



GULF REGION-WIDE STUDENT CASE STUDY COMPETITION

2018



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

PEARL INITIATIVE SERIES ON GOOD CORPORATE PRACTICES IN ACCOUNTABILITY AND TRANSPARENCY

REPORT ON CORPORATE GOOD PRACTICES ACROSS THE GULF REGION IN:

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

OUTREACH AND PARTICIPATION:

- 86 Universities reached
- 97 Submissions received
- 279 Students participated
- 12 Universities participated

CASE STUDIES EDITED BY:

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A special thank you to Siemens for their support on this report and their commitment to promoting the topic of corporate best practices across the region; and to the judging panel which consisted of Adnan A. Al-Mahmood, IT & Knowledge Manager, Gulf Petrochemicals Industries Company; Rania Rizk, SVP & General Counsel, PepsiCo; Campbell M. Steedman, Partner, Winston & Strawn for their time and commitment in assessing the case studies.

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:

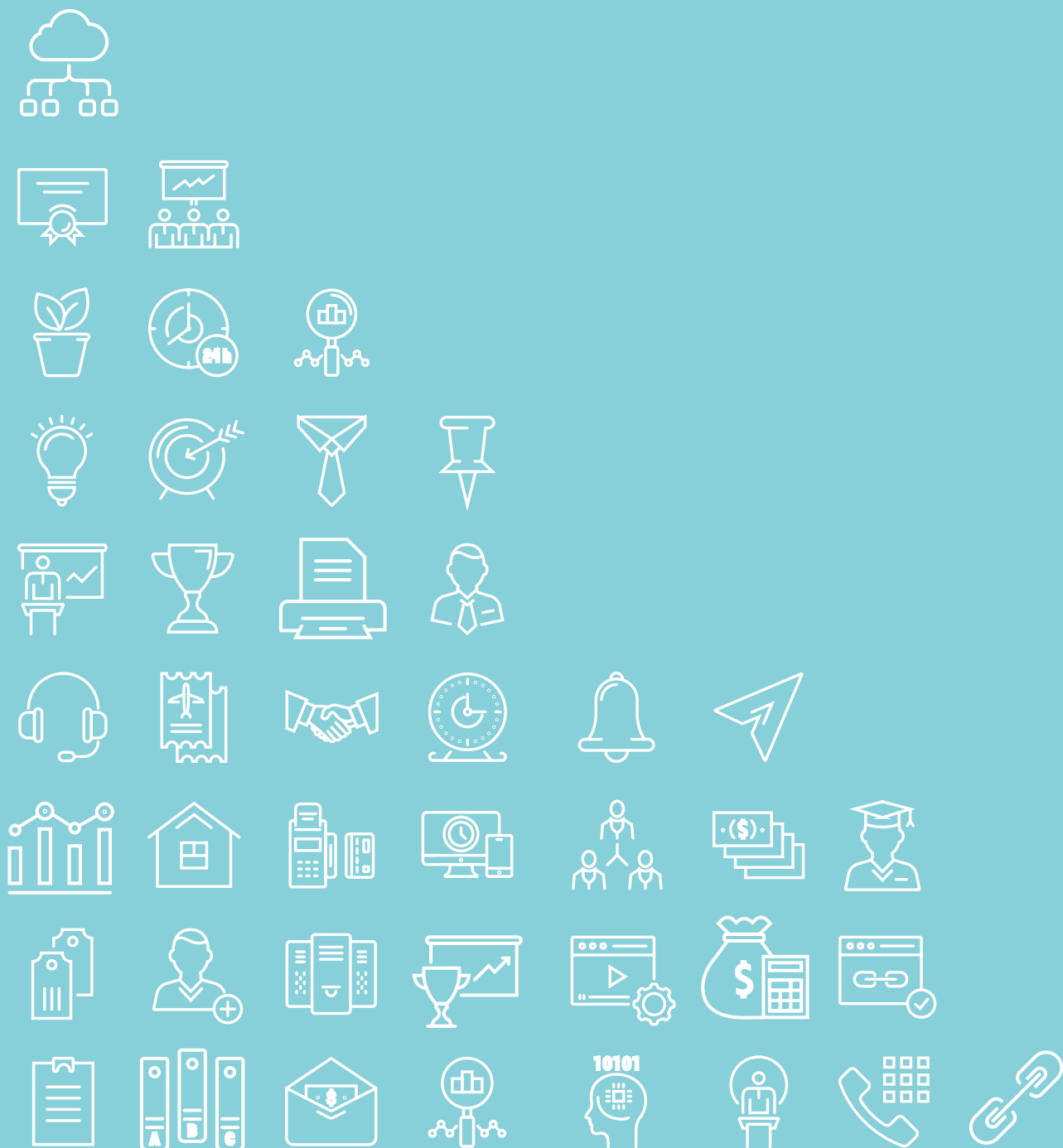
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INTRODUCTION

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 four case studies selected from the 2018 Pearl Initiative Gulf Region-wide Student Case Study Competition.

The Pearl Initiative ran the fourth edition of the Student Case Study Competition wherein university and higher college students from across the Gulf Region were invited to conduct research on, and write about, corporate best practices in accountability and transparency within regional companies and businesses. This year, the top case studies focused on some of the primary financial institutions in the Gulf Region.

In line with the Pearl Initiative's ongoing efforts to advocate corporate best practices across the Gulf Region, our programmes include bringing together students and businesses to discuss and promote the case for anti-corruption and ethical business. We have seen that it is valuable for students to place these principles at the core of their business education and to learn from the companies taking the lead in adopting best practices.

Simultaneously, it is valuable for companies to share insights on their internal business values and policies with the incoming generation of business leaders.



“It is beneficial for the broader student and business community to learn from the wealth of knowledge generated through these case studies, providing ideas and examples about how businesses here in the Gulf Region are putting these principles into practice.”

It is also beneficial for the broader student and business community to learn from the wealth of knowledge generated through these case studies, providing ideas and examples about how businesses here in the Gulf Region are putting these principles into practice.

INTERESTING CASE STUDY FINDINGS

The case studies received from students this year largely focused on transparency and anti-corruption initiatives, highlighting a topic that has come to the fore in the last few years, in not only business but across other fields as well. It is heartening to note that students are concerned about big-picture, topical issues that impact economic trends globally.

This year, as in the past, the competition provided us with opportunities to collaborate with leading universities and faculty, as well as inspirational students, across the Gulf Region. I wish to thank the organisations who invested both their time and efforts to share their best practices with our student participants, and who have demonstrated their commitment to ethical business leadership.

A total of 86 universities were engaged as part of the Case Study Competition, which saw the participation of almost 300 students from 12 different universities who delivered a total of 97 submissions.

Lastly, I would like to extend my gratitude to Pearl Initiative's partner companies, who support us and uphold our values and principles in the shared belief that regional business growth and sustainable development rests in the application of good corporate governance, transparency, and accountability.

With the continued support of both the business community and academia, I look forward to expanding the reach of our case study competition in the future.

A handwritten signature in black ink, appearing to read 'Yasmine Omari'.

Yasmine Omari
Executive Director
Pearl Initiative



Rania Rizk
SVP & General Counsel
Pepsi-Cola International Ltd. | AMENA

FOREWORD

Ethics and integrity are the heart and soul of good governance. Doing business the right way is key to sustainable growth. In today's world, no business can survive without the trust of all stakeholders. A company's most valuable asset is its reputation, and trust and reputations take years to build and moments to lose.

For PepsiCo, fostering a culture of integrity is a top priority and the safeguard for PepsiCo's reputation. This culture is grounded in the PepsiCo Code of Conduct, the 'purpose' behind our performance and the roadmap for doing business in the right way. Laws, regulations, business practices and cultural norms vary from country to country. PepsiCo has over 260,000 associates and our products are sold in more than 200 countries. Our culture, code and

"Culture and values are not static. They evolve over time. We guide the evolution of our culture through constant vigilance and consistent interventions."

values provide the guidance for our associates and ensure that our products are delivered consistently with our values.

Culture and values are not static. They evolve over time. We guide the evolution of our culture through constant vigilance and consistent interventions. Leaders play an important role in shaping cultures. I have tremendous confidence in the future that will be shaped by today's students. The quality of thought and effort that went into this case study competition is a clear expression of what is valued by our future leaders...ethical practices and integrity.

Rania Rizk
SVP & General Counsel
Pepsi-Cola International Ltd. | AMENA

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*

- Adnan A. Al-Mahmood, IT & Knowledge Manager, Gulf Petrochemical Industries Co. (GPIC), Bahrain
- Rania Rizk, SVP & General Counsel, PepsiCo, UAE
- Campbell M. Steedman, Partner, Winston & Strawn, 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 Sultan Qaboos University, Muscat on 9 May 2018 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
- Mr. Damian O'Riordan, Head of Internal Audit, Bank Muscat

EXECUTIVE SUMMARY

OVERVIEW OF THE CASE STUDIES

This report showcases the four best case studies submitted during the 2018 Student Case Study Competition by students from leading universities across the Gulf Region.



CASE STUDY	NAME OF STUDENTS	PROFESSOR & UNIVERSITY
Implementation of Anti-Money Laundering at Riyadh Bank	Ghaida Saad Alqahtani	Lubna Rizvi Syed Atif, King Saud University
Anti-Corruption and Bribery Practices at SABIC	Maha Alissa Sara Almegbel	Dr. Jolly Sahni, Prince Sultan University
Anti-Money Laundering Practices at Samba Financial Group	Felwa Alromy Ruba Althunayan Reem Alqarni	Dr. Jolly Sahni, Prince Sultan University
Anti-Money Laundering at Abu Dhabi Commercial Bank	Zahra Abdelnabi Alansaari Shaikha Hassan Ali Hassan	Dr. George Owusu-Antwi, Higher Colleges of Technology (Dubai Women's Campus)

KEY FINDINGS ON THE CASE STUDIES

CASE STUDY 1: Implementation of Anti-Money Laundering at Riyadh Bank

This case study details the efforts of Riyadh Bank in implementing anti-money laundering mechanisms that adhere to both international and national standards to support ethical banking practices. It discusses Riyadh Bank's internal compliance culture and structures, the policy structures specific to anti-money laundering policies and programmes, and the specialised three-dimensional framework used to detect and address money laundering and fraud. This case study explores how the institution focuses on money laundering as a concern through specialised departments, regulations and internal assessments.

CASE STUDY 2: Anti-Corruption and Bribery Practices at SABIC

This case study discusses how anti-corruption and anti-bribery practices are an integral part of SABIC's operational ethics. The case study notes how corruption and bribery could arise in employee behaviours, the numerous policies and guidelines established by SABIC regarding receiving gifts and third-party corruption. It also discusses the top-down approach taken by management in setting a precedence for ethical practices, the mechanisms established by SABIC to train employees in anti-corruption and ethical behaviour practices, and the procedures implemented to correct or address problematic employee behaviour.

CASE STUDY 3: Anti-Money Laundering Practices at Samba Financial Group

This case study focuses on anti-money laundering practices at Samba Financial Group. With critical overseas operations, Samba recognised the need to put a strong anti-money laundering policy in place at the heart of its operations. The study details the various approaches taken by Samba to prevent and identify money laundering within the organisation, particularly related to customer information and dedicated anti-money laundering personnel. It also explains how business compliance codes and training boost anti-money laundering processes and enforce dedicated policies.

CASE STUDY 4: Anti-Money Laundering at Abu Dhabi Commercial Bank

This case study provides a background on money laundering in the context of international and national policy frameworks, and justifies the stringent procedures undertaken by the Abu Dhabi Commercial Bank (ADCB) to prevent it. It details the culture of corporate governance within the bank and how anti-money laundering policies are an integral part of this culture. It also explains the manner in which internal bodies are responsible for identifying and handling risk control procedures, safeguarding bank and customer assets, establishing control procedures, and conducting internal audits. The crux of the study is how these various procedures converge to form a cohesive anti-money laundering policy and culture of honesty.

CASE STUDY 1 IMPLEMENTATION OF ANTI-MONEY LAUNDERING AT RIYAD BANK

COMPANY NAME
HEADQUARTERS
SECTOR
NUMBER OF EMPLOYEES (2016)
ANNUAL REVENUE
STATUS

بنك الرياض
riyad bank

Riyad Bank
Riyadh, Kingdom of Saudi Arabia
Banking
6,337
Approximately \$891 million
Public Listed



COMPANY DESCRIPTION

Riyad Bank (RB) is one of the biggest financial institutions in Saudi Arabia and the Middle East, and is ranked third largest in terms of asset holdings. RB was established with a paid-up capital of SAR 30 billion in 1957. Its dedicated and professional staff have contributed to the bank's success throughout the years. The bank has the highest national employment rate of 93% among Saudi organisations, with over 6,300 employees comprising its diverse workforce. To satisfy the needs and wants of both retail and corporate customers, in both small and medium enterprises, RB offers a broad range of products and services that are fully compliant with the standards of Islamic Sharia'. It is also one of the leading banks in Saudi Arabia with various areas of investment which made it a distinguished leading financier and organiser of syndicated loans in the petrochemicals and oil industry, and of most of Saudi Arabia's large and significant infrastructure projects. The bank provides innovative and notable financing solutions through a wide network of branches and ATMs that are well-distributed in strategic locations across the Kingdom. This network includes more than 337

branches of which 79 are ladies' branches, more than 32,000 Point of Sale (POS) and more than 2,752 ATMs. RB also has expanded globally to serve customers outside the Kingdom with a branch in London, and offices in the US, specifically Houston, and Singapore to support the banking needs of international customers. RB's electronic banking services use the latest electronic technologies, such as web-based and mobile applications, to meet the banking needs of its customers with convenience and security while maintaining and achieving ease in its processes. Moreover, RB's affiliate company, Riyad Capital, has won many investment awards in Saudi Arabia such as 'Best Mutual Fund Performance' and 'Best Fund Manager'. Riyad Capital is playing a leading role in the Initial Public Offering (IPO) advisory business and asset management.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICES

Saudi Arabia is an Observer, and soon expected to be a member, of the Financial Action Task Force (FATF), along with the Middle East & North Africa Financial Action Task Force on Money Laundering and Terrorist Financing (MENFATF).



RB, as well as other banks working in the country, is committed to adopting international standards that include Anti-Money Laundering (AML) and Combating Terrorist Financing (CTF). RB has developed a governance framework that aims at ensuring that all relevant regulatory requirements are considered for implementation by the bank. The bank has embedded these in its design policies, processes and all compliance-related requirements in which risk management and compliance are active participants when a new process is built and implemented. RB complies with the following laws, regulations, guidelines and requirements to ensure high standards and compliance with laws and regulations:

- Laws and regulations of the Saudi Arabian Monetary Authority (SAMA)
- Financial Action Task Force (FATF) Recommendations
- Office of Foreign Assets Control (OFAC)
- AML laws and regulations and any amendments to them applicable in Saudi Arabia, including but not limited to the following:

- Royal Decree Law No. m/39 of 2003 with respect to Prohibition of and Combating Money Laundering (Decree Law No. 2 of 2003)
- Royal Decree Law No. m/30 of 2008 with respect to Anti-Money Laundering and Counter-Terrorist Financing Rules
- Royal Decree Law No. m/58 of 2006 with respect to Government Tenders and Procurement Law
- Royal Decree Law No. m/38 of 2001 with respect to the Code of Law Practice
- Royal Decree Law No. m/5 of 1996 with respect to Banking Control Law

RB was established sixty years ago, and it has embedded its ethical values and principles within its culture to ensure alignment between the bank's values and its employees. It is therefore crucial that employees are empowered in the process of determining RB values.

“Riyad Bank has developed a whistle-blowing programme. It allows all employees, regardless of their positions and languages, to report anonymously about unethical and illegal behaviour.”



One of the bank's integrity-related practices is the code of conduct that employs stringent policies to comply with the international laws and regulations by managing its regulatory risk through effective communication and reviewing the compliance requirements to recommend appropriate actions. According to the head of compliance department in RB, the bank is committed to complying with the regulatory standards issued by the authorities in the Kingdom, as well as international organisations and SAMA, and applicable best practises. RB believes that compliance is an obligation of everyone in the bank. In line with compliance to AML culture, the bank ensures that all the internal stakeholders adhere to the applicable legal framework. Therefore, RB has developed numerous mechanisms that incorporate a varied approach to AML regulations that aim to:

- Maximise smooth and safe banking practices.
- Build long-lasting relationships with its stakeholders.
- Incorporate all FATF recommendations such as regulations on money laundering.
- Maintain high ethical standards while performing operational activities in compliance with legal framework.

The compliance department's obligation goes beyond the legal requirement issued by SAMA since the bank believes that establishing and maintaining a strong reputation and trust will build a long-lasting relationship with its stakeholders.

Riyad Bank Compliance Culture

Compliance with regulations, standards and instructions is a significant feature in banks that aids in sustaining their reputation. Compliance is also a broad and multi-faceted obligation that incorporates a wide range of stakeholders from the board of directors and higher management to all workforces, agreeing to their duties and delegated responsibilities. Therefore, RB works at all ranks to develop the culture that nourishes compliance with the highest commitment to values through teamwork. The team in RB constitutes of the Board of Directors, senior management, the workforce, and Money Laundering Control under Compliance. Each unit's functions are as follows:

Board of Directors

The bank's Board of Directors provides oversight to ensure good management of risks and compliance and delivers continued backing for senior management and the Money Laundering Control Function to ensure operational performance of duties. The Board of Directors has recognised the importance of a key Compliance Group and delegated it with the essential powers to achieve its purposes. The Board of Directors also assesses the compliance programme to confirm its efficiency within the bank's compliance culture.

Management

The management delivers constant backing to the Compliance Group to ensure its effective implementation of the bank's compliance requirements by taking the steps to:

- Develop all required and relevant policies.
- Avail proper resources to ensure effective implementation.
- Continuously assess and improve remedial strategies for main non-compliance risks.
- Immediately report to the Board of Directors and compliance committee of any weaknesses in controls or lack of compliance.

Bank Workforces

As all bank workforces know the significance of compliance and its advantages for the security of the bank, its customers and employees, they are required to conform to all guidelines and directions in their activities.

Money Laundering Control Function

The Money Laundering Control Function develops all policies and procedures to improve operational rules intended to conform to the laws and regulations linked to compliance with AML, CTF and Know Your Customer (KYC) doctrines. The basic aim behind all such practices is to guard the bank and its business from being misused as a network for passing illegal funds. It also checks dealings to report suspicious circumstances to the competent authorities. It acts in time to fulfil all requirements listed by SAMA, and it delivers training and awareness plans for all RB workforces on combating money laundering.



POLICY DEVELOPMENT

RB is directed to accomplish complete compliance to the AML regulatory framework. The same can be found in its vision, "Serving RB in detecting and preventing non-compliance and promoting high ethical standards and a compliance culture". For this purpose, RB's compliance department has developed a different set of policies that are critical in ensuring AML compliance. The main features of the policies are:

- Autonomous analysis to guarantee that the Anti-Money Laundering Compliance Programme has been applied and remains to be properly sustained.
- To underline and check daily compliance with the AML rules and applicable regulations by Anti-Money Laundering Compliance Officer.
- Keeping all the records in accordance with the AML procedures and applicable laws. Suitable arrangements and systems of checking transactions and account dealings to classify possible doubtful doings. To report any doubtful action to assigned authorities in agreement with the Anti-Money Laundering Policy and applicable laws, rules and regulations.

Continuous training of the employees is in line with anti-money laundering and counter-terrorism financing problems and their duties for compliance.



PROCESS OF EMBEDDING THE PRACTICE

RB ensures successful implementation of AML practices. To achieve that, RB prioritises enhancing its workforce knowledge. Therefore, a comprehensive

training programme is mandatory that is substantially compliant with FATF's 40 recommendations and which incorporates the main three-dimensional frameworks shown in Figure 2:

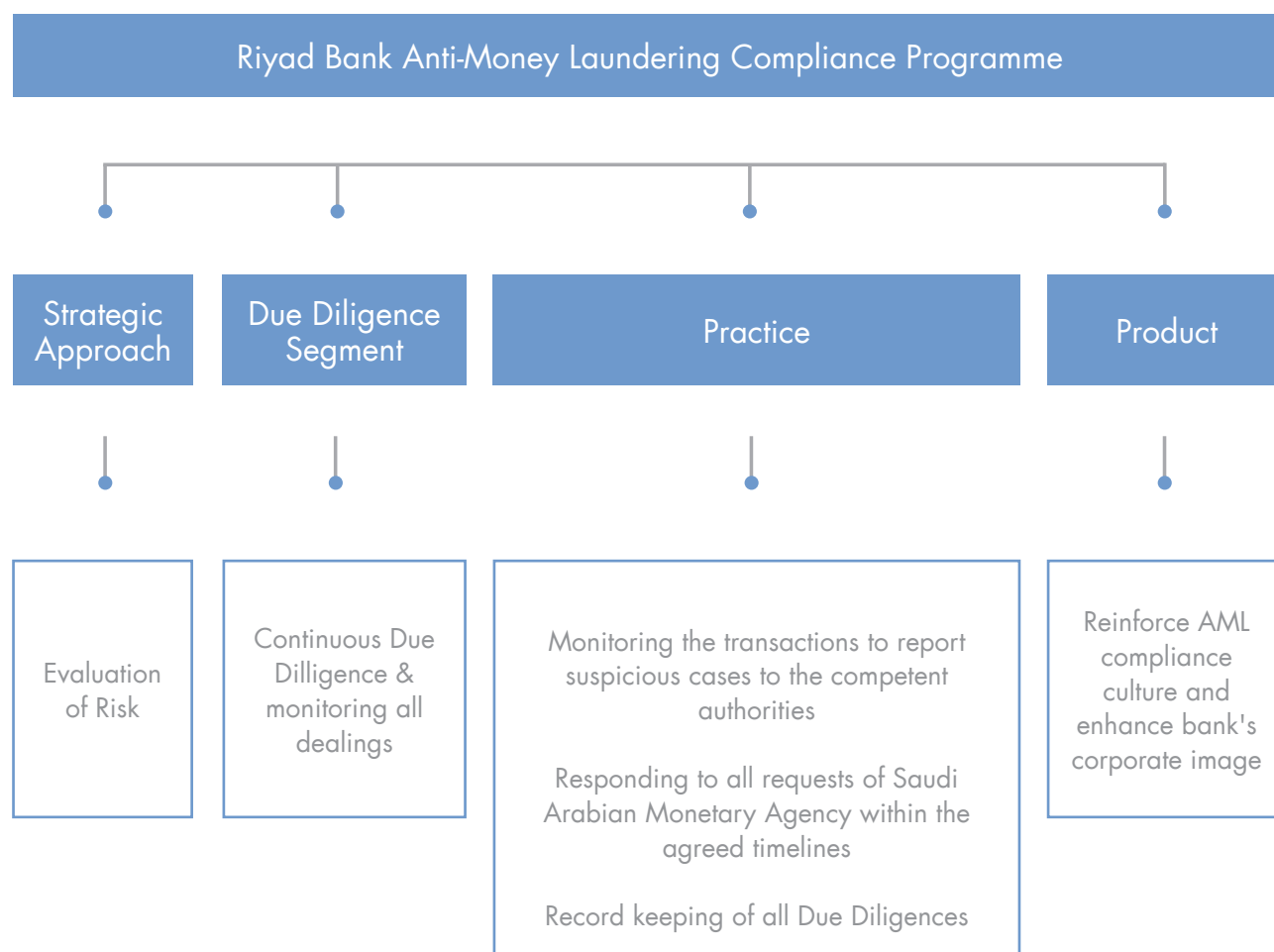


Figure 1: Riyadh Bank's AML programme

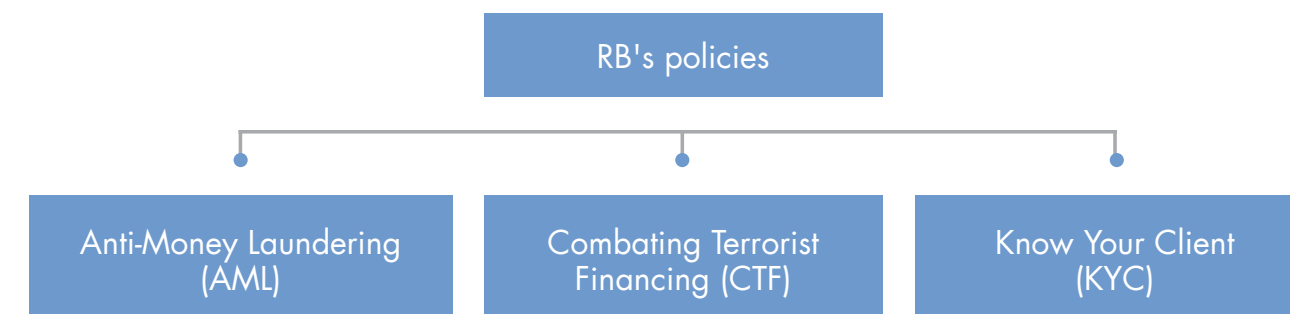


Figure 2: Riyadh Bank's three-dimensional frameworks

RB has developed the following policies regarding AML, CTF and KYC. This training programme is prepared and regulated by RB's Human Capital Division and Compliance Division and is conducted both internally and externally. It targets its workforce of diverse team members consisting of fresh graduates, seniors, and auditors to be trained on these policies. To achieve maximum insight of the programme, the following techniques are espoused:

- F2F meetings
- Workshops
- Group discussions
- Expert demonstrations
- Online training

Last but not least, it is mandatory for every new employee to go through a three-day intensive orientation programme on AML and CTF policies. Annual and semi-annual trainings are also conducted by AML champions in the bank. Moreover, a broad-spectrum awareness campaign for identification of suspicious activities is one of the norms of the bank. RB employees are trained to detect any suspicious activities while monitoring all transactions.



IDENTIFICATION AND REPORTING OF ISSUES

Several steps have been incorporated to maximise compliance with AML regulations. The process of reporting is as follows:

- Independent compliance section oversees AML.
- AML is supervised by the head of compliance.
- Whenever any Anti-Money Laundering Officer finds any suspicious activity as part of his duties, he must inform the competent authority. The officer is called Money Laundering Reporting Officer (MLRO).
- MLRO uses Statistical Analysis Systems for Anti-Money Laundering (SAS AML) to identify suspicious activity in accordance with developed rules, in addition to other sources of detecting suspicious activities.
- These activities are added on Saudi Suspicious Transaction Report (STR).

- The report is submitted to Saudi Arabia Financial Intelligence Unit (SAFIU) and SAMA.
- Through FinScan (via World-check) screening, OFAC, UN, EU, HMT, RB issues a list of suspected individuals in the bank in order to monitor and comply with sanctions requirements
- This sanction list includes the Saudi sanctions which are commonly referred to as the SAMA's black list.

RB has an independent Money Laundering Control Section (MLC). Compliance and Internal Audit oversee and review the MLC function and its process frequently to provide assurance to the senior management.

RB performs Enhanced Due Diligence (EDD) and updates KYC information once in three years for all cross-border correspondent banks as per SAMA AML/CTF governing rules. Moreover, RB also conducts additional EDD where the correspondent banks are from high-risk countries as identified by FATF and request to update KYC information annually.

Aside from reporting about suspicious transactions, all employees are encouraged to report unethical or illegal behaviour within the bank. Furthermore, RB has developed a whistle-blowing programme. It allows all employees, regardless of their positions and languages, to report anonymously about unethical and illegal behaviour. Subsequently, all the complaints and reports are received and analysed to be entered into a database and then sent for investigation to the Internal Audit department that investigates each case and, if required, reports it to the appropriate senior authority when deemed necessary.



ENFORCEMENT

RB takes several approaches to actively enforce and maintain an ethical work environment. One of these approaches is educating employees about the importance of implementing highly integrated, relevant policies in the bank. Hence, the bank has provided ethical policies training for both current and new employees as part of their orientation programme.

Employees who successfully report suspicious transactions are rewarded through the previously mentioned whistle-blowing programme. In addition, the bank takes any legal action or sometimes terminates the employees who do not disclose a violation of the code of conduct, or deliberately make a false report. External audit ensures RB compliance with regulation on a quarterly basis regarding the implementation of anti-money-laundering practices to help the bank build and maintain a strong reputation among its stakeholders.



LESSONS LEARNED

- Strong support from senior management is significant for the efficacious execution of AML programme.
- A well-established KYC programme is very vital for any company since it commands continuous monitoring and evaluations of customer's profile and accounts.
- Ongoing internal assessment is also vital for all employees to ensure successful implementation of the AML Programme.
- Improved due diligence is vital for recognising as well as checking high-risk entities as it augments the thoroughness of the monitoring procedure.
- The AML programme enhances the culture of accountability through periodic reports submissions to bank management and to regulators.
- It is significant to follow-up on what is issued by domestic and foreign regulatory bodies and ensure they are observed and applied in all the work and activities of the bank.

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University

CASE STUDY 2 ANTI-CORRUPTION AND BRIBERY PRACTICES AT SABIC

COMPANY NAME
HEADQUARTERS
SECTOR
NUMBER OF EMPLOYEES (2016)
ANNUAL REVENUE
STATUS



Saudi Basic Industries Corporation
Riyadh, Kingdom of Saudi Arabia
Materials
40,000 employees
\$ 35.5 billion (for the year 2016)
Publicly Listed



COMPANY DESCRIPTION

SABIC is the Saudi Basic Industries Corporation. It is a manufacturing company active in chemicals and intermediates, industrial polymers, fertilisers, and metals. The number of employees working in SABIC has been growing, presently at 40,000 employees globally. The company's revenue was 35.5 billion US dollars at the end of 2016. SABIC is a public company that is listed on Tadawul, and the Saudi government owns 70% of its shares.

The company was founded in 1976 by a royal decree allowing the conversion of oil products into useful chemicals, polymers, fertilisers, and metals. The first chairperson of the company was Ghazi Al Gosaibi, who was the Minister of Industry and Electricity at that time. SABIC's establishment converted the two small villages of Jubail and Yanbu into advanced and modern industrial cities. The production of SABIC increased over the years: in 1985 production was 6.5 million tons, five years later production increased to 13 million tons, in 2003 production increased to 42 million tons, and by 2012 it increased to over 60 million tons.

SABIC is headquartered in Riyadh, while most of its operations are handled in Jubail and Yanbu. The company started with a few manufacturing and compounding plants; currently it has 60 manufacturing and compounding plants in over 40 countries. SABIC's plants and factories are distributed globally in the Middle East and Africa, Asia Pacific, Europe and the Americas.

SABIC is among the largest chemical-producing companies worldwide and is the world's largest producer of mono-ethylene glycol, MTBE, granular urea, polycarbonate, polyphenylene and polyether imide.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Corruption occurs when an employee abuses their position of trust in order to gain an unjustified advantage. Bribery occurs when a person offers another person something to gain an illegal advantage. Bribes can include, but are not limited to, cash, gifts, jobs, internships, and political offerings that advantage the person being bribed.



"SABIC hopes that by creating a culture, employees with diverse backgrounds will always do the right thing."

With the exception of facilitation payments, bribes are illegal worldwide. Although some countries around the world allow facilitation payments to government employees of a certain amount, SABIC prohibits all bribes, including facilitation payments of all amounts and types, in all the countries in which they operate.

Facilitation payments are not exclusive to cash; meals, drinks, and cigarettes can all be used to facilitate a government employee's performance. However, SABIC thinks bribery should not be confused with reasonable gifts and encourages employees to seek help from the company legal counsel if they are uncertain about the laws and regulations that are applicable. Within the

company, SABIC has various internal policies relating to corruption and bribery. SABIC commits to ensure that, in both public and private sectors, their business is ethical, fair, and legal.

One of the things that is part of SABIC's social responsibility is making sure that not only are they doing business the right way, but that third parties they are involved with, such as suppliers, do business the right way as well. Because they believe that corruption hinders economic growth and stability, SABIC ensures compliance with anti-corruption policies on part of their employees, and also their third parties as well. SABIC also has additional policies such as their bribery, gift, and hospitality guidelines.



SABIC is active in the B20's anti-corruption efforts, the World Economic Forum's Partnering Against Corruption Initiative, and with the Pearl Initiative. The main driver for these guidelines was that, from a company's perspective, SABIC thought that it was the right thing to do. Moreover, the company believes these policies and regulations are crucial for the protection of SABIC and its employees' reputation from any financial and non-financial penalties, such as imprisonment.



POLICY DEVELOPMENT

SABIC adopted a Code of Ethics that includes 14 policies in three broad areas: global environment, workplace, and protecting assets. SABIC's anti-corruption policy that falls under the global environment section states that, as a company they cannot offer anything of value to any person that may be aimed to obtain or retain business, or gain an illegal advantage. Moreover, SABIC has some specific internal guidelines: for example, if you

wish to give any kind of a gift or hospitality to a government employee or non-government employee that exceeds a certain amount or nominal value permitted under the company's Business Gifts and Guidelines, you need to get certain approval from within the organisation. That is how SABIC deals with it on a customer perspective.

On the other hand, when it comes to third parties, their suppliers for example, or internally within the organisation where their employees deal with suppliers, employees are not allowed to accept any kind of gifts of any value. The reason behind these guidelines is to take away the influencing factor an employee could potentially have on a supplier, as giving gifts or hospitality may cloud their judgement.

For example, if a SABIC employee was to take such a gift from another company, they could potentially alter their decisions in favour of that company as a repayment for the gift they were given. So, in order to eliminate any integrity issues, SABIC prohibits employees who work directly with suppliers from accepting gifts of any value. SABIC ensures that all third-party representatives working on behalf of the company act consistently with this policy.

Moreover, the company makes sure employees fulfil all record-keeping requirements and financial controls to support the company's compliance with anti-bribery laws. SABIC employees are commanded to avoid any suspicious behaviour, so for example, if a SABIC employee is requested to make a payment in a different country or to someone that is not involved in a transaction or was instructed not to ask about details of a transaction, they need to avoid business with those parties.

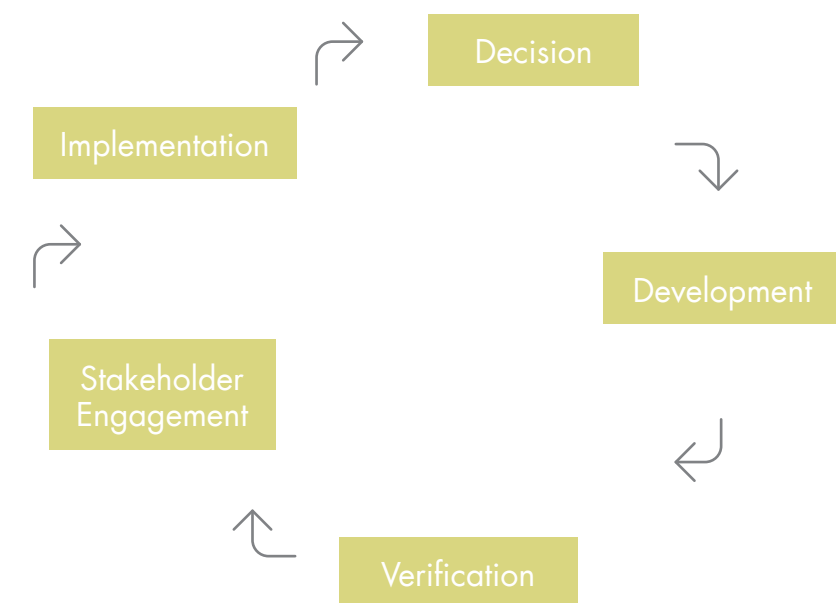
Where SABIC starts from as an organisation is really from the top in terms of driving a message or doing business the right way. SABIC relies mostly on its leaders in the organisation to develop an ethical culture and then communicate it with its employees to make sure they understand that this is a priority for the organisation. SABIC also has a dedicated legal compliance department within its legal affairs department.

SABIC hopes that by creating a culture, employees with diverse backgrounds will always do the right thing. Culture plays a key part in this entire process,

and people, managers and leaders within the organisation drive that culture. What SABIC aims for is to have these policies and procedures, but also to have an ethical culture driven by the leaders so employees will do the right thing even when procedures or policies may not exist.

The following are the steps that SABIC followed when introducing the anti-corruption and bribery policy:

- As a company, SABIC decided that this is something they want to do.
- With this decision in place, the relevant person was assigned the task of developing the policy.
- Another employee was then made to ensure that it complies with all of the regulations.
- SABIC then consulted the relevant stakeholders across the organisation, explained what was being implemented and why, then emphasised on the implications of the proposed policy, and obtained feedback from the stakeholders.
- Having taken all these steps, SABIC finally implemented the policy.





PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

SABIC used several methods to apply these practices, including training, communication and controls implementation. Training was an easy method to comply with and adopt the policy; in which people were asked to avoid giving and accepting any gifts or facilitation, which is also considered bribery. Communication also played a substantial role in embedding the policy, helping employees understand the rules related to anti-corruption and raising awareness of the consequences caused by corruption.

Finally, controls implementation was important to ensure that if something was done without approval, it would be flagged and addressed by an appropriate function. SABIC's training on anti-corruption is prepared by the Legal Department – they have both online training and live training delivery to employees based on the risk associated with their job or location. In addition, SABIC usually provides workshops for its employees on the required behaviours when facing wrongdoings like corruption. Communication is achieved with the support of campaigns which are handled regularly to allow people within the company to exchange expertise and experiences related to the practice. SABIC did not face any challenges when it implemented the policy except one – understanding. Managers and employees in SABIC needed to understand each and every detail, and this happened through training and communicating. When they were trained and when they communicated with other people in the corporation, they were able to understand everything



that made them able to answer buyers' questions and gain their trust of those buyers, thus making the employees more effective in assisting the customer and bringing business to the company. The practice was extended throughout the supply chain of SABIC using online assignments. The assignment is an anti-bribery training course that is provided by SABIC in cooperation with Trace International. Offering these assignments is beneficial to ensure anti-corruption compliance from suppliers and employees in different departments. In addition, the company requests its suppliers and employees to show their compliance with the company's anti-corruption policies. The practice was extended globally; branches and offices in different countries have the same limitations and rules. The company tried to stress on its rules and regulations across different countries by publishing a unified code of conduct.

The following chart presents the practice that was applied.



IDENTIFICATION AND REPORTING OF ISSUES

SABIC used multiple mechanisms for identifying and reporting issues related to the practice, including various controls like emails and whistle-blowing processes. The company relies more on whistle-blowing which is the most dominant, so employees, customers, vendors and other stakeholders are all able to report a compliance concern if they see other employees do something that shouldn't be done or become aware of an issue.

Whistle-blowing mechanisms work by allowing employees to report any wrongdoing/corruption they detect in SABIC to top management or someone who holds authority. Whistle-blowing was selected by the company because it allows employees to deliver their concerns without anyone knowing except those who work in the process themselves. The faster the concerns are communicated, the better the situation will be. SABIC advises its employees to speak up as soon as possible, stressing the confidentiality

of addressing concerns to avoid any retaliation from others. The mechanism was implemented by setting up an investigation team with knowledgeable members who receive reports from employees. The team collects the required information and conducts an investigation by undertaking interviews and checking the documents.

Later, they suggest reformative actions that supervisors or top management can take. Finally, they give a response or feedback to the employee who reported the concern. If an issue is detected, it will be reported to the manager, human resources department, and the legal department in SABIC.



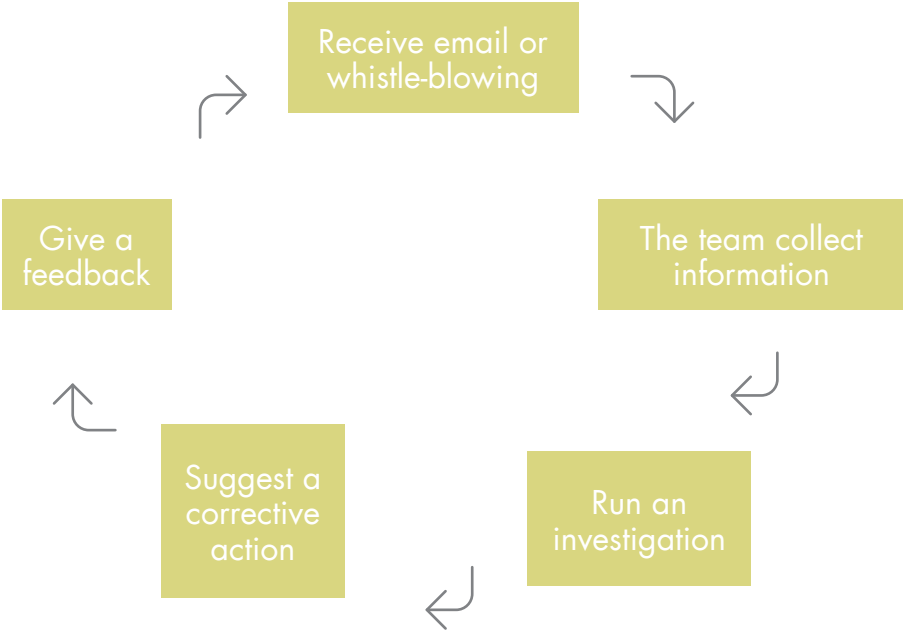
ENFORCEMENTS

SABIC has different practice enforcement processes which include leaders' monitoring and compliance review boards. Leaders in the company observe and check the enforcement of the practice periodically, and oversee employees' compliance and make sure that everyone is following the required policy.

Compliance review boards are concerned with the policy and issues related to it. The board meets periodically to discuss the effectiveness of the policy compliance and any related activities. When SABIC performs investigations of issues, each investigation is evaluated depending on its worth. Issues are evaluated based on its severity, whether it is done with intention or without and the reason for doing it. This ensures an issue is evaluated with the reason behind it as its focus. When someone does something wrong without knowing that it is wrong, then it is considered as an accident and will be treated in a specific way, but if they knowingly do something wrong, then it will be treated in a different way. When someone acts in a corrupt manner, the company will look at the act and its consequences to decide what type of enforcement should be performed. SABIC will view these actions and decide the enforcement action

“SABIC usually provides workshops for its employees on the required behaviours when facing wrongdoings like corruption.”

depending on precedent within an organisation and severity of the act. There are many factors that SABIC reviews and considers when it comes to enforcement. Responsibility for the enforcement of the practice lies upon a combination of workers within the human resources function, the business team and the legal function. They work together to decide what type of enforcement the company would like to undertake, to enforce the practice, and make any changes, if required.



LESSONS LEARNED

The basic lessons learned in this case study that could be of importance to other companies when they want to implement anti-corruption and bribery policies are:

- The company must look carefully into its stakeholders’ needs and study if a policy can be developed to meet those needs.
- The company must effectively and efficiently master the methodology of how to convert an

idea into a good practice.

- The company must point out different means for applying the practice and search for interesting ways that will support it.
- The company must form a close relationship with its employees, enabling them to report any concern or issue comfortably.
- Finally, the company must ensure the enforcement of the practice and oversee employees’ compliance.

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CASE STUDY 3 ANTI-MONEY LAUNDERING PRACTICES IN SAMBA

COMPANY NAME
HEADQUARTERS
SECTOR
NUMBER OF EMPLOYEES (2016)
ANNUAL REVENUE
STATUS



Samba Financial Group
Riyadh, Saudi Arabia
Banking
3,280
SR 7.76 billion (2017)
Listed Company



COMPANY DESCRIPTION

Samba Financial Group (Samba) was established on 12 February 1980 to take over the existing Citibank branches in Riyadh and Jeddah that had established a presence in Saudi Arabia since 1955. In 1999, United Saudi Bank (USB) merged with Samba to create one of the largest, most profitable and valuable banks in the Middle East.

Samba is now a leading financial services group in the Kingdom of Saudi Arabia, providing world-class services to meet the financial needs of its private, corporate and institutional customers in the Middle East, Europe and South Asia. Its net income during the first nine months of 2017 was up to SR 3.8 billion. Samba is a pioneer in banking services in Saudi Arabia. Some of its services are 'Private' banking, phone banking, 'credit lending', savings, ATM cash deposit and many other services.

Our case study will describe Samba's anti-money laundering policies and practices.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Samba Financial Group, including its subsidiaries and overseas branches, is dedicated to preventing its operations from being abused by money laundering and other financial crimes.

Samba values an impeccable reputation as a trustworthy financial and banking service provider. Therefore, Samba is committed to upholding the highest standards of integrity and reputation with regards to anti-money laundering in all markets and jurisdictions in which Samba operates. Furthermore, Samba wants to ensure that it is complying with relevant and applicable laws, rules and standards relating to anti-money laundering. Samba also wants to be protected from being exploited as a channel for illegal transactions arising from money laundering and any other criminal activity and to create the highest possible level of vigilance. All of which has been stated is considered motives for Samba to implement a firm AML programme that consists of multiple policies and procedures.

To implement firm AML programmes, such programmes consist of multiple policies and procedures as listed below:

KYC policies and procedures are a critical element in AML programmes. In general, Samba's KYC principles aim to ensure that Samba is sufficiently knowledgeable about its customers and aware of their business. Figure 2 identifies the main key elements in the KYC policy. The first element of the KYC is the Customer Acceptance Policy which applies to all relationships despite which business it falls under. Next is the Customer Identification Programme wherein it is the responsibility of the branch and relationship managers to ensure a customer carries proper identification requirements when opening a primary account. After accepting the customer and obtaining the required identification documents, it is the business's responsibility to exercise the required due diligence at a relationship level. Relationship Managers, Account Officers, Business Managers and all Customer Service Representatives are required to implement Customer Standard Due Diligence (SDD) or Customer Enhanced Due Diligence (EDD) based on the customer risk assessment.

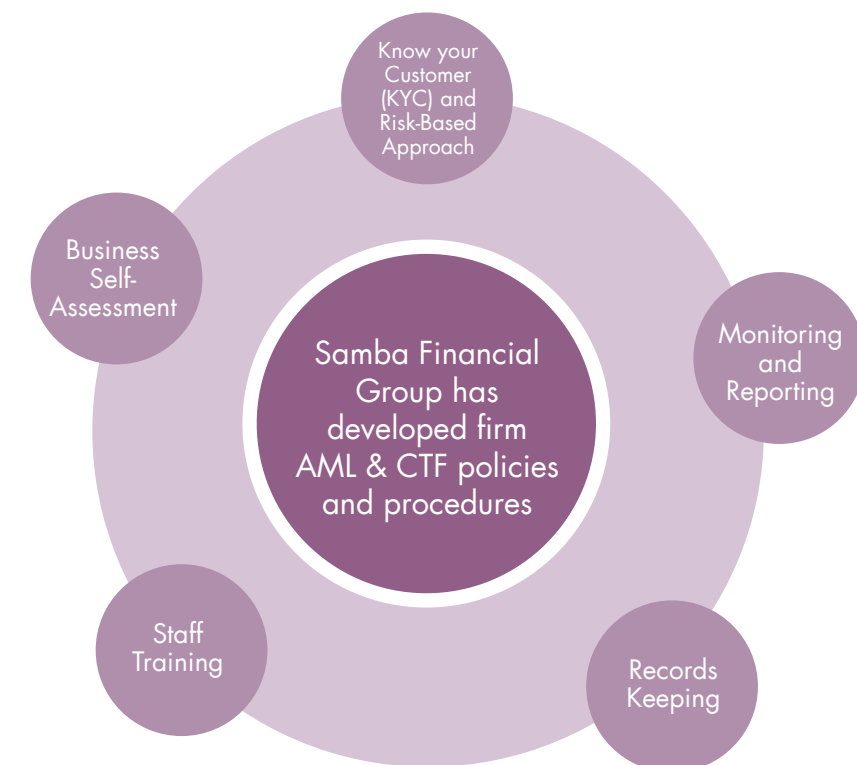


Figure 1: AML Programme Approach



Figure 2: KYC Policy Key Elements

Additionally, all Saudi banks are required to implement a risk-based approach in designing their AML programme. This approach aims to keep those risks controlled and assessments under periodic reviews.



MONITORING AND REPORTING

All employees are required to identify and investigate any unusual transactions or customer behaviour and report suspicious AMLU. Furthermore, Samba takes a risk-based approach by using a SAS-AML software system to manage alerts and comply with regulatory requirements. SAS systems monitor customer transactional activities based on Customer Transaction Profiling (CTP) where customers' transactions are monitored closely, and Rules/ Scenario-based monitoring where specific scenarios are defined to catch suspicious customer transaction patterns.

“All bank employees should be trained in anti-money laundering. It is the responsibility of each business group, subsidiary, and overseas branch to include AML, compliance and sanction training in its overall business-training plan.”



POLICY DEVELOPMENT

All the banks and insurance companies in Saudi Arabia are regulated by the Saudi Arabian Monetary Authority (SAMA).

Therefore, it is mandatory that all Saudi banks follow the rules as stipulated by SAMA. Samba Financial Group has developed strict AML and CTF policies and procedures in line with the Saudi Anti-Money Laundering Law, SAMA rules and the recommendations of the international Financial Action Task Force (FATF). Moreover, Samba uses internal resources to support the development of new policies demonstrated in Figure 3.

Samba's Compliance and AMLRO officers are responsible for developing the policies and procedures, while Business and Product Heads are the main components in the implementation of these policies. The policies and internal controls of Samba are developed in-house and include Know Your Customer (KYC), monitoring, employee training, suspicious activity and regulatory reporting, and independent testing programmes. Anti-Money Laundering Compliance (AMLC) plays a big part in any financial institution. Through intensive staff training and courses provided on a regular basis, all Samba staff become familiar with (AML).

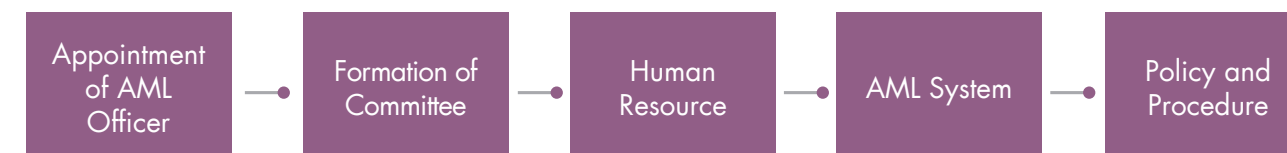


Figure 3: Internal Resources



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

According to Samba's policy and SAMA's regulation, all bank employees should be trained in anti-money laundering. It is the responsibility of each business group, subsidiary, and overseas branch to include AML, compliance and sanction training in its overall business-training plan.

Comprehensive training programmes are in place for all new recruits as well as regular training and knowledge updates for existing staff. Moreover, employees with direct customer contact, operational and internal control areas and private banking relationships managers receive extra specialised training. The Business Compliance Officer (BCO) is responsible to ensure training and providing awareness to the business groups on the requirements of AML/CTF, CTP preparation along with other related matters. Some of the training efforts adopt the following:

- Business Compliance Officer must ensure that business groups are meeting the requirement of new staff training on AML, Compliance and Sanction.
- Business Compliance Officer must ensure that new recruits pass the test at the end of the course, during their first year of employment.

- Business Compliance Officer must ensure that business groups are meeting the requirements of the courses on AML Compliance.
- Business Compliance Officer must keep related training efforts and training material. Anti-Money Laundering Compliance Officer (AMLCO) or his designee are responsible for maintaining training records.
- Business Compliance Officer is responsible for providing copies of their training programmes to the AMLCO.

The key challenges financial institutions face when embedding such practices are linked to allocation of resources, time management and the difficulty of capturing suspicious transactions without having trained staff and software systems. The challenges Samba faced were addressed by making better use of the available resources, using the latest AML technology software, and employing well-trained and experienced professionals to provide training for existing and new staff. The Samba training programme aims to ensure that all employees have adequate knowledge about AML practices and policies, and high standards of compliance with rules and regulations governing AML.



IDENTIFICATION AND REPORTING OF ISSUES

Customers may become intentionally or unintentionally involved in money laundering activities through various transactions. Thus, it is important that all employees remain vigilant at all times, identify and discreetly research any unusual transactions, and report them if suspicious to the AMLU.

Samba employees have the responsibility of monitoring accounts, especially those recently opened. In case an alert is triggered on the SAS-AML system, it is the responsibility of the AMLU to investigate and evaluate the transaction, and decide whether it makes sense or not. In case an alert is triggered on the GSS (Global Sanction System), the necessary enhanced due diligence will be performed.

Each staff member of Samba is responsible for reporting any suspicious transactions or behaviour directly to the AMLU.

In the event a report is made, AMLU staff will assist and guide the employee. Then the the AMLU unit staff will investigate the case and make a decision based on the available information. AMLU will report the case to the Saudi Financial Investigation Unit if they conclude that the transaction is suspicious.

“The Samba training programme aims to ensure that all employees have an adequate background about AML practices and policies and high standards of compliance with rules and regulations governing AML.”



ENFORCEMENT

Samba ensures the enforcement of the practice by defining roles and responsibilities, and formal designations:

- The Country Compliance Officer is an Independent Authority.
- A centralised Country Compliance Committee oversees country-wide compliance activities.

The Samba Anti-Money Laundering Compliance Officer (AMLCO) is responsible for the management of the AML programme and ensuring that an effective AML policy is applied. In addition, Samba employs both internal and external auditors to review Samba's activities, processes and procedures for risk management activities and internal controls and to ensure compliance with SAMA's rules governing Anti-Money Laundering.

Figure 4 shows internal and external reviews components. Internal review consists of: Business Self-Assessment, Samba Compliance Review and ARR Review. Each business group within Samba is required to conduct a Quarterly Self-Assessment (QSA) using Risk & Control Self-Assessment (RCSA) Grids on its units' functions and responsibilities. The AML unit will annually review the business groups to ensure appropriate implementation and adherence to AML rules and policies. Periodically, the Business Compliance Officer (BCO) will conduct a random review of each business unit to ensure that all Risk & Control Self-Assessment test results of compliance requirements adhere to AML compliance requirements.

INTERNAL REVIEW

- Business Self-Assessment
- AML Annual Business Review
- Samba Compliance Review
- Audit Review & Risk 'ARR' Review

EXTERNAL REVIEW

- External Auditors

Figure 4: Internal & External Reviews

External auditing is conducted by external auditors. External auditors' review and findings will be later forwarded to AMLCO who will report it to the Compliance Head.



LESSONS LEARNED

Money Laundering is a serious issue; it is the responsibility of all stakeholders to be aware of money laundering risks and its effects on the economy, government and social well-being. People can become unknowingly or unintentionally engaged in money laundering. Thus, it is the responsibility of financial institutions to inform people and guard them from involvement in money laundering.

Banks and financial institutions should continuously develop their policies to maintain the effectiveness of their AML programmes.

All Saudi banks and financial institutions' internal policies are based on Saudi Anti-Money Laundering Law, SAMA rules, FATF recommendations and anti-money laundering rules.

Anti-money laundering laws do not apply to criminals only, but to the financial institution and its employees who participate in these transactions. Thus, banks and financial institutions as a whole will be subject to penalties whether they were aware of the money laundering transaction or not.

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CASE STUDY 4 ANTI-MONEY LAUNDERING AT ABU DHABI COMMERCIAL BANK

COMPANY NAME
HEADQUARTERS
SECTOR
NUMBER OF EMPLOYEES (2016)
ANNUAL REVENUE
STATUS



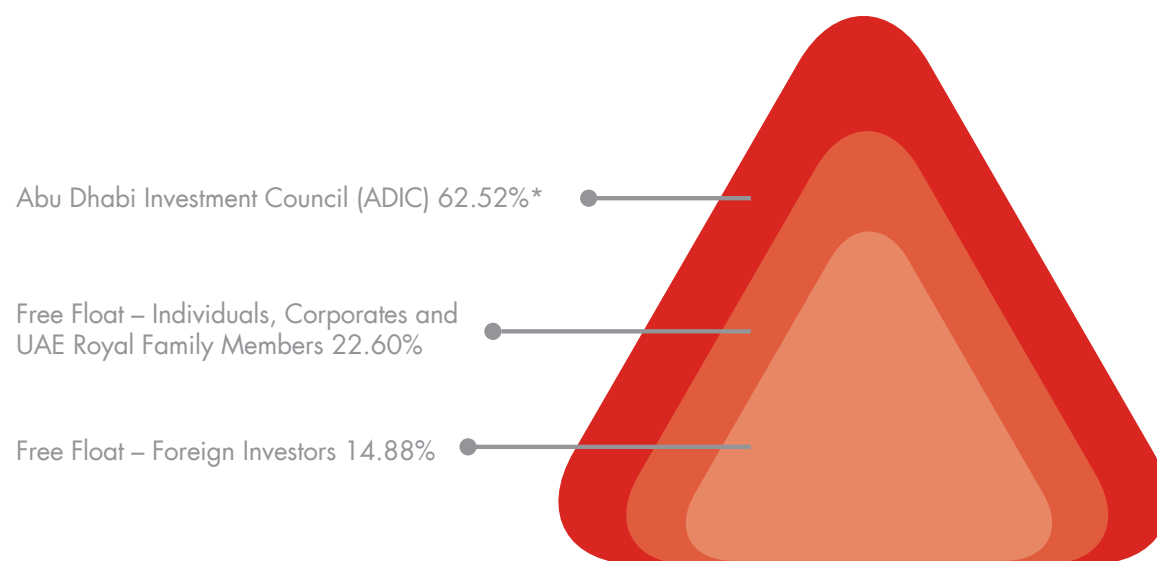
Abu Dhabi Commercial Bank
Abu Dhabi, United Arab Emirates
Banking
6,600
Total Assets over AED 250 billion
Publicly Listed



COMPANY DESCRIPTION

Abu Dhabi Commercial Bank (ADCB) is a public shareholding company with limited liability. It was incorporated in Abu Dhabi in 1975 to carry out retail, commercial, investment and merchant banking through a 33-branch network spread across the UAE, in addition to two branches in India and an

offshore banking unit in the Cayman Islands. The bank changed its name from Khalij Commercial Bank to Abu Dhabi Commercial Bank after merging with Emirates Commercial Bank and Federal Commercial Bank on July 1, 1985. ADCB is publicly listed and 65 per cent of the shares are owned by the government of Abu Dhabi through its Abu Dhabi Investment Authority (ADIA). The remaining shares are held by other institutions and individuals (ADCB 2017e). Figure 1 below depicts the ownership structure of the bank.



(Figure 1: Ownership Structure of ADCB)

The headquarters of ADCB are in Abu Dhabi, UAE and today the bank has a network of 48 branches in the UAE and three branches abroad; two in India (Karnataka and Maharashtra) and one in London, UK. The bank has a total of 6,600 employees and provides conventional and Islamic commercial banking services to include deposits, loans and credit cards, asset management and portfolio management services, private equity investments in various sectors, investment banking services including corporate finance and investment advisory on mergers and acquisitions, initial public offering and underwriting. In terms of shareholder funds and market capitalisation, ADCB is considered the largest in the UAE and as of the third quarter of 2017, the total asset of ADCB reached AED 259.239 billion and a gross operating income of AED 7,530 billion. In terms of performance measured by return on assets (ROA), there has been a peak and trough due to economic downturns and oil price fluctuations. The mission of ADCB is focus on customer satisfaction by providing innovative products and excellent quality services. Its vision is to become the number one banking service provider within the banking sector of the United Arab Emirates by laying emphasis on innovation, integrity, and competitiveness (Alomari, Awawdeh & Alolayyan, 2017).

In order to make improvements in business operations in terms of ethics, the bank has appointed a Corporate Governance Committee that plays a significant role in monitoring the implementation process of corporate governance practices (ADCB, 2017f). In addition, corporate governance-related sponsorships are also taken into consideration for implementing corporate governance practices (Buchanan et al. 2014). ADCB adheres to the highest standards of corporate governance. The bank has voluntarily adopted practices above and beyond those mandated by law and has continuously enhanced and improved the governance principles

and framework by emphasising transparency, integrity, accountability and fairness. The bank believes that a good or high standard of governance will contribute to long-term success that will encourage trust and engagement with their stakeholders and reinforce their risk management culture. To this end, the bank and all of its business units have clear, well-understood governance policies, procedures and practices. As part of the global financial community conducting business around the world, ADCB is committed to preventing its products, services and delivery channels from being used to facilitate illegal activity. The bank has developed extensive Anti-Money Laundering/Anti-Terrorist Financing policies and procedures.



DESCRIPTION OF INTEGRITY-RELATED PRACTICES

It has been found that the financial system of a country often attracts criminals to use the industry to legitimise cash that has been gathered from criminal activity (ADCB, 2017a). The aim of criminals is to convert illegal funds into any form of bank deposit, which can be used without any legal suspicions. This is known as money laundering. Like many other countries, financial institutions in the UAE are legally obligated to prevent money laundering (ADCB, 2017c). For this reason, the company has developed Anti-Money Laundering and Know Your Customer (AML/KYC) policies to prevent and report any money laundering issues and activities (ADCB, 2017e). The central theme of the Anti-Money Laundering (AML) policy is focused on knowing the customers. The main aspect of this policy is full and fair disclosure. The bank has to submit various reports to the government.

When preparing and providing any information that will be included in those reports, employees have to make sure that :

- All the information provided in these documents is current and accurate;
- All the reports are developed in accordance with all the regulatory requirements and they have to be filled in a timely manner (ADCB, 2017a).

To accommodate the AML practices towards superior corporate governance, the bank's role is to establish and maintain procedures so as to ensure and monitor compliance with the reporting and record keeping requirements. The corporate governance in its capacity are regularly reviewed and adjust to their governance framework to reflect changes in the Bank's businesses, regulation, best practices and the external environment. Accordingly, the bank's board has resolved to adopt this code which conforms to relevant regulatory requirements and duly considers international best practices in corporate governance. The guiding principles of the bank's code are four-fold:

- Responsibility, including the clear division and delegation of authority
- Accountability in the relationships between the bank's management and the Board, and between the Board and the shareholders and other stakeholders
- Transparency and disclosure to enable stakeholders to assess the bank's financial performance and condition
- Fairness in the treatment of all stakeholders

To support the board's overall responsibility for identifying, monitoring and ensuring that adequate risk control measures are in place, the bank has adopted a multi-faceted approach to include:

- The Risk Committee who may delegate some of its responsibilities to management through the bank's Management Executive Committee, as deemed appropriate;

- The banks' internal control systems, which include internal and external audit
- The bank has a separate risk management department which separates the function and responsibility of reviewing and monitoring risk from the risk-taking business units of the bank (ADCB, 2017b)

While the Board's Audit & Compliance Committee oversees and reviews the bank's compliance policies and their implementation, the Group Compliance department, which reports to the Group Chief Risk Officer, is responsible for advising and monitoring compliance with local regulatory requirements. Compliance with anti-money laundering procedures and internal training in such procedures is also developed and administered by the Group Compliance department (ADCB, 2017f).



POLICY DEVELOPMENT

Process of Transferring Ideas into a Policy

The AML/KYC policy of the company is highly focused on 'knowing customers'. The company strictly follows all the guidelines related to money laundering in its business operations (ADCB, 2017).

Stakeholder Engagement

These regulations and instructions are applied to all domestic and international branches and subsidiaries. They are also applicable to each individual stakeholder of ADCB such as shareholders, employees and customers (ADCB, 2017a). In order to ensure full compliance with anti-money laundering regulations, laws, rules and guidance, the company has developed a policy to discontinue relationship with customers or any other financial organisations whose conduct can give rise to issues related to illegal activities (ADCB, 2017f).

The bank terminates the relationship with the other party or any employee if evidence related to money laundering has been found. It is the responsibility of the Bank's Board of Directors to:

- Ensure that effective measures are in place to safeguard the bank's assets;
- Ensure proper accounting records and reliable financial information by procedures designed to avoid or reduce risks and ensure compliance with applicable laws and regulations;
- Ensure that an adequate and effective system of internal controls and procedures is established and maintained; and
- Evaluate the effectiveness of the bank's internal control system, identify control objectives, review significant control policies and establish relevant control procedures.

Control activities are closely monitored across the bank by the internal audit function, working independently of management. In addition, the risk management and compliance functions monitor control activities on an ongoing basis. All three functions cover all banking activities in general and key risk areas in particular. The Board's Audit and Compliance Committee reviews audit reports periodically and particularly where significant violations to the applicable regulations, prescribed policies and procedures have occurred.

The Committee ensures the implementation of regulations, policies and procedures through all the bank departments aimed at mitigating identified risks and safeguarding the interest of the bank and its shareholders (ADCB, 2017f).

As a listed company, the bank is subject to the rules and regulations enforced by the Emirates Securities and Commodities Authority and the markets upon which its shares and debt are listed, including the Abu Dhabi Securities Exchange, the London Stock Exchange, the Irish Stock Exchange, the Luxembourg Stock Exchange and the Swiss Stock Exchange.



PROCESS OF EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

The training centre has a crucial role in embedding the practice within ADCB according to Mr. Sanjay, the team leader. In an interview, he stated that Abu Dhabi Commercial Bank has initiated various anti-money laundering policies, such as training and development, monitoring and whistle-blowing.

In accordance with The Money Laundering Suppression Act of 1994, the bank has taken an initiative to provide one-week training to all employees from all branches. This training process has been used to inform employees about the anti-money laundering policies of the organisation. The bank has developed policies to discontinue relationships with customers or any other financial organisations whose conduct can give rise to issues related with illegal activities. The Bank has also developed AML/KYC policy to prevent and report any money laundering activities. The AML/KYC policy of the company is highly focused on 'knowing customers'. The company strictly follows all the guidelines related with money laundering in its business operations.

All the money laundering policies of the bank had been developed in accordance with various anti-money laundering regulations. For instance, in accordance with the Money Laundering Control Act of 1986, the bank prohibits any money transaction associated with any illegal activity. In addition, the bank requires its clients to file reports on transactions involving large amounts of money in accordance with 1988 Anti-Drug Abuse Act. On the other hand, in accordance with The Money Laundering Suppression Act of 1994, the bank has developed training procedures for Money Laundering Reporting Officers (MLRO) to monitor any suspicious activities related to money laundering.

The bank has developed a group compliance board named ADCB Group Compliance Board. The board is responsible for ensuring that the bank follows all the legal policies. In addition to this, there is a compliance officer in every branch who reports to the higher authority if any case of money laundering has been found. The officer is known as Money Laundering Reporting Officer (MLRO). Whistle-blowing is another measure taken by the bank to deal with money laundering. If an employee of the company becomes aware of any misleading or inaccurate/illegal money transfers, they have to report to the ADCB Group Compliance Board.

Due to the implementation of the money laundering policies, the cases of money laundering in Abu Dhabi Commercial Bank has decreased significantly. With the help of training procedure, the company has increased awareness among employees about the negative impact of money laundering. This training process has been used to inform employees about anti-money laundering policies of the organisation. In this training process, employees gather knowledge about what they should do if they come across any case of money laundering.

This method is known as whistle-blowing. It has been analysed that, in the year of 2016, 31 cases of whistle-blowing were found. However, among them only, two cases of money laundering were discovered.



IDENTIFICATION AND REPORTING OF ISSUES

The bank terminates any relationship with the other party or any employee, if evidence related to money laundering has been found. This type of termination is reported to the Board of Directors of the organisation. The Board then reports the case of

money laundering to the appropriate legal authority of UAE. They consult with the authority to avoid any kind of legal risks (ADCB, 2017f).

If an employee of the company becomes aware of any misleading or inaccurate/illegal money transfer, they must report it to the ADCB Group Compliance Board. In the year 2016, 31 cases of whistle-blowing were found in the bank. These cases were reported to the board for further investigation. However, making false statements related to money laundering is considered a criminal offence which can lead to severe penalties (ADCB, 2017a). Depending on the circumstances and the amount involved in money laundering, financial penalties are implemented on the client and the employees involved in it. Along with financial penalties, the punishment can include imprisonment and community services.

Due to these reasons, both employees and clients of the bank have become aware of the money laundering policies. Employees have become more focused on assessing the details of financial transactions. Along with that, clients provide financial statements in the case of any large financial transaction made in their accounts.

This has made the financial services of the bank safer and more secure. It has also helped to enhance the overall brand image of Abu Dhabi Commercial Bank as well.



ENFORCEMENT

The bank has developed policies to discontinue relationships with customers or any other financial organisations whose conduct can give rise to issues related with illegal activities (ADCB, 2017e). The bank terminates any relationships with the other party or any employee, if evidence related to money laundering has been found.

ADCB Group Compliance Board is responsible for ensuring that the bank follows all the legal policies (ADCB, 2017f). In addition to that, there is also a compliance officer in every branch, who reports to higher authorities if any cases of money laundering are found. The officer is known as Money Laundering Reporting Officer (MLRO) (ADCB, 2017c).

An interview was conducted with Mr. Sanjay about entities that enforce policies and rules in the bank. During the interview, Mr. Sanjay confirmed that internal auditors, the board's Audit and Compliance Committee, and external auditors are responsible for enforcement at ADCB. During this enforcement process, the Internal Audit Group (IAG) is responsible for the evaluation of the bank's risk management, control and governance processes. The IAG also oversees and conducts the bank's internal audit function. The IAG is also responsible for ensuring all transactions undertaken by the bank are conducted in accordance with the bank's internal procedures and in compliance with applicable legal and regulatory requirements, thereby minimising the risk of fraudulent, improper, or illegal practices. The board's Audit & Compliance Committee reviews audit reports periodically, and particularly where there are significant violations, prescribes policies and procedures to rectify any gaps in operations. The committee ensures the implementation of regulations, policies and procedures through all departments of the bank aimed at mitigating identified risks and safeguarding the interest of the bank and its shareholders. The Group Compliance department, which reports to the Chief Risk Officer, is responsible for advising and monitoring compliance with local regulatory requirements. Compliance with anti-money laundering procedures and internal

training in such procedures is also developed and administered by the Group Compliance department. External Auditors assess the financial details and try to unearth any misreporting or miscalculation of facts and figures. The external audit partner attends meetings of the Audit & Compliance Committee by invitation and, if so required, attends the Board meetings when the annual and quarterly reports are approved and signed, and otherwise when needed (ADCB, 2017c).



LESSONS LEARNED

The key lesson that can be learnt from this case is that money laundering is a serious issue and it needs to be taken seriously by all companies. In order to reduce the chance of money laundering, the first thing the regional companies need to do is to learn about their customers.

Companies have to check the sources of income of their customers before accepting their money. In case of any fraud, the company has to terminate any relationship with that particular customer. It is also applicable for any employee as well. It has also been found that effective monitoring processes can be implemented to reduce the chance of money laundering.

The success of any process depends on how the whole institution works as a team to design impervious policies leading to better acceptance and implementation. In addition, ensuring best practices will warrant the success and profitability of any institution.

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ABOUT THE PEARL INITIATIVE

OUR PURPOSE

FOSTERING A CORPORATE CULTURE OF ACCOUNTABILITY AND TRANSPARENCY IN THE GULF REGION

Founded in 2010, the Pearl Initiative serves the Private Sector across the Gulf Region to improve corporate accountability and transparency. It is a regionally-focused growing network of business leaders committed to driving joint action, exhibiting positive leadership and sharing knowledge and experience, in order to positively influence the entire regional business and student community towards implementing higher standards.

STRATEGIC PARTNERSHIPS

ESTABLISHED IN COOPERATION WITH THE UNITED NATIONS OFFICE FOR PARTNERSHIPS

STRATEGIC PARTNERSHIP WITH THE UNITED NATIONS GLOBAL COMPACT

WHAT WE DO

To reach and influence the business and student communities, the Pearl Initiative:



SHARES INSIGHTS

We develop and publish reports, insights and good practice references to help businesses independently enhance their capabilities



CREATES NETWORKS

We bring together business, government and civil society decision makers to share best business practices and help maximise the economic opportunities available in the region.



BUILDS KNOWLEDGE

We help build knowledge by bringing experts together with businesses, and host a series of complimentary workshops, roundtables, focus groups and training sessions.



INSPIRES ACTION

Our focus on impact and collective action guides what we do to ensure we are working together with the community to inspire action and expand opportunities for all.

KEY TOPICS OF INTEREST

SPECIFIC CORPORATE GOVERNANCE TOPICS INCLUDING

- Anti-Corruption Best Practices
- Diversity in Business Leadership
- Corporate Reporting Best Practices

GOVERNANCE IN FOCUS

- Corporate Governance in Micro, Small and Medium Enterprises (MSMEs)
- Governance in Family Firms
- Governance in the Philanthropic and Non-Profit Ecosystem
- Corporate Governance in the Technology Sector

KNOWLEDGE TRANSFER

- Business Pledge
- Executive Education

OUR PARTNER COMPANIES (AS OF DECEMBER 2018)

Please get in touch if you would like to become a partner company of the Pearl Initiative at enquiries@pearlinitiative.org



KEY ACHIEVEMENTS



26

Regional insight reports and publications.



106

Events and workshops across the Gulf Region.



6,846

University students reached through our workshops and case study competitions.



7,827

Business leader participants in our forums.



35

Universities engaged across the Gulf Region.



316

High-level regional and international speakers.

PRESENCE

The Pearl Initiative serves the Private Sector across the Gulf Region of the Middle East.





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