

GULF REGION-WIDE STUDENT CASE STUDY COMPETITION

GULF REGION 2019



Student-Authored Case Studies on:
Corporate Best Practices
in Accountability and Transparency



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GULF REGION 2019

THE PEARL INITIATIVE SERIES ON GOOD CORPORATE PRACTICES IN ACCOUNTABILITY AND TRANSPARENCY

A CASE STUDY REPORT ON CORPORATE GOOD PRACTICES ACROSS THE GULF REGION IN:

- Anti-corruption policies
- Third-party due diligence
- Ethical labour practices
- Anti-money laundering

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OUR GRATITUDE EXTENDS TO:

- All the participating universities.
- The students who participated in our competition. The faculty and staff for motivating and supporting the students and reviewing their work.
- The organisations that assisted the students with their research.

DISCLAIMERS AND REPORT LIMITATIONS:

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INTRODUCTION

As part of the Pearl Initiative's report series on corporate best practices in accountability and transparency, we are very pleased to present the results of the top five case studies from the 2018 Pearl Initiative Gulf Region-wide Student Case Study Competition.

At the start of the academic year in 2018, the Pearl Initiative launched the third edition of its Gulf Region Wide Student Case Study Competition. Students from across the Gulf Region's leading universities and higher colleges were invited to conduct research on best business integrity practices that are applied and implemented across regionally operating businesses. The research undertaken by the students is hinged on a requirement to engage and connect with leading business professionals to discuss the application of integrity practices within their respective organisations, thereby supplementing their academic learnings with practical business knowledge.

The Student Case Study Competition is intended to:

- Contribute to the collation and documentation of on the ground practices by businesses surrounding corporate accountability and transparency across the Gulf Region
- Engage and inspire students in understanding the application of integrity, ethics, responsibility, governance, transparency and accountability practices within a business context
- Improve linkages between students and regional businesses
- Publicly recognise businesses that have demonstrated accountable and transparent business practices

By uniting students with business professionals, this programme ensures that students leave the academic field with practical knowledge and awareness surrounding integrity practices and principles across the Gulf Region's businesses. It also affords regional organisations the opportunity to engage with their future employees and industry leaders while promoting their internal practices and business values.

We believe, it is of mutual benefit to students and businesses alike to learn from the information as documented in these case studies, to understand the nature and extent of integrity practices across the Gulf Region.

A total of 13 universities were engaged as part of the Case Study Competition, which saw the participation of almost 200 students who delivered a total of 79 case study submissions.

As in previous editions of this programme, we have had the honour of working with some of the region's leading businesses, universities, academics, and students.

I wish to thank the organisations that took the time and effort to work so closely with students to teach them about business integrity policies and practices, as well as their impact on all business stakeholders.

We are grateful to the professors and universities who encouraged these students to participate, and who guided them through this research and the preparation of the case studies. The information generated through these case studies will be of tremendous value to regional businesses and professionals seeking to improve upon their current integrity practices.

I also wish to thank the students who participated in the competition for their enthusiasm and commitment to learning about business integrity practices to better prepare them for their future careers.

A final thank you to our Partner Companies for their unwavering support and contribution to our mission and vision for sustained socio-economic growth through the implementation of improved corporate governance, business accountability, and transparency standards.

We look forward to continued engagement with regional academic and business communities to run further editions of this Case Study Competition in the future.



Yasmine Omari
Executive Director
Pearl Initiative



FOREWORD



Elena Cruz
Vice President, Head of Brand and
Corporate Responsibility | Emirates NBD

Strong ethics and integrity are vital elements of corporate governance needed for any business to succeed. In today’s hyper-competitive environment, it is the trust that stakeholders harbour that allows an organisation to thrive. As each case study debunks the negative correlation between ethics and profitability myth, more business leaders are quickly realising that irrespective of the size of their organisation, ethical practices and integrity is the way to-go to ensure sustainable growth and secure business continuity.

In today’s hyper-competitive environment, it is the trust that stakeholders harbour that allows an organisation to thrive.

As evident in the Pearl Initiative Gulf Region Wide Student Case Study Competition, the younger generation has incorporated business ethics as a decision-making factor before they decide who they buy from and work with. It should provide businesses with a word of caution as well as with a roadmap for their future strategy and growth plans.

Elena Cruz
Vice President, Head of Brand and
Corporate Responsibility | Emirates NBD

ABOUT THE COMPETITION

The Pearl Initiative Student Case Study Competition was open to both undergraduate and postgraduate students enrolled at any accredited university in the Gulf Region. Under the supervision of a faculty member, students were afforded the opportunity to submit case studies in Arabic or in English, in teams of up to 3 students.

The case studies were to address examples of fully implemented best practices within a Gulf-based company on any one of the following integrity-related policies:

- Anti-corruption policies
- Third party due diligence
- Ethical labour practices
- Anti-money laundering

The case studies can focus on any corporate organisation based in the Gulf Region, including state-owned entities, listed companies, private companies, family businesses, and small to medium-sized enterprises.

Student teams are expected to contact the company chosen for their case study and interview executives in charge of a particular integrity-related policy while complementing their case studies by collecting information through secondary research (including material available in the public domain and academic journal articles).

Each team is provided with guidelines on the process. The format for the case studies is expected to include the following key points:

-  **COMPANY DESCRIPTION**
-  **DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE**
-  **POLICY DEVELOPMENT**
-  **PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION**
-  **IDENTIFICATION AND REPORTING OF ISSUES**
-  **ENFORCEMENT**
-  **LESSONS LEARNED**

JUDGING OF CASE STUDIES

Once submitted to the Pearl Initiative, a shortlist of the top ten case studies was assessed by the judging panel against a previously defined set of criteria.

We would like to thank our judging panel for their key role in developing the youth of today and leaders of tomorrow, and for taking the time to go through and assess the submissions.

THE COMPETITION JUDGING PANEL*

- Noura Alturki, Vice President, Nesma Holding Company, KSA
- Hani Ashkar, Middle East Senior Partner & UAE
- Elena C Cruz, Vice President, Head of Brand and Corporate Responsibility, Emirates NBD, UAE

**In alphabetical order*

AWARD CEREMONY

The Pearl Initiative hosted an award ceremony to honour the winning case studies and their authors. The event was held at the Higher College of Technology, Dubai Women’s Campus, on 17 April 2019 and was attended by executives from leading Gulf-based companies, students, and faculty members from universities across the region.

The Keynote Speakers at the Award Ceremony

- Honourable Dr. Saeed Mubarak Al-Muharrami, Associate Professor, Member of State Council
- Ms. Rania Rizk, SVP & General Counsel, PepsiCo, UAE

EXECUTIVE SUMMARY

OVERVIEW OF THE CASE STUDIES

This report showcases the five best case studies submitted during the 2019 Student Case Study Competition by students from leading universities across the Gulf Region.



CASE STUDY	NAME OF STUDENTS	PROFESSOR & UNIVERSITY
Integrity-Related Practices at Dunkin' Donuts	Nouf Alajlan Masha'el Alhasson Rasha Elrayes	Sarah Alshareef, Prince Sultan University
Ethical Labour Practices at Etisalat	Aisha Nasir Abdalla Sumaya Ahmad	Bistra Boukareva, Higher Colleges of Technology
Anti-Money Laundering Practices at Bahrain Islamic Bank	Marwa Al-Faihani Sara Al Meer Aysha Sulaiman	Dr. Naglaa El Dessouky, University of Bahrain
Anti-Money Laundering Policies and Practices at Al Ghurair International Exchange	Syed M Ammar Syed Ahmed	Dr. Kakul Agha, Skyline University
Anti-Corruption Policies and Practices at Dubai Police	Hamda Ali Ahmad Hamda Omar Humaid	Shahid Bashir, Higher Colleges of Technology (Dubai Women's Campus)

KEY FINDINGS ON THE CASE STUDIES

CASE STUDY 1: Integrity-Related Practices at Dunkin' Donuts

This case study identifies the strategic anti-corruption policies and guidelines that Dunkin' Donuts' management uses to maintain sustainable growth and to boost its competitive advantage. The study details the various practices adopted by Dunkin' Donuts to ensure compliance with local and global anti-corruption regulations. The policies put in place by the organisation prohibit all directors, managers and employees to take bribes and engage in corruption while conducting business, and exhorts them to adhere to all laws and the internal code of conduct.

CASE STUDY 2: Ethical Labour Practices at Etisalat

This report discusses the development of ethical labour practices and policies established by Etisalat which has enhanced their business performance and generated greater revenues from increased employee productivity. This case study details the strides taken by Etisalat to promote equal employment and growth opportunities for people of different genders, races, and backgrounds. It also portrays their efforts to keep their employees motivated by introducing a rewards and recognition programme named 'SPOT Recognition Award' and also by hosting annual events such as 'Wellness Week', 'Spirit of Happiness Week' and 'Travel Week'.

CASE STUDY 3: Anti-Money Laundering Practices at Bahrain Islamic Bank

This report focuses on anti-money laundering practices and policies implemented at Bahrain Islamic Bank (BisB) by adhering to national laws, along with policies mirroring international standards. BisB has set AML rules, laws and procedures with an aim to abolish income generated through illegal activities with initiatives such as 'Customer Due Diligence', 'Beneficial Ownership' and 'Know Your Customer'. This study also looks into BisB's compliance department and provides a clear picture of how AML policies have been embedded in bank processes by providing training to all employees to guarantee the consistency of practices across the bank.

CASE STUDY 4: Anti-Money Laundering Policies and Practices at Al Ghurair International Exchange

This case study focuses on the compliance policy at Al Ghurair International Exchange wherein employees are required to have a basic understanding of AML/CTF policies and procedures to detect, prevent and report money laundering and terrorism financing activities. The report talks about the structured process Al Ghurair International Exchange embeds within its organisation to ensure compliance with the AML and CTF regulations. The organisation also discusses an important AML/CTF tool called 'Know Your Customer' which helps identify customers before executing any transactions and helps determine the true identity, source of funds, nature of the customer's business, and more.

CASE STUDY 5: Anti-Corruption Policies and Practices at Dubai Police

This case study discusses Dubai Police's zero-tolerance approach to corruption in the implementation of strong anti-corruption and anti-bribery policies. The case study delves into their policy development and implementation processes, which was inspired by policing institutions in Egypt, France, and the United Kingdom. The report also discusses the measures taken to prevent corruption, including quarterly or semi-annual training for all staff members and the efforts taken by Dubai Police to digitise services which reduces any temptation to engage in unethical behaviour.

CASE STUDY 1
INTEGRITY-RELATED PRACTICES
AT DUNKIN' DONUTS



COMPANY NAME	Dunkin' Donuts LLC
HEADQUARTERS	Canton, MA, USA
SECTOR	Quick Service Restaurant
NUMBER OF EMPLOYEES (2016)	2,000
ANNUAL REVENUE	\$860.5m
STATUS	Private Subsidiary



DUNKIN' DONUTS COMPANY PROFILE

Dunkin' Donuts (DD) is one of the world's largest quick-service restaurant chains, which specialises in a wide range of baked snacks, as well as hot and cold beverages. The company trades as part of Dunkin' Brands Group, Inc, a US-based company that operates through the Dunkin' Donuts brand and Baskin-Robbins.

Dunkin' Donuts started as a small donut and coffee store in the early 1950s in Quincy, Massachusetts (Ferreira & Ferreira, 2018). William Rosenberg, the founder, had the goal of preparing and serving the most delicious snacks and coffee in a modern outlet, a promise that drove the small idea to become a reputable global brand. The brand began when William Rosenberg founded Open Kettle in 1948, but he changed the name in 1950 to Dunkin' Donuts after discussing it with the company executives. He conceived the idea for the restaurant after his experiences selling food in factories and at construction sites, where donuts and coffee were the two most popular items. The restaurant was successful, and Rosenberg sold franchises to others starting in 1955 and in one decade DUNKIN'

DONUTS the company has expanded its operations in Saudi Arabia. The company is slowly gaining more markets since opening its first franchise store in Riyadh.

The brand operates through a franchise model and has become the preference for coffee consumers because of its excellent coffee quality and variety. Dunkin' Donuts opened its first Saudi Arabian coffee shop in Olayah, Riyadh, in 1986 through a franchising partnership with Shahia Food Limited. Over time, the American-based fast food chain has expanded its operations to the eastern and western provinces of the country. Currently, the company operates over 370 shops located in major urban centres, including Riyadh and Medina. The shops follow the daily operation schedules set by the authorities and follow the routine Friday morning regulations (Secil, 2016).

The company continues to experience growth given its strategic business plan in the region. According to Dunkin' Donuts' national manager, the firm plans to open more stores and extend the menu to offer more locally tailored products. Besides all its other objectives, Dunkin' Donuts' number one aim is to expand its restaurant outlets on a much wider scale, particularly in the local market segment. Therefore, the company has embarked on an aggressive outlet expansion to benefit the growing demand for coffee. Dunkin' Donuts is planning to open 148 new



franchises in the medium term to more than triple its growth from the previous year. The company's target is to expand its markets to new cities and towns in KSA regions, including Jeddah, Qatif, Khobar, Damman, Unaizah, and others.

Dunkin' Donuts' Industry Analysis

To stay ahead of the competition, Dunkin' Donuts aims to become the leading provider of a wide range of delicious beverages and baked products around the kingdom. It offers a convenient, relaxed, friendly environment that ensures the highest level of quality products and best value for money. The company provides its customers with elegant service and an unforgettable experience to meet their expectations in every single visit.

Dunkin' Donuts competes with various brands operating in the food service industry. Starbucks, a chain coffee shop, has been one of the major competitors worldwide, controlling a bigger part of the market in the region (Hachemi, 2011). Dunkin' Donuts also faces competition from McDonald's, as well as snack bakers like Krispy Kreme, Dairy Queen, and Tim Horton's. Moreover, Dunkin' Donuts competes with other small coffee and donut brands in a different locality. However, its main threats in KSA are Starbucks, which offers premium coffee products and McDonald's, which provides fast-food services.

As the Saudi fast-food market continues to grow significantly, the market competition is between local restaurants and globally recognised food chains and brands.

During the recent global economic downturn, Dunkin' Donuts has benefited from its lower prices as consumers prefer to seek cheaper alternatives. Consumers of both coffee and donuts include people of all age and gender, keeping demand for Dunkin' Donuts products high. Moreover, the cultural loyalty between Dunkin' Donuts and Starbucks coffee contributes towards the success of the respective companies. Currently, Dunkin' Donuts controls a market share of nearly \$31.37 billion, which is \$2.9 billion and \$10.2 billion more than Starbucks and McDonald's respectively (Ticker, 2015).



DUNKIN' DONUTS INTEGRITY-RELATED PRACTICES

Dunkin' Donuts Anti-Corruption Policy

In general, corruption refers to the dishonest act of giving and receiving money or other goods with the purpose of obtaining a favour (Fisman, 2017).



Soliciting for money or gifts is always aimed at influencing a decision or course of an action. The company has adopted various anti-corruption practices, including a periodic audit of accounting records, reporting, and ensuring compliance with local and global anti-corruption regulations.

Moreover, DD obtains its business through fair processes which involve legal tendering and penalises its staff or suppliers for being engaged in acts of corruption.

Additionally, the management is committed to ensuring that all business operations follow effective standards and controls and are pursued in good faith.

The primary drivers for the application of the anti-corruption practice include the rule of law in different countries and protection of the brand's reputation. As part of its core values, DD promises to practice

integrity, transparency, and fairness when conducting business in any part of the world. Therefore, the anti-corruption practices guide the company to maintain its values and establish genuine relationships with its stakeholders. The company's global anti-bribery policy pushed Dunkin' Donuts to develop a transparent system to prevent economic crimes.



POLICY DEVELOPMENT

The anti-corruption policy prohibits any person acting on behalf of Dunkin' Donuts from the use of kickbacks, bribes, and other unethical habits when conducting business. All the directors, managers, and junior staff are expected to adhere to the ethical standards, laws, and code of conduct in their respective regions. Saudi Arabia launched the Anti-Corruption and Anti-Money Laundering Drive that focuses on the agile tackling of corruption cases in the country. All organisations operating in Saudi Arabia are supposed to evaluate their competence in line with the regulations set in this new policy. The objective of the new compliance requirements is to fight bribery and other financial crimes taking place in the country.

Dunkin' Donuts' former CEO, Nigel Travis, introduced the idea of commitment to integrity and fairness across the operations to display a positive image to the local communities and comply with legal requirements. During the management's annual general meeting, the CEO requested all the national managers and supervisors to brainstorm the idea with their staff and document clauses that would feature in the policy. On the other hand, the marketing team collected views from Dunkin' Donuts customers and the suppliers through social network surveys. Additionally, the process involved legal and financial

experts, as well as human rights activists from various regions. The formulation process took approximately 13 months before the policy was completely revised and documented in the company's code of conduct document.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

Dunkin' Donuts trains its employees on issues of compliance and Saudi Arabian national codes of conduct. Embedding the anti-corruption practices involved training the company's employees using various methods and available resources. The training programme had two phases, where the first phase focused on the training of national managers and officers, and the second phase on training junior employees as mandated by the Saudi Arabian Ministry of Labour. Dunkin' Donuts' human resources management (HRM) department organised the programmes in Saudi Arabia and had to source a team of experienced trainers for these trainings. Additionally, the trainees were organised in groups by drawing members from every department and attendance in shifts to prevent disruption of business operations.

Training materials included trainee manuals, presentations, and gaming software that had been prepared by the trainers. Moreover, the teaching guides were tailored to the region using a language and examples that employees in Saudi Arabia could easily relate with and comprehend. The course objectives were to create awareness of the practices and to stress the penalties for violation of the policy. It highlighted the expectations and responsibility of every individual in the company, and opened a platform for employees to seek clarifications if needed.

However, the embedding process faced various difficulties, such as differences in legal frameworks in Saudi Arabia that make it hard to formulate a uniform policy, partly due to lack of a national ethics regulatory body. Another problem was organising how the training sessions would run without affecting standard service delivery. To address these issues, the human resources managers selected experts who knew the local laws.

Trainees were also given incentives as a motivation to attend during their off-work hours, so there was minimal interference with the daily operations at their work place.



IDENTIFICATION AND REPORTING OF ISSUES

Dunkin' Donuts' employees are expected to identify and report concerns or issues of violation of the practices to the Saudi Arabia Supreme Committee (SASC), chaired by His Highness Prince Mohammed Bin Salman. The appointed committee has established internal and external reporting channels that are safe for employees at any level. Internally, employees can report directly to the supervisors, HR managers, next level of management, legal officers and the loss prevention manager, who report further to the Saudi Arabian Monetary Authority (SAMA). Furthermore, the firm has an anonymous communication system, an Ethics Hotline managed by a third party, and employees can access it via phone or web platform. These two reporting mechanisms were selected to allow employees to raise concerns at any time, without the fear of reprisals. Information received from the reporting channels is analysed by the company's compliance panel, which conducts further investigations into reported cases.

Dealing with corruption cases entails applying the policies as the industry standard, particularly verifying the record of accomplishment of outsourcing providers, local agents, distributors, or intermediaries. The local management and employees will need training on anti-corruption policies for the company's and global standards. The training sessions are normally held once a year and should be provided in the local language to guarantee the understanding of the policies.



POLICY ENFORCEMENT

It is the responsibility of all officers, employees, or executives to follow the anti-corruption policy. To enforce the policy, the company has a compliance department that handles violation or possible violation of practices. Additionally, there are penalties for employees involved in corrupt acts that range from demotion, suspension, termination of the job, monetary fines, to lawsuits.

The compliance panel and the regional external auditors are responsible for the enforcement of the practices, and their role is to investigate the business process periodically, audit the company accounting records, and confirm Dunkin' Donuts' ethics hotline to ensure the code of conduct is followed strictly (Saud, 2018).

The management took the following steps to convert the idea into a formal policy:

- Clearly define the change and align it to business goals;

- Determine any policy impacts and those likely to be affected;
- Develop a communication strategy;
- Provide effective training;
- Implement a support structure, and
- Measure the change process (Saud, 2018).

Policy enforcement must be safeguarded or guaranteed by tailoring the policies and procedures to suit the specific workplace – the less practical they are, the less likely workers are to comply with them. The employees must be explained the purpose of the policy and why it is important for them to follow all the necessary procedures. Workers need supervision and monitoring on a regular basis to ensure they follow the policies and procedures.



LESSONS LEARNED IN THE CASE STUDY

For a company to succeed in the local and global market, the management needs to establish strong ethical policies that would address the concerns of various stakeholders in various regions where it operates. Dunkin' Donuts' anti-corruption policy enables the company to comply with national legal requirements whilst maintaining a good reputation globally. The benefit is an increase in consumer loyalty, which enhances sustainable profitability and expansion.

When a company is developing an ethical policy, it is critical to engage its internal and external stakeholders, as well as consider cultural differences in different locations.



When involved in the development process, stakeholders understand the practices clearly, which saves the company resources of publicising the policy. Additionally, ethical policies should apply uniformly to all employees, including executive managers and supervisors. Moreover, the firm should implement a safe and straightforward identification and reporting system to promote the efficiency of the policy.

Another lesson is the necessity to consult industry experts to provide guidance on conflicting ethical issues. For instance, when developing a policy on anti-corruption, Dunkin' Donuts involved legal and financial experts from various countries to ensure uniformity of the practices across all its operations without leaving any loopholes that officers could use to advance a corruption agenda.

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CASE STUDY 2 ETHICAL LABOUR PRACTICES AT ETISALAT



COMPANY NAME	Etisalat
HEADQUARTERS	Abu Dhabi, United Arab Emirates
SECTOR	Telecommunications
NUMBER OF EMPLOYEES (2016)	39,508 employees
ANNUAL REVENUE	AED 51.7 billion
STATUS	Global 500 listed public company



COMPANY DESCRIPTION

The Emirates Telecommunications Group Company PJSC has been trading under the name of Etisalat since October 5, 1976, when it was founded as a joint-stock company by the British company, International Aeradio Limited, and local partners in the United Arab Emirates (UAE). Currently, Etisalat is a multinational telecommunications services providing company, headquartered in Abu Dhabi, UAE. Etisalat operates in around 16 countries across Asia and the Middle East, and has been listed in the global 500 lists. During 2015, Etisalat's revenue reached AED 51.7 billion with a net income of AED 8.3 billion. They have been the most relied-upon telecommunication service providers in the United Arab Emirates and across the Middle East (Albeladi & Abdullah, 2018).



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

"The work environment at Etisalat is challenging and continually provides a professionally rewarding experience. We work as a team across all departments to achieve collective success. Your achievement and development matters and your professionalism, diligence and creativity are key to our success." (Mr. Younis Al Nimr, Group CHRO, 2016) Ethical labour practices have the will to enhance the business performance of a company and can generate more revenue from increased business productivity (Amico, 2014). By treating employees fairly and ethically, Etisalat has demonstrated the company's Corporate Social Responsibility to a diverse workforce and a community of more than 90 different nationalities.



Ethical labour practices have the will to enhance the business performance of a company and can generate more revenue from increased business productivity.

Etisalat nurtured its human capital in the context of an increasingly competitive digital society by enabling employees to align their cultural and ethical beliefs with the company's vision, 'Drive the Digital Future to Empower Societies'. (Etisalat, 2017) The fairness of its labour practices are entwined with community engagement, leadership development, corporate social responsibility, public relations and investor requirements. Therefore, Etisalat's employees are truthful, responsible, accountable and loyal towards the organisation and customers which translates into operational excellence (Amico, 2014).



POLICY DEVELOPMENT

Since the company was founded in 1976, Etisalat has based its corporate culture around an employee-focused philosophy. In the study released by LinkedIn in November 2015, Etisalat has been ranked in the top four UAE-based brands preferred by jobseekers in the Middle East and North Africa (Maceda, 2015). Etisalat's unique transformational approach to human capital has always extended to include an agile, digitally informed and responsive 'Human Resources Ecosystem' to support overall business strategies. Etisalat adopted innovative and labour-centred approaches to Talent Attraction, Talent Management, Training and Development, Rewards and Recognition and overall Employee Engagement. This ecosystem is characterised by innovation, inclusiveness, respect, reciprocity, recognition, and

a profound concern for the physical and emotional well-being of the employees. (Etisalat, 2017)

During the 8th Annual Etisalat Group HR forum in Abu Dhabi on 19 May 2015, Abdulaziz Al Sawaleh Alshehhi, Chief Human Resources Officer of Etisalat Group stated: "Our most important asset is the people who work for us, so it is vital that we remain ahead of the game in terms of HR issues. That means we must ensure we employ the right people and that we support them with the best working environment to enable them to deliver". (Staff Report, 2015)

On 12 February 2018, in her article for the Chartered Institute of Personnel and Development, UK, Kirsty Tuxford reported on the innovative engagement and empowering labour practices in Etisalat, accentuated by the employees' inclusion in crafting company policies. Inviting staff to submit their feedback through multiple channels such as surveys, focus groups, opinion polls and a staff suggestion scheme encouraged the development of a motivated and highly participative workforce. Annual events, such as Wellness Week, Spirit of Happiness Week, and Travel Week are only some of the examples of the well-rounded human resources strategies, encompassing the total well-being of the employees and demonstrating the ethical labour practices in the company (Kirsty Tuxford, 2018). The employee engagement index within Etisalat has increased 13 per cent between 2014 and 2017 as a result of the top-down focus on the engagement agenda. In addition, the employees' response rate has also progressively increased, reaching 20 per cent in three years, demonstrating genuine staff involvement within the company. (Kirsty Tuxford, 2018)

Etisalat's ethical labour policies, as noted by Mr. Saleh Al Abdooli, Chief Executive Officer, can be summarised as follows:

- Availability of endless opportunities to learn
- Every individual's success is recognised and awarded
- Encouraging lifelong opportunities to develop employee's potential to the fullest, continual growth
- Transparent job postings and cultural inclusion
- Career-building opportunities, where every staff member can apply for jobs internally and redirect their career to grow even further within the company
- Making promises and keeping them
- Being honest with every kind of communication
- Staying focused on the organisational goals and objectives and its mission and vision
- Allowing towards progressive influences

These policies are developed by responsible parties, such as the board of directors, CEO, HR Manager and other stakeholders of the company. The external influencers to Etisalat's ethical labour policy development are the rules and regulations introduced by the government of the United Arab Emirates. Moreover, the Human Capital best practices are reassured through the Human Resources Excellence program, where all operating companies under the Etisalat Group capitalise on the EFQM (European Foundation for Quality Management) model by sharing successful management practices. In 2017, the Group has reached the highest average level ever with an increase of 15% year-on-year (Etisalat, 2017). Each stakeholder in Etisalat is enabled to contribute to and cooperate with the development of internal labour practices and policies. The CEO

of the company is considered the major stakeholder, who ensures the organisation manages its human resources in an ethical and moral manner. Therefore, Etisalat's employees are proud to share their experience working in the company on social media: "I really enjoyed and learnt a lot with Etisalat team. This is the first job I got in UAE. Superior management is so cooperative and supportive. Every day with Etisalat is a new day of learning."

"It has been a pride and an opportunity to have worked with a well-organised and productive company believing in nothing less than the best."

"Dynamic and happy environment." (www.indeed.ae)



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

The Ethical Labour Policy is essential and has been embedded within all organisational practices. Hence, the organisation has taken up steps to educate its stakeholders through training and development sessions. Each department has been trained for one week. The training has been provided through the online training programme developed by the Information Technology department. Training and development software used the data and its relevant information for continuously updating the labour policies.

There had been certain issues related to the technicality of the training process. Because of insufficient technical proficiency, some employees were not able to understand the objectives and

logistics of the training process. Therefore, an additional training was developed for these individuals: initially for software skills, followed by the HR policy training. These sessions were customised to meet the individuals' training needs. In 2017, 85% of Etisalat's employee population underwent new training and development reporting on 36,900 training days, leading to 4.45 training days per staff (Etisalat, 2017).

Etisalat Group also recognises that employee retention and advocacy is largely dependent on the provision of challenging opportunities within a performance-driven culture.

Etisalat benchmarks its numerous rewards and recognition programmes on worldwide best practices – particularly those in the telecommunications sector. The Group's many recognition programmes acknowledge the contributions of employees beyond their official duties. As a socially responsible global

company, Etisalat recognises that employees are incapable of achieving this kind of success outside of a safe and pleasant working environment. To facilitate this, Etisalat adheres to stringent ethical standards, observing all applicable laws and regulations, in its management practices. In addition, the company works continuously to respect and protect human rights – its most important obligation as a member of a global society. As such, Etisalat has always followed labour practices aligned with the law of the land in aspiring to extend a safer and better workplace (Etisalat, 2017).

The recently introduced new reward and recognition programmes. The SPOT Recognition Award (allowing managers and peers to recognise staff members based on positive behaviour aligned to Etisalat's core values) had a powerfully positive effect on employee retention in 2017 – in particular, staff turnover dropped to below 4% (Etisalat, 2017).





IDENTIFICATION AND REPORTING OF ISSUES

With almost 90 different nationalities across its footprint, Etisalat truly embraces diversity. The company welcomes the energy, creativity, and innovation of its people, as they apply their different perspectives, competencies, and skills to address common business challenges. Etisalat's employees are truly representative of the different communities in which the company operates. Etisalat therefore strives to promote equal employment and growth opportunities for talented people of different genders, origins, and work experiences. To ensure this, all staff members are encouraged to report any unlawful conduct, financial malpractices, violations of Etisalat's policies and procedures, or other offences that they may encounter. This confidential reporting channel extends to unethical behaviour, misuse of authority, leakage of confidential information, and any form of unfair discrimination against any employee. Freedom of association is also a very important component in this diverse environment.

Etisalat Group also recognises that employee retention and advocacy is largely dependent on the provision of challenging opportunities within a performance-driven culture.

In all of its markets, Etisalat therefore works to ensure open and constructive dialogue between all stakeholders. (Etisalat, 2017)

Etisalat has implemented a hotline through which any employee can anonymously report an issue or concern about breaching the code of conduct. There is also a help desk that directly responds to employees in case of urgent requirements. The help desk forwards the information provided by the staff member to the Human Resource Department/Manager. The HR Manager discusses it further with the higher authority and provides a resolution to the reporting employees. The process is similar when using the hotline system. The employees' feedback is later used to enhance, develop and expand the human resources practices in Etisalat.



ENFORCEMENTS

Etisalat has been very conscious of its ethical and moral practices in all the branches. The employees have been continuously guided and trained on monitoring any malpractice in the organisation. There are also automated surveillance system and feedback mechanisms monitoring the implementation of the company's policies by the employees. The supervisors and leadership have been given the responsibilities to check at any time whether there are any unethical practices by any employees within the organisation and its processes.

The employees and the whole organisation have been audited in regular intervals in order to ensure effective enforcement of the practices within the company. This has been done by external auditors who are responsible to provide factual and comprehensive report to the Senior Management.

The organisation has appointed a Compliance Officer whose role is ensuring the employees have been conducting their duties and responsibilities within full compliance with respect to the policies implemented by the government and the organisation.



LESSONS LEARNED

The major lessons learnt from Etisalat can be summarised as follows:

- Develop ethical labour practices and policies towards integration of a multinational workforce
- Practice sustainable Corporate Social Responsibility (CSR)
- Implement those practices across all business operations through training and development
- Enable effective and multiple channels for reporting on breach of ethical labour practices across the organisation
- Audit and enforce ethical labour-related policies for effective employee performance and customer satisfaction
- Monitor and resolve the issues/concerns in a fast and efficient manner

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CASE STUDY 3

ANTI-MONEY LAUNDERING PRACTICES AT BAHRAIN ISLAMIC BANK



COMPANY NAME	Bahrain Islamic Bank
HEADQUARTERS	Manama, Bahrain
SECTOR	Banking
NUMBER OF EMPLOYEES (2016)	383
ANNUAL REVENUE	BHD 42.9 million
STATUS	Public



COMPANY DESCRIPTION

The first Islamic bank in Bahrain and the fourth in the GCC region, Bahrain Islamic Bank (BisB) was established in 1979. BisB's range of operations spans both retail and corporate banking services by providing its services through 4 branches, 4 financial malls, and 56 Automated Teller Machines (ATMs). Some of their services include personal and enterprise financing, traditional and electronic banking (including PayPal and e-wallet services), credit cards, investment, and remittance services (BisB, 2018). Through the provisioning of its services to consumers, small and medium enterprises (SMEs), and large corporations, BisB has been able to play a significant role in the kingdom's economy for the last 39 years. The bank is moving towards digitising its services through a digital platform and an integrated online infrastructure for its customers (BisB, 2017). With its online strategy, it is imperative for BisB to maintain strict Anti-Money Laundering (AML) protocols, which are described within this case study.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

The AML policies established at BisB are applied to adhere with the rules and regulations set by the Ministry of Industry and Commerce (MOIC) and Central Bank of Bahrain's (CBB) Financial Crime Module (Vol II) in accordance to Bahrain's laws. Their policies also comply with international standards and regulations set by the UN Security Council, Financial Action Task Force (FATF), Wolfsberg Group Questionnaire, and Basel Committee. The AML policies utilised allow BisB to comply in a legal, ethical, and professional manner. Islamic banking requires stricter AML controls due to the high risk posed by accounts such as pooled funds, charities, political and religious societies (CBB, 2014).

Therefore, BisB can only establish financial relationships with entities approved by the Ministry of Social Development (MOSD) to ensure:

- The protection of stakeholders' rights;
- The restriction of financial crime such as money laundering (ML) and terrorist financing;
- The continuous success of the organisation, and
- The avoidance of regulatory penalties.

Accordingly, BisB established a compliance and governance department that is responsible for identifying and reporting suspicious transactions. The Head of Compliance reports directly to the Board Audit and Compliance Governance Committee (ACGC) and only reports to the CEO for administrative purposes (Jalal, personal communication, December 13, 2018). BisB's AML process applies Customer Due Diligence (CDD), Beneficial Ownership (BO), and Know Your Customer (KYC) activities (BisB, 2017).

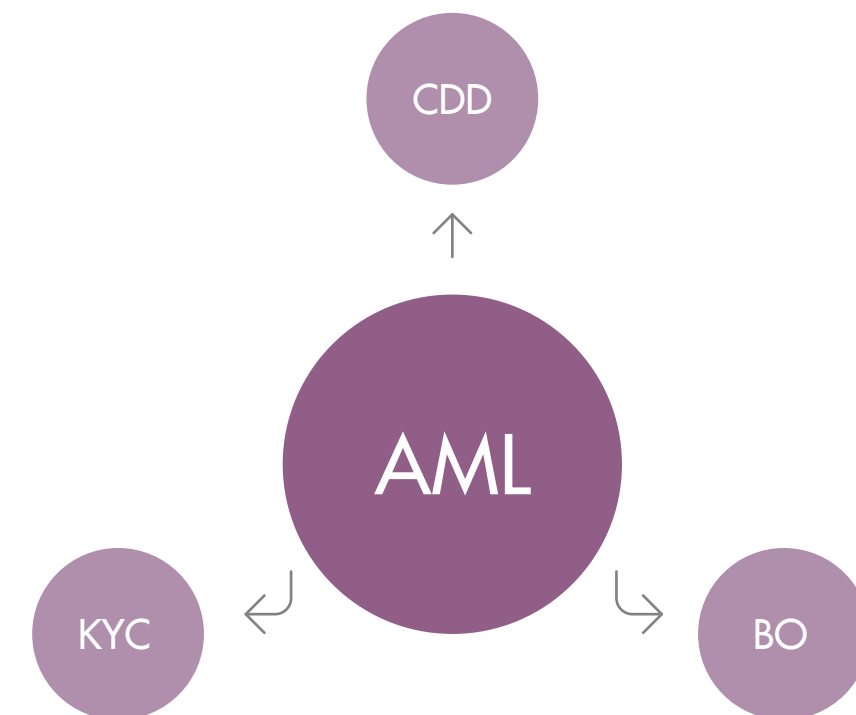


Figure 1: AML Process (Student's elaboration figure)

THE KYC PROCESS IMPLEMENTED BY BISB INCLUDES THE FOLLOWING ACTIVITIES:

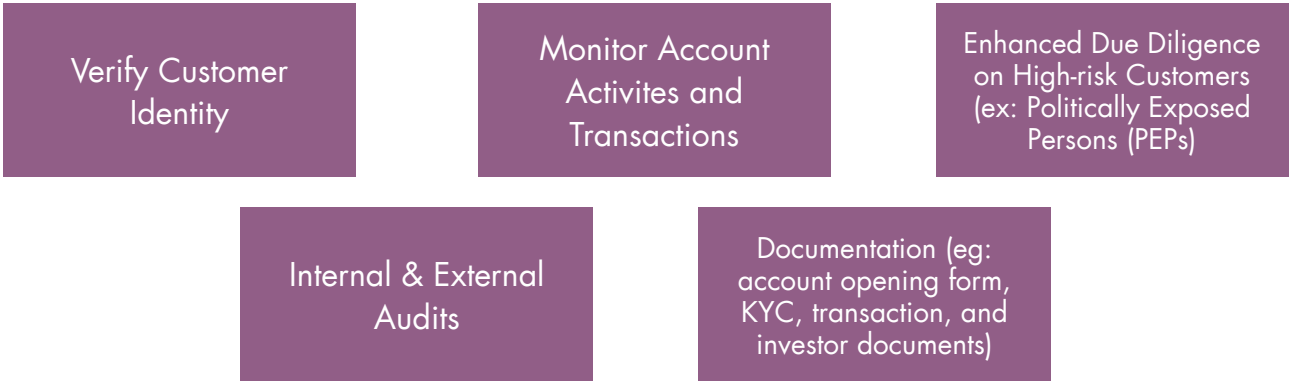


Figure 2: KYC Activities (Student’s elaboration figure)



POLICY DEVELOPMENT

AML is a group of rules, laws and procedures aimed at abolishing income generated through illegal activities. These laws mandate all financial entities to comply with the CDD procedures in order to ensure they are protected against ML activities. It is the responsibility of the financial institutions to authenticate source of money origination, to monitor and report suspicious transactions (Jalal, personal communication, December 13, 2018).

First, the policy is developed according to the rules set up by various national and international entities. Next, the MLRO reviews the AML policies to ensure their consistency to BisB’s vision and mission. Further assessments are done by the ACGC, which is an internal audit committee within BisB. After a thorough evaluation of the developed policies, they are sent to the Board of Directors for approval. Once approved, the policy update is posted on BisB’s intranet, implemented in the AML system, and mailed to all departments for review (Jalal and Matar, personal communication, December 13, 2018).



Figure 3: Policy Development Process (Student’s elaboration figure)

The MLRO plays a key role in AML policy development as he is the prime point of contact with regards of dealing with suspicious transactions. He is responsible for ensuring day-to-day compliance and continuous assessment of AML/CFT (Combating Financial Terrorism) controls. Furthermore, an external consultancy, Bench-Matrix, assists BisB in screening customers, employees and transactions.

It also helps in developing effective CDD/KYC assessments and monitoring transactions through automated built-in mechanisms (Jalal and Matar, personal communication, December 13, 2018).



PROCESS FOR EMBEDDING THE PRACTICE WITH THE ORGANISATION

To incorporate AML policies in BisB, an organisational structure is adopted that guarantees the consistency of practices across the organisation. This is done by ensuring all essential departments for policy development and successful implementation are monitored by one individual (Jalal and Matar, personal communication, December 13, 2018).

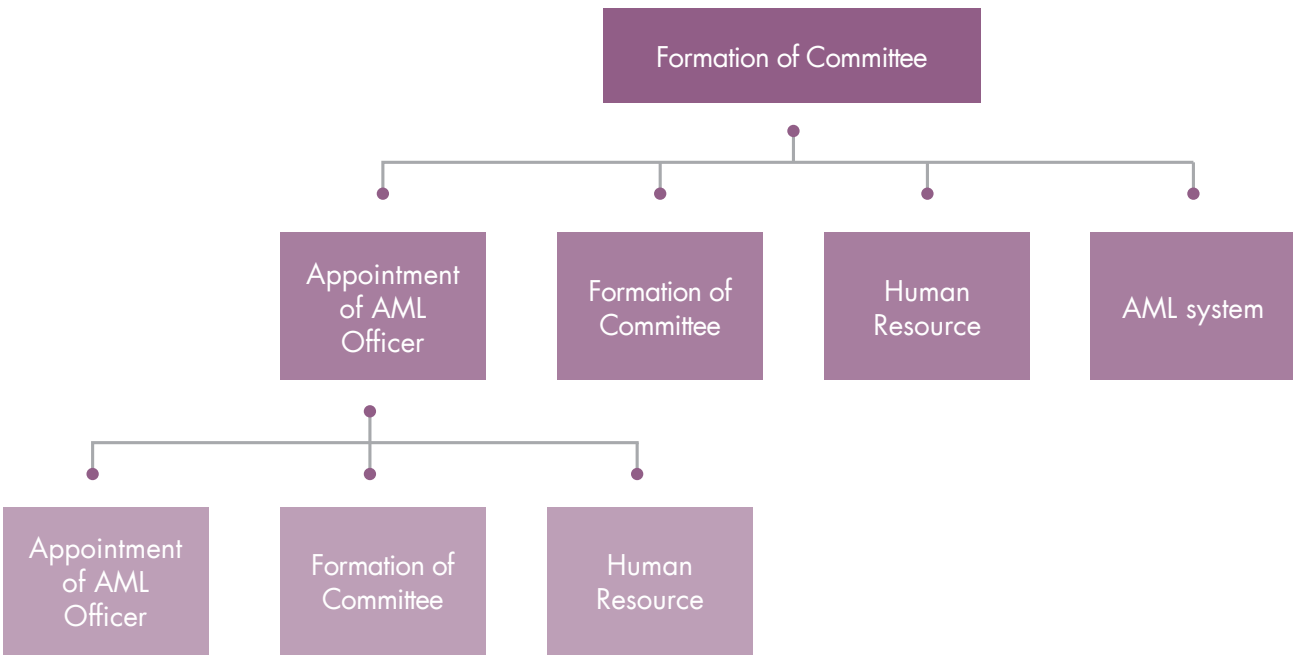


Figure 4: Compliance Department (Student’s elaboration figure)

BisB provides AML/CFT training to all employees according to the bank's activities and its differing types of customers. The staff is trained annually by the Head of Compliance and the training is conveyed in person. The training sessions vary from 5-10 sessions, with each held for approximately 3 hours. The training emphasises that employees are educated on:

- BisB's internal AML/CFT controls and procedures;
- Changes in CDD policies;
- Customers' undertakings that may validate an internal suspicious transaction;
- How to file a Suspicious Transaction Report (STR) and follow-up of suspicious transactions;
- Recent ML and terrorist financial typologies and trends, and
- Employees' responsibilities according to AML, CFT and CBB rules.

The training of all the above matters is documented and shared with CBB to ensure training of all key employees.

To certify that criminal associates are not recruited by BisB, a rigorous screening process is implemented. Furthermore, all hired employees are given AML training during their probation period (Jalal and Matar, personal communication, December 13, 2018).



IDENTIFICATION AND REPORTING OF ISSUES

The identification mechanism employed by BisB is embedded in its AML system which monitors transactions on a daily basis and calculates their risk-rating score based on predefined rules (scenarios). These scenarios are based on historical data and are set according to the rules and regulations established

by the industry best practices. Once a transaction passes through the AML system, it is run against 18 different scenarios which flag potentially high-risk transactions. When a suspicious transaction is identified and flagged by the system, the system sends an alert to staff members. These scenarios are altered and enhanced when new products or channels (such as the recent e-banking channel) are introduced by BisB. In addition, BisB accounts are currently integrated with PayPal, which requires the scenarios to be altered and monitored by the AML system to ensure the integrity of all transactions (Jalal and Matar, personal communication, December 13, 2018).

The STR can be done by any BisB employee, where they fill the Internal-STR form available on the intranet. The form must be filled with the transaction details along with the reason of suspicion. Next, the form is sent to the MLRO who will investigate the reported transaction. If the transaction is confirmed to be suspicious, the MLRO will fill the External-STR form and report it to the appropriate authorities. However, if the MLRO decides not to report the transaction, then a justification must be provided and recorded in the system. The identity of the employee who files an STR is kept confidential throughout the process to ensure their protection. All spotted and reported transactions are then reported by the head of compliance to the Board ACGC who convene every quarter (Jalal and Matar, personal communication, December 13, 2018).



ENFORCEMENT

The AML policy enforcement process begins with the MLRO and Head of Compliance; however, all employees are responsible to ensure following the proper AML enforcement procedures. The compliance

team are responsible for communicating the policy and any future changes to the concerned employees, while senior management are responsible for establishing control in their areas of management. Both internal and external audits are made to ensure the enforcement of the policy on a quarterly and a yearly basis respectively. In addition, AML/CFT reviews are done on all business units (such as corporate and retail) to ensure policy compliance (Jalal and Matar, personal communication, December 13, 2018). Some of the tasks involved in these reviews include:

- Sending policy-related emails.
- Checking sample forms (account opening and KYC).
- Documenting observations and sending them to the heads of business units for enforcement.

If the checks prove that the AML policy has been breached, actions are taken by BisB against the involved employee and customers depending on the specifics of the case. Some of these actions may include terminating the employee's contract or customer relationship (Jalal and Matar, personal communication, December 13, 2018).



LESSONS LEARNED

1. An independent department reporting directly to the board and CBB is required as a part of the bank's liability to prevent money laundering. Employing an independent assessment to record, monitor, evaluate, and review suspicious cases will detect the problem efficiently and provide immediate feedback. This action is considered as a utilitarianism approach to problem solving since it tends to produce the greatest amount of good to the greatest number of people.
2. Islamic banks face higher money laundering risks and require strict AML regulations to prevent the problem to ensure moral responsibility is administered.
3. AML practices should be enhanced and updated regularly to ensure a higher standard of service and to prevent fraudulent activities.
4. Employees at the various levels in the organisation should be involved in the decision-making of BisB's AML policy, as this will enhance personal and social responsibility of all the employees.
5. Money laundering is a crime affecting society negatively, and all financial institutions need to take full accountability against the problem as part of their business ethics practices.

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CASE STUDY 4

ANTI-MONEY LAUNDERING POLICIES AND PRACTICES AT AL GHURAIR INTERNATIONAL EXCHANGE



COMPANY NAME	Al Ghurair International Exchange
HEADQUARTERS	Dubai, UAE
SECTOR	Exchange Sector
NUMBER OF EMPLOYEES (2016)	N/A
ANNUAL REVENUE	Undisclosed
STATUS	Private Organisation



COMPANY DESCRIPTION

Al Ghurair International Exchange was founded in the late 1980s. Considered one of the foremost currency exchange houses in the United Arab Emirates (UAE), it has earned respect from the general remittance sector because of its ethical activities. It provides a comprehensive range of innovative financial products which are designed to simplify and quicken transactions for both businesses and individuals.

Today the name is not just a brand, but a term which signifies trust and efficiency with multiple branches across the UAE. Thousands of customers are catered to every day and are delighted with the service they receive.

Some of the services offered include:

- Remittances
- Foreign Exchange
- Utility Bill Payments
- Loyalty Programme

The vision of Al Ghurair International Exchange revolves around its commitment to satisfy foreign exchange and money remittance-related needs of all the business' stakeholders.

The company has 4 pillars of corporate culture:

- Commitment and Loyalty
- Transparency and Efficiency
- Teamwork
- Trust



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

According to Schott (2006), money laundering is a fundamentally simple concept. It is a process through which money from a criminal activity is concealed of its real origin. It involves financing of terrorism where financial support in any form is provided for the encouragement, planning, and engagement of terrorism-related activities throughout the world.

Large channels are used by money launderers to send illicit funds across the world to conceal their criminal origins. Additionally, those who wish to finance terrorism use legal or illegal money in order to support acts of terrorism. Therefore, these two acts differ marginally as the rewards are similar (Schott, 2006).

Finding legitimate data on money laundering is a challenge as these acts are geared towards secrecy and do not lend themselves to any form of statistical analysis. No documentation is maintained by money launderers and those who finance terrorism. They do not publish this data on any platform. Launderers use different countries to conceal their ill-gotten proceeds and take advantage of differences among countries with regard to anti-money laundering policies, enforcement procedures, and efforts and levels of international cooperation.

Thus, an accurate estimation of size of money laundering and terrorist financing on a global basis is not possible (Schott, 2006).

The International Monetary Fund has estimated an aggregate amount of money laundered in the world, which may range from two to five per cent of the world's gross domestic product. The estimated size of the problem is very substantial and requires a huge amount of attention and preventive measures (Schott, 2006).

Regardless of the crime, money launderers resort to placement, layering, and integration in the process of turning illicit proceeds into apparently legal monies or goods (Schott, 2006). Hence there is a need to establish anti-money laundering policies and practices at a global level. Financial institutions, including banks and exchange organisations, must develop and adhere to stringent anti-money laundering policies and practices.





POLICY DEVELOPMENT

The world is facing a tough challenge in its battle against terrorism, corruption, kidnapping, drug trafficking, and other kinds of organised crimes that are either the source or the destination of large amount of dirty monies. The major concern on one hand is to combat against the financing of terrorists and other criminal activities, and concealing money deriving from the illegal activities on another hand. It was at this premise by which Financial Action Task Force for Money Laundering was established in 1989 during the G7 Summit in Paris. It aimed to recommend measures on how to combat money laundering and the financing of terrorists' activities.

This policy of Al Ghurair International Exchange is in line with the acceptable standards internationally and with the local regulations issued by the Regulator, which in the UAE is the Central Bank of UAE. The Anti-Money Laundering (AML) and Counter Terrorist Financing Compliance (CTF) policies have been approved by the Financial Action Task Force of the directors of the company and encompass the written assessment and methods to be applied based on the risks of the business. This means it should be tailored to the business in line with the regulations.

The purpose of the policy, titled 'Compliance Policy', is to set out detailed policies and guidelines to be followed by Al Ghurair International Exchange. This policy is required to have an understanding of the basics of AML/CTF policies and procedures in order to detect, prevent and report money laundering and terrorism financing activities. It is required for complying with the UAE laws and regulations with regard to AML and CTF. It is also in line with the Federal Laws issued by the UAE Federal Government.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

Al Ghurair International Exchange has an overarching understanding of the process of anti-money laundering. The company has embedded all efforts in the assurance and governance, risk assessment, training and awareness, record retention, monitoring and surveillance and sanctions screening in bringing about success in anti-money laundering activities in the country.

It is vital to follow a structured process to embed the practice within the organisation for constant usage by employees. Several steps were undertaken to support the process of embedding the practice within Al Ghurair International Exchange.

4.1.

The first step that Al Ghurair International Exchange took was to appoint a Compliance Manager with an ongoing responsibility for ensuring compliance with the AML and CTF Regulations. A fit and proper test was conducted while appointing a Compliance Manager, to ensure they carry substantial knowledge and experience of acceptable AML and CTF standards. The duties of the Compliance Manager include:

- Implementing and executing the policies and procedures of AML and Compliance
- Monitoring and analysing the transactions of the company in accordance with the regulations and internal policies of the company
- Reporting suspicious transactions to Central Bank of UAE
- Co-ordinating with regulatory authorities
- Answering within a reasonable time to any enquiries and requests of information from CBUAE or any other competent authority e.g. Law Enforcement Authorities.
- Training employees

Further, the Compliance Manager submits a report on a periodic basis to the management of Al Ghurair Exchange and its board of directors. This report includes changes in regulation, if any; regulatory visits or inspections; trends identified with emphasis on risks; controls on risk mitigation; number of internal and external reports submitted, and trainings imparted to staff. Therefore, the role of the Compliance Manager is pivotal in embedding the policy within the organisation.

4.2.

The second important tool is to have the Know Your Customer (KYC) form to be filled up by the customer. An important tool of anti-money laundering/ combating terrorism financing policies is to know your customers before executing any transactions. It involves making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of a customer's business, and more. Beyond matching names, a key aspect of KYC controls is to monitor transactions of a customer against their recorded profile, history of the customer transactions and so on.

The objective of KYC guidelines is to prevent financial institutions from being used intentionally or unintentionally for money laundering and terrorism financing activities. These guidelines also enable financial institutions to understand their customers and financial dealings.

Certain aspects of KYC are to verify that the customer is not on any sanction's lists provided by the competent authorities. This is the most important regulatory requirement in the daily course of the operations. It is therefore important and incumbent upon everybody to establish the identity not only of the regular customers, as well as the walk in customers conducting either personal or business financial transactions.

Proper identification of the customer enhances Al Ghurair's ability to track down possible money launderers, and even to keep records of the history

of their transactions. We could easily refer to our database should any of them become the subject of our suspicions or actual investigation by any competent authority. It has to be noted that KYC is not a one-time process. It is an on-going process which continues throughout the business relationship with a customer. For Al Ghurair International Exchange KYC is not an option, it is mandatory.

4.3.

The third tool is Due Diligence. It is a process of obtaining relevant details of the customer to ensure that they conduct the transactions in line with their personal profile/business activities. This ensures all source of funds and their intended purposes are legitimate, as well as to ensure that the transaction is in any way not related to money laundering and terrorist financing or any other illegal activity. For Al Ghurair International Exchange, due diligence is a continuous process and should be applied at different stages of a customer's relationship with an exchange house. It is the responsibility of all employees – whether branch, sales, or compliance personnel – to apply due diligence while dealing with a customer.

As a financial institution, it is the responsibility of Al Ghurair International Exchange to conduct customer due diligence on every customer who conducts transactions through them. The objective is:

To assess the size and nature of business activity of a customer;

- To ascertain reasonable or appropriate level of expected transaction volume in terms of number and value of remittances, and
- To assess and ascertain the reasonableness of size and frequency of remittances sent or received by individuals and entities and whether it is consistent with their employment, profession, and business activities.
- At Al Ghurair International Exchange, due diligence is carried out for all types of transactions.

4.4.

At Al Ghurair International Exchange, the AML policy also includes another tool for enhanced security: Enhanced Customer Due Diligence (ECDD). Enhanced Due Diligence could take many forms from gathering additional information to verify the customer's identity or source of income or perhaps an adverse media check. The checks are relative and proportionate to the level of risk identified and provide confidence that any risk has been mitigated and that the risk is unlikely to be realised. There are a number of situations that can be counted as high risk such as where they do not meet the customer face to face or where they are dealing with a politically exposed person. A high-risk customer does not mean that they will be involved in money laundering or other criminal activity but that there is an increased opportunity to be involved. Therefore, Al Ghurair International Exchange examines, as far as reasonably possible, the background and purpose of all complex, unusual large transactions, and all unusual patterns of transaction, which have no apparent economic or lawful purpose.

Enhanced due diligence shall include additional steps to validate the information provided by the customer in addition to the research and enquiry on a customer and stated business, profile. Additional steps may include enquiring about the occupation or nature of business; purpose of availing services of an exchange house – whether trade or for personal usage; expected volume of transactions; origin and destination of products and services traded; identification of beneficial ownerships, especially in the case of corporate customers; identification of power of attorney holders; details of subsidiaries, parent company and other businesses; statements of accounts; annual reports; bank references; site visits; invoice copies, and bills of lading.

4.5.

Another important tool used is the Risk-Based Approach. A risk-based approach is a process which allows you to identify potential high risks and a process to mitigate these risks. A risk assessment is an analysis of potential threats and vulnerabilities to money laundering and terrorist financing to which company's business is exposed. AML risk assessments are performed by Al Ghurair International Exchange according to the existing AML Policy each time a new customer wants to transact with the company. This is to identify potential high risks of money laundering and terrorist financing and develop strategies to mitigate them. This can include keeping customers' identification and, if required, beneficiary ownership information up to date, and ongoing monitoring of financial transactions that pose higher risks to the company.

In the context of money laundering and terrorist financing, a risk-based approach is a process that encompasses the risk assessment of business activities by using a risk matrix and risk mitigation tasks to implement controls to handle identified risks.

4.6.

Another important tool used by Al Ghurair International Exchange is Know Your Customer's Customer. One another important objective of AML and CTF policies is to know your customer's customer before executing any transaction. The beneficiary in a transaction is the customer's customer, and there should exist complete information on the beneficiary before the execution of a financial transfer. The beneficiary here is, in the broadest sense, a natural person, a corporation, partnership, an estate, or any other entity recognised as a legal entity and not a shell company who receives money. In case of doubt, more details are asked, such as supporting documents of the beneficiary company, the nature of business, and relationship with remitter with evidence.

4.7.

Al Ghurair International Exchange uses yet another tool called Transaction Monitoring. The financial services industry has come under immense regulatory pressure to improve and expand monitoring and surveillance of transactions for the purposes of preventing and detecting money laundering and CTF activities. A well-defined Transaction Monitoring Programme is an important component of an effective AML and CTF programme at Al Ghurair International Exchange. Transaction monitoring in the simplest form means to collect and analyse the transactions processed by a customer. The primary objective is to concentrate on actual risks, the customer and product classification, and to reduce the number of chances of the exchange house's services being misused. Monitoring is done through automated or a manual process to identify unusual transactions and different trends in a single or set of transactions.

The Compliance Manager keeps the '5 Ws' in mind while analysing transactions. The 5 Ws are:

- Who – is the customer? What is the profile of the customer? Are they an individual or a corporate entity?
- What – product is the customer availing? remittance, currency exchange or any other product?
- Where – is the customer remitting funds? Is the country a high-risk jurisdiction? Is there a valid reason for remitting funds?
- Why – is the customer remitting funds? Does the transaction make economic sense, and what is the exact purpose?
- Whom – for whom the transaction is being conducted, and who will benefit from the transaction? Who is the ultimate beneficiary?

4.8.

Al Ghurair International Exchange also uses Sanctions and Blacklist Screening to reduce chances of money laundering.

As a financial institution, they owe a responsibility towards the international financial community, and engage in watchlist filtering activities. This involves screening names and addresses against sanctions and an internal list, which is compiled and updated on a regular basis, for the purposes of identifying designated and prohibited individuals and entities, and other high-risk entities who may pose a threat to the international community at large. This is also to ensure that customer's name does not appear in any of the updated sanction lists. An automatic name screening system is mandated to scans and filter names of the sender and beneficiaries of each transaction against the sanctions list.

The company has embedded all efforts in the assurance and governance, risk assessment, training and awareness, record retention, monitoring and surveillance and sanctions screening in bringing about success in anti-money laundering activities in the country.

4.9.

Al Ghurair International Exchange also uses the tool of Know Your Employee (KYE). Employees are the trustees of an organisation; they are the face of a company. High integrity employees are assets to an organisation. To avoid the threat of fraudulent activities within the organisation, Al Ghurair International Exchange has strong and effective Know Your Employee Policies. The stages are:

- **Pre- Employment Stage:** At the initial stage, references are checked using the internal sources within the organisation or by outsourced agencies.
- **Reference Check:** When they check the references of a prospective employee, they verify the existence (or lack thereof) of any criminal convictions against the employee. Al Ghurair International Exchange gets a police clearance certificate from the police station of the last known residence of a prospective employee.
- **Course of Employment:** Even though the reference checks have been applied, Al Ghurair International Exchange conducts random checks to ensure that the employee maintains his responsibility to be a trustee of the organisation. They believe it is good management practice to monitor the employees' performance and understand what makes them tick.
- **Employee Conduct:** Signs which could raise a signal for verifying the employees conduct, like change in staff behaviour, their lifestyle, employees availing frequent loans and credit cards; overzealous nature and relations with select customers; long working hours; coming early before the time to office and sitting till late in office; and compromising on data and system integrity pose questions for the employer.

4.10.

Employee Training is another valid tool used by Al Ghurair International Exchange, where all employees are trained on matters related to money laundering at least twice a year. It enables the company to fight against money laundering and terrorism financing, as the employees gain adequate awareness of all related rules and regulations.



IDENTIFICATION AND REPORTING OF ISSUES

At Al Ghurair International Exchange, there is a strong understanding of the importance of identification of integrity-related issues and their reporting. Al Ghurair International Exchange follow the guidelines of the Central Bank of UAE for identification and reporting purposes.

As per the Central Bank of UAE's guidelines, all suspicious transactions must be kept fully confidential and no one should inform any person that their transaction is being reported as a suspicious transaction to the Central Bank. Non-compliance is a criminal offence, and requisite action is to be taken against the employee, while the same shall be reported to the Central Bank of the UAE if required. It is a criminal offence for an employee to tip-off to the customer that any of their transactions are being scrutinised for possible involvement in suspicious money laundering operations or terrorist financing. Tipping off the suspected party may lead to imprisonment or penalties from the regulators.

The moment Al Ghurair International Exchange understands and discovers any such issues, they quickly take action. When one or more of the indications – like inconsistent transactions; huge amounts being transacted repeatedly; transaction is inconsistent with customer's line of business;

the customer is trying to change large quantity of small denomination notes to high denominations in same or other currencies etc. – appear, Al Ghurair International Exchange can easily diagnose, or at least put them under suspicious account. In order to handle this without resulting in either embarrassment or adverse reaction of the suspected customer, while making the assurance that transaction will be thoroughly reviewed.

From time to time, the Central Bank provides a list of the names of individual and entities that have been declared criminal offenders by either local or international government authorities. Al Ghurair International Exchange trains employees to be guarded against people listed by the Central Bank in order to avoid any such dealings. The purposes of the blacklist are to freeze any funds being held in such names, to freeze any future remittance received under these names, freeze any remittance originating from such names, for Al Ghurair to be able to provide financial or non financial information that they may have on their records, particularly pertaining to those who are in the list.



LESSONS LEARNED

The main outcomes for Al Ghurair International Exchange have been positive. They have followed all regulations with care and consistency.

The major outcomes, as per the Compliance Manager, revolve around strict adherence to the internal policy manual. Some other lessons have been learned by observing the behaviour of the other players in the market. Some organisations that dared to flout the rules and regulations have suffered huge penalties, and even closure.

In Al Ghurair's case, the key to success is to strengthen any internal systems, be vigilant about market changes and government policies, provide adequate employee training, and know the customers well.

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CASE STUDY 5
ANTI-CORRUPTION POLICIES AND
PRACTICES AT DUBAI POLICE



COMPANY NAME	Dubai Police
HEADQUARTERS	Dubai, UAE
SECTOR	Government Sector
NUMBER OF EMPLOYEES (2016)	Over 23,000
ANNUAL REVENUE	Government-funded entity
STATUS	Government Owned



COMPANY PROFILE

Dubai Police Force is one of the most progressive and forward-thinking police forces in the region today. The force was established on 1 June 1956 in Naif Fort, which is still being used as a police station, with approximately less than 50 policemen working in the police station (Al Theeb, 2006). Since then, the Dubai Police Force has improved its performance and become a powerful security institution. Today, it is controlled from its headquarters in Al Tawar Area, on Al-Etihad Street in Dubai.

As per city laws, Dubai Police comes under the jurisdiction of the Government of Dubai, with operational integration with Ministry of Interior (MoI) under Government of United Arab Emirates and a close working relationship with both Dubai Civil Defense and Dubai Ambulance.

The logo of Dubai Police shows a boat on calms waters circled by a wreath. The wreath symbolises growth, giving and well-being, forming a circle around the well-recognised sailboat, while the waves embody the security and safety encompassing the community. The spare lines of the sailboat symbolise

clarity and a safe and happy environment for all (Al Shouk, 2018).

There are more than fifteen departments in Dubai Police Force, all which fall under the supervision of Major General Abdulla Khalifa Al Marri, the Head of Dubai Police. The three main departments are: the general department of operations, the general department of artificial intelligence, and the general department of criminal investigations.

The general department of operations is considered the heart of the Dubai Police Force as it is responsible for all emergency calls, traffic control, investigation and general call for services. The general department of artificial intelligence is the most recently created department, but also the one that is rapidly evolving:

‘As per the Strategic Plan 2031, artificial intelligence methods will be used 100% in all areas of police including security, forecasting of crimes, traffic accidents and developing the best techniques and artificial intelligence tools that serve the needs of the people, locally and globally. It will also be utilised to enhance skills of officials to deal with artificial intelligence facilities in all police departments’ (Agarib, 2017).

Finally, the general department of criminal investigation deals with crimes of a dangerous nature, including money laundering and crime prevention methods.

Dubai Police has won many awards that made them gain recognition both locally and globally. Dubai Police was also the first Arab police force to establish the following criminal investigation techniques:

- Applying DNA testing within their investigations and using electronic fingerprinting;
- Establishing a department for human rights;
- Using Global Positioning System (GPS) services, and
- Introducing assorted electronic services

Dubai Police is learning and benefiting from the experiences of police forces around the globe (Overview, 2016).



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Anti-corruption and anti-bribery are topics of significant importance for an establishment such as Dubai Police, which cannot tolerate any deficiencies as the basis of police work is to maintain the security and safety within the state and to protect communities and individuals.

According to the articles of the Penal Code, corruption is defined as ‘Every public servant or person in charge

of a public service who asked or accepted for himself or for others a grant or privilege of any kind pursuant to the completion or abstention from doing an act in breach of the duties of his office’ (Article 235 of UAE Penal Code). According to Major Majed Bin Redha, Head of the Criminal Registration Department in Al Muraqabat Police Station, corruption is defined as a form of bribery, which is providing a service in exchange for a benefit. That could be in the form of money, a gift or any other service in return.

Dubai Police has followed a very strong prudent anti-corruption and anti-bribery policy which has made them one of the strongest police forces in the region. Therefore their anti-corruption and anti-bribery policy is being practiced in both letter and spirit a with a zero-tolerance approach. As per media reports, cases of corruption and bribery are very rare due to strict policies, training, and accountability. Major Majed confirmed that such cases are very rare – almost negligible indeed – in the presence of existing policies and environment.

The goal of a police force is to ensure the laws of the government are imposed in the society, and that the ideology and writ of the government is spread across the society. This has been made possible through an efficient team of officers, and those officers must not only be equipped, knowledgeable, and well-trained, but also immune from unethical behaviour such as bribery.



POLICY DEVELOPMENT

The articles 234, 235 and 236 of UAE Penal Code are applicable for all government and private entities and their employees. Major Majed clarified that the UAE Penal Code covers corruption and acts of bribery through its articles, and employees of the Dubai Police Force are also charged under these articles if any case of corruption or bribery occurs. The anti-bribery and corruption policy adopted in Dubai Police is inspired by that in policing institutions of Egypt, France, and United Kingdom. However, the policy is enforced with socially appropriate amendments that fit contemporary situations. When Dubai Police needs to have or raise an internal policy under the Articles of UAE laws, it is done in their Human Rights Department, after which it is sent to the legislation committee in Dubai which will study thoroughly and ensure the policy falls within UAE laws. Lastly, the policies are sent to the Executive Board to be approved by the President, His Highness Sheikh Khalifa Al Nahyan.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

In an organisation that has over 23,000 employees, it is not easy to effectively communicate any updates about best practices, policies and other internal reminders to each and every employee. Therefore, Dubai Police has an internal website accessible only to internal employees. Prior to being employed, all policemen and police officers learn about the laws

during their military training, while civilian employees get informed by the administrative affairs about those policies. It is important to get reminders about what is acceptable and what is not on a regular basis to ensure compliance with legal and ethical standards. Major Majed bin Redha noted that the internal website shows Dubai Police standing firmly against corruption by reminding police officers and employees about the rules and penalties that follow their breach. There are also quarterly or semi-annual conferences wherein employees are reminded about the strict anti-corruption and anti-bribery policies. Updates are communicated to Dubai Police employees through emails and their internal website.

It is very important for Dubai Police to have zero tolerance rules in any situation that includes bribery or any form of corruption. According to a study done in 2017, the UAE is placed at the 10th place for the best quality of life. It is even perceived to be the safest in the Arab region, ranking above even the United States (Al Serkal, 2017). On the grounds of this, the UAE is working consistently in keeping its name in the first ranks every year.

In a huge employee base as in Dubai Police, it is not easy to influence the behaviour of all the employees and officers due to the number of people working there. According to Major Majed, it is rare to find an employee who has been accused of bribery, because all of them aim to contribute to safety of the city with high integrity and self-conscience. Moreover, the government offers attractive compensation to the employees considering inflation and cost of living in Dubai. The high morale, monitoring, and good compensation collectively keep employees from partaking in corruption and bribery.

The use of modern technology in various sections and services of Dubai Police has minimised the occurrence of incidents involving corruption, bribery and misuse of authorities. Smart apps and systems require personnel to record every details of transactions, creating a trail of activity that can track unethical behaviour.



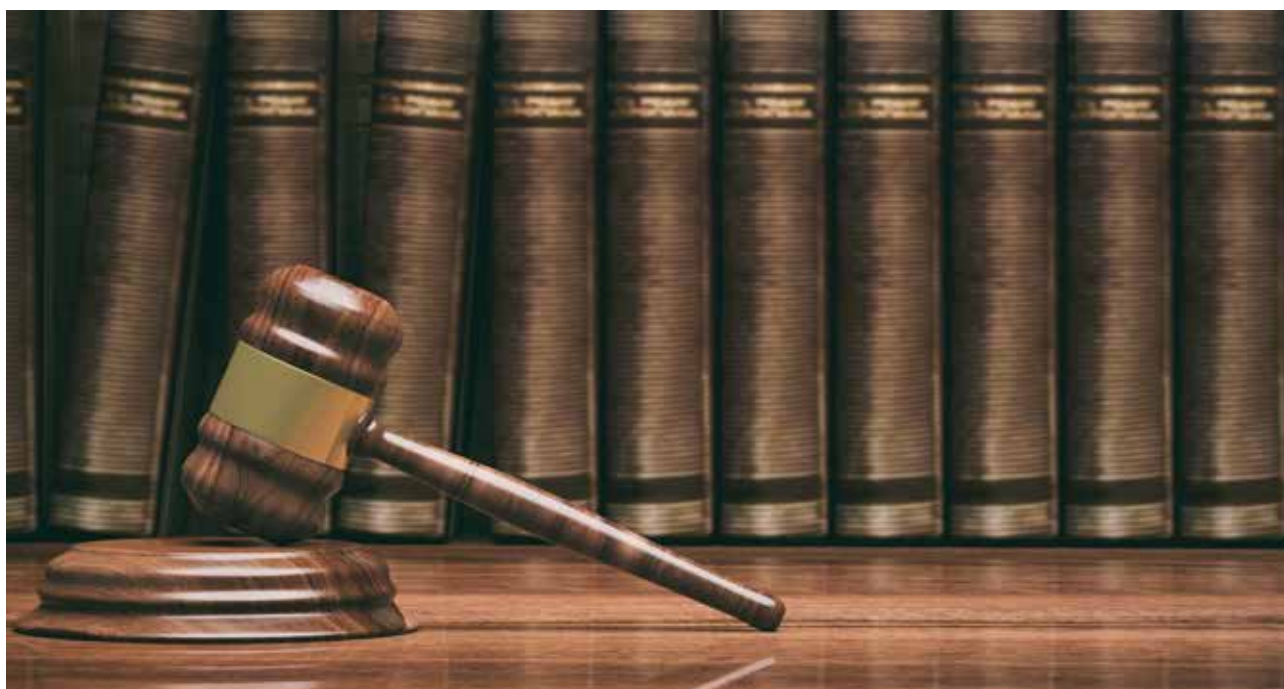
IDENTIFICATION AND REPORTING OF ISSUES

Even though there are constant reminders of the importance of following the rules, there may still be some infringements of the terms of law. Therefore, Dubai Police continuously reminds officers and employee in semi-annual meetings about the policies and the importance of being trustworthy and impartial. In these meetings, incidents and events happened to other employees are brought to the notice of all including outcomes of any proceedings involved. Dubai Police employees are also encouraged not

to hesitate in informing their managers about any employee they have seen involved in act of bribery or corruption.

In case if any employee has seen an act of violation by another employee, he is always encouraged to report it using the whistleblowing system, in which the employee can tell the concerned unit or persons and from then an investigation in the case will go on. Once the information is received, or if an employee is suspected of unethical behaviour, the administrative control units start monitoring the employee's behaviour and overseeing their actions. When they see that the employee is accepting any type of bribery, the department starts any required administrative and judicial proceedings.





POLICY ENFORCEMENT

The goal of the police is to ensure that people in society are following the rule of law. But when police personnel try to evade these very laws, corrective procedures for a person who has used the duties and functions of their job to bribe or benefit from their work are initiated by Dubai Police.

Firstly, if the suspected person works in the police force, they will be detained for two weeks, and their salary for this period will be halved. During this period, a criminal file will be prepared on charges of corruption or bribery and functional exploitation. The case will then be transferred to a court within two

weeks. The judge will then decide if the suspension must continue to stop them from work or if they may be released on bail.

After that, the court shall proceed with litigation in this case until a ruling is passed. It is a matter of internal procedural procedures that relate to the fact that the suspect has taken advantage of their duties by benefiting from military trials. A Military Courts Council is formed, consisting of the President of the Council and two senior rank officers. With a guilty verdict, the suspect is usually dismissed or expelled from his service with the police.

The administrative control units are responsible to ensure that anti-corruption and anti-bribery policies are enforced within the police force. Their duties are to start investigating the accused employee, who will be turned to the public prosecution.



LESSONS LEARNED

The Dubai Police Force takes a zero-tolerance approach to corruption and bribery within their ranks, and has a set of procedures and protocols to address any such cases that arise. There are programmes set to audit the transactions and paper work to prevent corruption. The constant meetings and reminders that usually discuss the rules of regular trials and violations help control the behaviour of officers and employees.

The Dubai Police App, which is available for iOS and Android, help in many ways by ensuring technological advancements reduce any temptation to engage in unethical behaviour with police personnel. The app allows the community to digitally engage with police services such as paying traffic fines, police clearance certificates, lost and found certificates, and other services (AlShouk, 2017). By offering these services digitally, people will get what they need from the police online instead of possibly resorting to illegal means such as bribing police employees.

In addition to the app, the smart police station (SPS) also offers many services that people can have instead of visiting the police stations and deal with the employees, they deal with smart technology. On the other hand, when implementing ethics and governance in all departments and stations, technology helps keeping an eye on employee integrity and behaviour. Major Majed strongly recommends the use of advanced technology in police services in all areas, from the prevention of crimes to prosecution, stating that the more technology is used, the lower is the probability of misuse of police powers.

Dubai Police has followed a very strong prudent anti-corruption and anti-bribery policy which has made them one of the strongest police forces in the region.

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HOW TO GET INVOLVED

The Pearl Initiative works tirelessly in its quest to promote a corporate culture of accountability and transparency for improved socio-economic outcomes across the Gulf Region.

It is a by-business, for-business organisation, and without the input and support of its partners, the Pearl Initiative would not be in a position to develop programmes that are relevant to and supportive of the businesses operating within the Gulf Region. The Pearl Initiative's network of partners shares its vision and values and is growing with the recognition of the necessity for enhanced corporate governance standards and practices in the regional Private Sector.

By joining the Pearl Initiative as a partner, organisations can:

- Join the Integration Board and CEO Council to input into Pearl Initiative activities while networking with other partners.
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- Leverage speaking opportunities across regional events.
Be part of an alliance that is raising the bar on awareness of the value of corporate accountability and transparency in the Gulf Region.
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- Leave a legacy for the development of students, and leaders of tomorrow.

To engage with the Pearl Initiative and to explore partnership opportunities, contact: enquiries@pearlinitiative.org

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