

INTERNAL DOCUMENT

Private-Sector Donors Approval and Due Diligence Processes

I. Due Diligence Process

Draft 5: June 11, 2012

The following document provides a template and instructions for performing background checks on companies with which TI is considering conducting a partnership or other affiliation.

CONSULTATION

The current Due Diligence Process incorporates feedback from:

Management Group

RDD Director

External Communications Director

Karen Egger

Chris Sanders

Arvid Halvorsen

Christian Humborg

Robert Barrington

Jermyn Brooks

Peter Tausz

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This process includes two documents:

1. **Full Due Diligence Check:** For companies formally named as supporters on TI's website.
2. **Express Due Diligence:** For companies with whom TI will conduct a short-term relationship that does not amount to partnership.

OBJECTIVES

The purpose of the Due Diligence Process is to determine the risks of TI being publicly associated with the private-sector actor in question. This primarily consists of reputational risk, but may encompass other risks depending on the characteristics of the actor and the nature of the partnership.

COMPONENTS

The Full and Express Due Diligence Processes consist of three components

1. **Commitment Checklist**

Companies that seek a public partnership with TI are expected to have robust policies and procedures in place to prevent, detect and remedy corruption. TI investigates the content and implementation of such anti-corruption programmes before conducting a partnership.

Risk Criteria:

Companies should be prepared to demonstrate that 1) policies are broadly in compliance with the Business Principles for Countering Bribery, and 2) the company gives reasons for policy gaps and demonstrates progress toward developing further standards. If companies cannot demonstrate this, the association should not be conducted.

2. **News Search**

TI investigates the record of all potential corporate funders to determine whether they have been involved in confirmed cases of corruption. This includes convictions in national courts, but also major investigations and high-profile allegations.

As this component of the due diligence process mainly addresses reputational risk to TI of accepting support from the corporate actor, TI also investigates risks beyond corruption, such as human rights and environmental violations and the backgrounds of company executives.

Risk Criteria:

The purpose of the database search is to determine whether the company's commitment to integrity has been made in good faith. If this process indicates that TI is being used to 'greenwash' the company's performance, the association should not be conducted.

3. Bilateral Meeting

In the case that the company's commitments require further explanation, TI seeks direct engagement to resolve any uncertainties. Partnerships where large amounts (over €100,000) are involved, a bilateral meeting will be a standard component of the partnership.

Risk Criteria:

The company should clarify any information regarding risk to TI's reputation. This includes components that are typically not available from publicly available documents, such as executive-level integrity commitments and internal communications. If the company cannot clarify remaining concerns, the association should not be conducted.

[Company Name]

[Date]

Summary	
Relationship	<ul style="list-style-type: none">- Industry Sector:- Proposed Relationship:- Scale:- Duration: <p>Activities</p> <ul style="list-style-type: none">-
Company Profile	<ul style="list-style-type: none">- <i>Brief description of operations</i>- <i>Brief description of corruption commitment</i>- <i>Brief description of additional commitments (labour, environment, etc)</i>
Major Risks	<ul style="list-style-type: none">- <i>Summary of most urgent risks identified in Section III</i>
Recommendation	<ul style="list-style-type: none">- <i>Department, recommendation, reason for recommendation</i>

I. Background

Instructions:

Use company website, Wikipedia, Bloomberg BusinessWeek, The Economist, The FT, Wall St Journal and Google to find relevant information in the following categories. Where possible, include links to relevant websites or articles.

If information is not available, state so in the relevant field.

Proposed Relationship

Company History *No more than two paragraphs on the origins of the company and its prominent executives.*

Sector **[Sector] / [Subsector]**
No more than two paragraphs on the company's business model. If relevant, include information on subsidiaries, parent company, geographic concentration, recent developments

Major Competitors -

Assets -

Headquarters *Location of headquarters and major regional offices.*

Employees	<i>Number of employees and employee categories. If possible, determine how many direct vs indirect employees the company has.</i>
Revenue	<i>Use company annual reports</i>
Anti-Corruption Commitments	<i>Describe the company's commitment to integrity and transparency. Where possible, determine the background of this commitment, including when it was developed.</i>
<i>Company website, news sources</i>	<i>Does the company work with any other partners to implement this commitment? What projects has the company communicated about?</i>
Corporate Lobbying	<i>Use InfluenceExplorer.com to identify the company's corporate giving profile. View all years available. Identify the top three individual recipients and the top three institutional recipients.</i>
<i>Influenceexplorer.com</i>	<i>Include a brief paragraph on the company's lobbying activities.</i>
Senior Executives	<i>Use Bloomberg Businessweek to identify the senior management and their compensation packages.</i>
<i>Bloomberg Businessweek</i>	
Corporate Social Responsibility	<i>No more than two paragraphs on the company's CSR commitments — which topics has it identified as priorities? Who are its partners? How does it demonstrate this commitment?</i>
<i>Company website, news sources</i>	<i>Where possible, include information on the company's internal policies.</i>

II. Integrity Commitments

Instructions:

Use the company website, annual report and sustainability report to identify the actions the company has already taken to reduce corruption risk. Include information from any publicly-available documents produced by the company.

If information is not available, state so in the relevant field.

Paragraph giving overview of company's integrity policy framework.

Memberships

- [UN Global Compact / UNPRI / GRI / etc]

Does the company participate in any corruption networks?

Other Partnerships

- Country-level or topic-specific memberships

Transparency International

- Any former or current affiliation with TI. Include membership in country Corporate Supporters Forum, sponsorship of events, mention of TI in annual report, etc.

affiliations*- Include any mention in TI publication [TRAC, etc]***Strategy & Policy***Content of company anti-corruption programme*

The company has an overall code of conduct or statement of principles including a reference to anti-bribery.	YES / NO / UNCLEAR
--------------------------------------------------------------------------------------------------------------	--------------------

The company publicly commits to be in compliance with all relevant laws, including anti-corruption laws	YES / NO / UNCLEAR
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The company has a published policy of zero tolerance of bribery	YES / NO / UNCLEAR
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The Audit Committee, Board or equivalent body makes a regular independent assessment of the adequacy of the programme	YES / NO / UNCLEAR
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The company has procedures to address bribery when it occurs	YES / NO / UNCLEAR
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The company has a whistleblowing and employee help/guidance system, including non-victimisation provisions	YES / NO / UNCLEAR
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Policy defines appropriate / inappropriate gifts, hospitality and travel expenses	YES / NO / UNCLEAR
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Policy explicitly forbids facilitation payments	YES / NO / UNCLEAR
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Policy prohibits political contributions or, if it does allow such contributions, requires them to be fully disclosed	YES / NO / UNCLEAR
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Policy commitments include political contributions, charitable donations, sponsorships and facilitation payments, gifts and hospitality	YES / NO / UNCLEAR
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Policy Implementation*Internal awareness-raising of integrity commitments and values*

The programme explicitly applies to all employees, agents, suppliers and business partners	YES / NO / UNCLEAR
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The company carries out regular audits to determine the risks of bribery	YES / NO / UNCLEAR
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Training is provided to all employees	YES / NO / UNCLEAR
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The company provides channels through which employees can report potential violations of policy or seek advice (e.g. whistle-blowing) in confidence	YES / NO / UNCLEAR
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This complaints mechanism includes contracted staff and other external stakeholders	YES / NO / UNCLEAR
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Anti-corruption programmes are implemented in all business entities over which the company has effective control	YES / NO / UNCLEAR
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Communications*External reporting of anti-corruption commitments and performance*

The company publicly discloses information about its anti-corruption programme and its implementation	YES / NO / UNCLEAR
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The company communicates the anti-corruption commitments of its top-level management	YES / NO / UNCLEAR
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The company report its activities and revenues on a country-by-country basis	YES / NO / UNCLEAR
The company publishes a Sustainability Report	YES / NO / UNCLEAR

Additional Information - Use this space if you come across any information that is relevant, but is not covered under the above headings.

III. Risks

Instructions:
information on corruption controversies the company has been involved in. Include links to the relevant articles or websites

Check all of the following:

- Wikipedia
- Bloomberg BusinessWeek
- The Economist
- Financial Times
- Wall St Journal
- Business and Human Rights Resource Centre
- Major NGOs [Oxfam, Human Rights Watch, Global Witness, etc]
- Google search

CATEGORY	RISK DESCRIPTION
Sector Risks Reputational risk for TI based on company's industry sector	<ul style="list-style-type: none"> - Reputational risks due to the business that the company is in. - This does not necessarily depend on specific cases of corruption, but rather that the standard operations of the company pose a reputational risk to TI - Tobacco and weapons companies would be obvious candidates here, but sectors like finance, extractive or apparel may also pose risks.
Judgements Confirmed incidents of corruption	<ul style="list-style-type: none"> - This includes any civil or criminal judgements or settlements against the company in any national jurisdiction. Include only cases where corruption has been confirmed by a court ruling or fine or settled by the company.
Accusations & Investigations Allegations that affect the company's reputation	<ul style="list-style-type: none"> - In this box, insert all cases where the company has been investigated by regulators or publicly accused of corrupt behaviour
Other Reputational Risks	<ul style="list-style-type: none"> - In this box, include all high-profile accusations, investigations and judgements against the company on other issues: Child labour, forced labour, discrimination, freedom of association, etc.
Additional Information	Any relevant information that doesn't match the title headings of the previous boxes.

DUE DILIGENCE: EXPRESS VERSION

This form is to be used when a company has proposed a light association with TI, such as an invitation to a company-sponsored event. For proposed supporters, use the Full Version

[Company Name]

[Date]

Proposed Relationship

[description here]

Integrity Commitments

Source: Company website

Sectoral issues

Does the company's sector pose any reputational risks for TI?

Sector:

Risks:

Current Transparency International affiliation

- [the company is a member of a national chapter Corporate Supporters Forum / the company mentions compliance with the Business Principles on its website / etc]

Anti-Corruption Commitments

Does the company communicate a commitment to anti-corruption?

- [Code of conduct / memberships in networks / sponsorships / etc]

Policies & Procedures

Has the company committed to an anti-corruption programme

The company has an anti-corruption policy publicly available

YES / NO

Reporting

Does the company report its corruption performance?

The company publishes a Sustainability Report that includes corruption commitments

YES / NO

Additional Memberships

Does the company participate in any sustainability networks?

- [UN Global Compact / IBLF / WBCSD / etc]

Additional Information

-

Corruption Risk

Source: News search

Convictions

Confirmed incidents of corruption

- [YEAR and link to news source]:
[fines levied, nature of charges and jurisdiction]

Accusations

Prominent accusations that affect the company's reputation

- [YEAR and link to news source]:
[Nature of accusation]

Additional Information

-

RDD Recommendation

-

II. Corporate Supporter Approval and Removal Processes

Draft 2, June 13, 2012

The following document describes the process of approving a TI-S corporate supporter or, if necessary, ending an ongoing funding relationship if the company poses a reputational risk.

The purpose of this process is to promote efficiency and effectiveness in TI-S corporate fundraising while safeguarding TI's independence and reputation. It defines the information and stakeholders necessary at each stage of the donation life-cycle, and aims to establish standard procedures for beginning and ending private-sector donor relationships.

CONSULTATION

The current Due Diligence Process incorporates feedback from:

Patrick Mahassen

Stan Cutzach

A. CORPORATE SUPPORTER APPROVAL PROCESS

AIMS

- Ensure that corporate supporters do not pose a risk to TI's reputation or independence
- Provide all relevant information to Management Group to reach a decision to approve or reject a corporate donor
- Comply with all TI-S policies, procedures and guidelines

ADDITIONAL CONSIDERATIONS

- This process seeks to ensure efficient and effective private-sector fundraising by TI-S. Due to the time required to apply the full Due Diligence Process (one day of research or more), it cannot be performed for all companies with whom TI-S engages. The process below therefore tries to strike a balance between gathering information on corporate supporters and spending excessive time on risk-mitigation.
- This process also incorporates the reality that the management group may not be able to respond to a request for donor approval immediately. Therefore, the responsibility for deciding whether to proceed with negotiations lies with RDD until the funding relationship is finalized. In other words, the Management Group's time should not be spent approving corporate donors unless the funding is sure to come through.

PROCESS

	DESCRIPTION	ADMINISTRATION
STEP 1:	<p>Prospect Identification and Engagement TI-S identifies corporate prospects and engages them together with National Chapters along the lines described in the National Chapter Outreach Process.</p>	<p>Responsible: RDD Consulted: National Chapter</p>
STEP 2:	<p>Due Diligence Process When a company has expressed an interest in a specific funding arrangement with TI-S, the full Due Diligence Process will be performed.</p>	<p>Responsible: RDD Consulted: National Chapter, TI-S departments</p>
*	<p>Decision: Proceed or Stop On the basis of the Due Diligence Process, RDD and the External Resources Group Director will decide whether to proceed with negotiations or stop due to the risk posed by the company. This decision, along with the reasons for doing so, will be produced in writing and saved on the common file server.</p>	
STEP 3:	<p>Partnership Negotiation A funding arrangement is finalized and described in a Partnership Description agreed between the company and TI-S.</p>	<p>Responsible: RDD and National Chapter Consulted: TI-S departments</p>
STEP 4:	<p>Approval By Management Group Once the Partnership Description is finalized and agreed by the company supporter, it will be submitted to the Management Group supported by the results of the Due Diligence Process.</p>	
*	<p>Decision: Approve or Reject On the basis of the Due Diligence process and the activities described in the Partnership Description, the Management Group will decide whether to approve the relationship.</p> <p>As described in the TI-S Donations Policy, this decision will be based on whether acceptance of funding will:</p> <ul style="list-style-type: none"> - impair TI's independence to pursue its mission - endanger its integrity and reputation. <p>On this basis, the Management Group will either accept or reject the corporate donor. The Management Group may also request more information or request engagement with the company before making a decision.</p> <p>This decision, along with the reasons for doing so, will be produced in writing and saved on the common file server.</p>	
STEP 5:	<p>Finalization of Relationship On the basis of the Partnership Description, RDD will finalize contractual arrangements and proceed with the relationship. This includes identifying the donor on TI's website.</p>	<p>Responsible: RDD Consulted: TI-S Legal Affairs, National Chapter, TI-S Communications</p>

B. CORPORATE SUPPORTER REMOVAL PROCESS

AIMS

- Ensure that TI-S corporate supporters do not pose a reputational risk
- Comply with all TI-S policies, procedures and guidelines
- Develop a robust process that can be applied and, if necessary, publicly communicated in the event that a corporate supporter is found to engage in corruption.

PROCESS

	DESCRIPTION	ADMINISTRATION
STEP 1:	<p>Contractual Arrangements</p> <p>All TI-S contracts with corporate supporters include a clause stipulating that TI-S may end the relationship at any time if it determines that the donor is not living up to the values on which the support relationship is based, namely integrity and accountability.</p>	<p>Responsible: RDD</p> <p>Consulted: TI-S Legal Affairs, National Chapter</p>
STEP 2:	<p>Reputational Concern</p> <p>TI-S will continually monitor media sources to determine if the company donor is the subject of an investigation or conviction. Additionally, chapters may bring their concerns regarding the reputation of private-sector donors to the attention of TI-S</p>	<p>Responsible: RDD</p> <p>Consulted: Communications</p>
STEP 3:	<p>Donor Engagement</p> <p>If a corporate supporter is found to have potentially engaged in corrupt behaviour, TI-S will contact them with a request for further information and direct contact to discuss the case and the company's response.</p>	<p>Responsible: RDD</p> <p>Consulted: Private-sector team, National Chapter</p>
* Decision: Reject or Continue	<p>Based on the information gathered from media reports and direct contact with the company, the Management Group will make a determination of whether to proceed with the relationship.</p> <p>In line with TI's Donations Policy, this determination should be based on the following considerations:</p> <ol style="list-style-type: none"> 1. Has the company engaged in corruption? 2. If so, was the corruption in violation of the company's policies? 3. Is the breach of policy being addressed in an appropriate manner? 4. Have policies been amended to prevent a similar violation in future? 5. Does this breach represent a major reputational risk for TI? <p>If the relationship is to be discontinued, the Management Group must determine whether all funds from the corporate supporter will be returned or just a proportion according to the time left in the relationship.</p> <p>This decision, along with the reasons for doing so, will be produced in writing and saved on the common file server.</p>	

STEP 4: Communicate

If the Management Group decides to end the relationship, TI-S may communicate this publicly. This determination will be made on a case-by-case basis.

Responsible: RDD

Consulted: National Chapter, TI-S Communications

ANNEX:

TI-S DONATIONS POLICY, PROCEDURES AND GUIDELINES

Approved by the Board of Directors, 30 April 2004

INTRODUCTION

Donations enable TI to fight corruption. TI needs to secure the funding necessary to undertake its vital work. Secure and diverse funding enables TI to maintain its independence and operate effectively.

POLICY

It is TI's policy to accept funding for TI-S from any donor, in any amount and whether monetary or in kind, provided that acceptance does not impair TI's independence to pursue its mission, or endanger its integrity and reputation.

BACKGROUND

The National Chapters and the Secretariat of TI are funded from diverse sources – governments, foundations, the private sector, individuals, membership fees, income from publications and (in future) by an endowment fund. Relying on many sources helps TI to maintain its independence. TI-S is transparent about its donors, which are listed in the TI Annual Report. Certain funding is tied to specific projects whereas the rest is unrestricted.

Generally the National Chapters raise their own funding; and the Secretariat (TI-S) also raises its own funding. The Donor Relations department at TI-S leads and coordinates fundraising activities for TI-S. A sub-committee of the TI Board, the Fundraising Task Force, pursues major fundraising initiatives. This committee also advises on all matters referred to it under the procedure described below. TI must not risk jeopardising its reputation for honesty, openness and integrity. Its reputation could be compromised if TI-S (or a National Chapter) received funding from sources which were perceived to be pursuing activities inconsistent with TI's mission.

SCOPE

This Policy applies to all fundraising for TI-S, regardless of types of donor or amounts involved. It is to be applied to all new funding from existing donors and to all new donors in the future.

GUIDELINES

Funding to enable TI-S to carry out its work should be sought from a wide range of sources. Care should be taken to ensure that project-related funding does not result in undue influence over TI's programme work. Subject to maintaining TI's independence and reputation, TI-S accepts funding from all kinds of sources. If a particular source of funding would impair TI's independence, or if there is significant risk to TI from public association with the donor, then

that source of funding will not be accepted by TI-S. Any donation to TI-S must be able to stand up to public scrutiny, and TI's independence requires that a donor may be subject to the same criticism by TI as any other organisation or individual in a comparable situation.

TI works with the private sector in an attempt to reduce bribery. This does not imply any endorsement of a donating company's policies or record. TI works with companies on the understanding that they are working towards a business environment in which bribery is no longer accepted. If any corporate donor is accused of having been involved in corruption, the donor can expect no protection from TI. TI would not accept a donation from a company that was found to have engaged in corruption unless the company could demonstrate that this was a violation of the company's policies, and that breach of these policies was being addressed in an appropriate manner.

PROCEDURE

It is the responsibility of TI-S staff and managers to ensure that TI's independence and reputation are not jeopardised. The procedure below describes the steps which should be followed when a staff member believes that TI-S has accepted, or is considering accepting, funding from an inappropriate source.

1. If any member of TI-S staff is concerned that there is a threat to TI's independence or reputation from donations already received, or about to be accepted, the staff member should immediately draw this to the attention of his/her line manager. If following discussions with the line manager, concerns remain, line management must draw the concerns to the attention of the Donor Relations Manager and the Chief Executive of TI-S.
2. If necessary the Chief Executive of TI-S and/or the Donor Relations Manager will consult with the Fundraising Committee of the TI Board, and seek their guidance on whether to accept funding from a specific donor.
3. If TI-S proposes to accept more than €100,000 from any company in a year, this will be brought to the attention of the Board fund-raising committee for their guidance.
4. All communications with the Fundraising Committee of the TI Board should be made through the Donor Relations Manager or the Chief Executive of TI-S. 5. The Fundraising Committee will report to the TI Board all guidance given under this policy.