6 CAC 40 clients to smaller, private businesses.
Examples of our Clients
Background to the scheme

- Increasing anti-bribery and corruption regulation globally
- Increasing anti-trust focus
- Industry risks:
  - the global nature of the industry
  - the kind of customers involved
  - the use of agents
  - the relatively small number of players in the industry
- Industry scandals
Background to the scheme

Six key industry players came together to:

- address the risks to individual companies through collective action
- create a ‘level playing field’
- prove an ability to self-regulate

Eligible companies must be involved in:

*The manufacture and/or supply of components, equipment and services for use in the production of printed currency to be issued by central banks*
Background to the scheme

There are eight current signatories to the Code

- Crane Currency – a division of Crane & Co., Inc.
- De La Rue plc
- Innovia Security
- Arjo Wiggins Security SAS
- Giesecke & Devrient GmbH
- KBA-NotaSys SA
- Note Printing Australia Ltd
- SICPA SA

The first three have been through the audit process and have become accredited

The remaining five are in the process and have scheduled/implemented audits for submission to the next Accreditation Council meeting in November
The BnEl Code of Ethical Business Practice

Members are expected to sign up to the BnEl Code covering:
- Compliance with the law
- Prevention of corruption
- Gifts and hospitality
- Anti-trust

And demonstrate their commitment to and be assessed against eight Principles of Ethical Business Practice:
- Leadership
- Responsibility
- Policies and procedures
- Due diligence
- Training
- Compliance declaration
- Internal monitoring
- External assessment
The BnEl Audit Framework

This framework has been developed to help members to implement the BnEl Code. The framework lists a set of good practices that all BnEl members should adopt. However, it is important to note that compliance will mean a wide range of policies, practices, procedures, systems and working methods that will meet the needs of the framework and there is no obligation to adopt BnEl specific policies or systems to comply with this framework. Instead each member should ensure that it has adequate processes in place to meet the spirit of each criterion. The audit of the framework is designed not only to review paper-based policies and records but also to test whether the spirit of each point is respected in reality. To help each member organisation or individual, the framework is supported by a detailed guidance manual together with a set of supporting tools and real practice examples.

1. Leadership

Senior management will lead by example through aligning and publicly promoting and communicating the contents of the Code to their staff and business partners.

L1: The policy of zero tolerance of bribery and corruption has been formally approved by the top management and made public.
L2: The anti-bribery policy has been formally approved by the top management and made public.
L3: There is high-level and close involvement of anti-bribery and corruption (ABC) and anti-trust controls.
L4: ABC and anti-trust issues and related policies are regularly consulted by the top management.

2. Responsibility

Each member shall appoint a senior manager or company officer with responsibility for effectively implementing the contents of this Code and representing the member at BnEl.

R1: There is a compliance officer and/or a senior management communication team to ABC and anti-trust policies and any current cases to the top management of the company.
R2: Senior management ensures that the organisation’s anti-bribery and anti-trust policies are supported and bearing in mind the potential consequences of non-compliance.
R3: Senior management ensures that the company is managing the risk of bribery and corruption and anti-trust practices.
R4: Senior management ensures that the organization’s anti-bribery and anti-trust policies are supported and bearing in mind the potential consequences of non-compliance.
R5: Senior management ensures that the organization’s anti-bribery and anti-trust policies are supported and bearing in mind the potential consequences of non-compliance.
R6: Senior management ensures that the organization’s anti-bribery and anti-trust policies are supported and bearing in mind the potential consequences of non-compliance.
R7: Senior management ensures that the organization’s anti-bribery and anti-trust policies are supported and bearing in mind the potential consequences of non-compliance.
The assessment process

The assessor awards a grade:

- No action required
  - There is no policy or system, or it has largely broken down, and significant action is required to reduce risk
Four possible audit outcomes

Audit Outcomes

Pass: The applicant passes if no ‘significant action required’ grades are awarded and up to 5 ‘action required’ grades are awarded. The are 2 levels:

Level 1: The organisation has no ‘significant action required’ and up to 2 ‘action required’ grades.
Level 2: The organisation has no ‘significant action required’ grades and between 3 and 5 ‘action required’ grades.

Fail: The applicant has any ‘significant action required’ grades or more than 5 ‘action required’ grades. There are 2 levels:

Level 3: Borderline: There are up to 4 ‘significant action required’ grades and/or more than 5 ‘action required’ grades.
Level 4: Clear failure: There are 5 or more ‘significant action required’ grades and or clear illegal/unethical behaviour.
The membership process

BnEI Accreditation Process
Governance

BnEI Governance Structure

- General Assembly (BnEI Members)
- Chairman
- Members’ Committee
- BnEI (Not-for-profit Association under Belgian law)
- Secretary

Independent Support and Assurance

- Institute of Business Ethics (Support Partner)
- Independent Accreditation Council
- Auditor/Monitor:
  GoodCorporation
  KPMG
Key challenges and considerations

- Organisation of a group of competitors
  - Secretary
  - Approvals/sign-off
  - Anti-trust considerations
- Time
- Funding
- Licensing
- Piloting
- Governance
- Appointment of assessors and consistency of methodology
- Appointment of the Accreditation Council
- Appointment of the Members Committee
- Confidentiality (documentation control and access)
- Sanctions and expulsion process
- Marketing (e.g. use of the logo etc.)
Successes

- The scheme is up and running
- A strong Accreditation Council is in place
- The first members have been accredited
- There has been significant industry interest
- Public customer support has come from:
  - Bank of Canada
  - Bank of England
  - Reserve Bank of Australia
  - Banco de Mexico
  - Reserve Bank of New Zealand
  - Reserve Bank of South Africa
  - Bank of Norway