



PEARL INITIATIVE STUDENT CASE STUDY COMPETITION

BAHRAIN 2016

**Student-Authored Good
Practice Case Studies in:**
Corporate Good Practices
in Accountability and
Transparency



THE PEARL INITIATIVE'S SERIES OF REPORTS ON CORPORATE GOOD PRACTICES IN ACCOUNTABILITY AND TRANSPARENCY

REPORT ON CORPORATE GOOD PRACTICES IN BAHRAIN IN:

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

CASE STUDIES EDITED BY:

Carla Koffel, Executive Director, Pearl Initiative

Ghadi Khalili, Programme Assistant, Pearl Initiative

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ACKNOWLEDGEMENTS:

A special thank you to the Siemens Integrity Initiative for their support on this report and their commitment in promoting Best Corporate Integrity Practices in the region.

THANK YOU TO:

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

Design, illustrations and layout by Romy Ghalbouny.

Translated by Mahmoud Shehata

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INTRODUCTION

As part of the Pearl Initiative's series of reports on Corporate Good Practices in Accountability and Transparency, we are proud to present the outcome of the 2016 Pearl Initiative Student Case Study Competition which was held in Bahrain.

The Pearl Initiative ran a competition for university and higher college students across Bahrain to research, write and submit case studies on corporate good practices in accountability and transparency in companies operating in Bahrain.

In line with the Pearl Initiative's mission, the Student Case Study Competition aims to continuously expand a knowledge base of good business practice case studies in the region and to enhance the capabilities and inspire future business leaders.

The Student Case Study Competition is particularly intended to:

- Contribute to documenting and increasing knowledge on corporate accountability and transparency in the Gulf Region
- Engage and inspire business students in understanding the real-life application of integrity, ethics, responsibility, governance, transparency and accountability within a business context
- Improve the links between business students and companies
- Reward student capability and performance
- Recognise companies with accountable and transparent business practices



The 2016 Bahrain Competition received submissions from renowned universities from across Bahrain. This report features a selection of the three best student-authored case studies, presenting a range of interesting findings on the implementation of integrity practices and corporate responsibility reporting in companies in Bahrain.

We are very pleased that this third edition of the Pearl Initiative Student Case Study Competition was so well received by both academia and the business community in Bahrain and we are looking forward to continuing our work with students and universities across the Gulf Region.

We would like to thank all the students for their efforts and for submitting excellent case studies and would like to thank the universities and faculty who played a key role in encouraging their students to participate and guided them through the process.

Carla Koffel
Executive Director
Pearl Initiative

“ We must also thank all our partner companies. They are instrumental in demonstrating their leadership and support for the values of the Pearl Initiative, in the firm belief that improving corporate accountability and governance is fundamental to fostering future competitive economic growth, spurring job creation and enhancing sustainable social development in the region.

The important insight generated by the Pearl Initiative's groundbreaking regional reports, the capability-building for university students, the free roundtable dialogue forums, the development of a knowledge base to share regional responsible business practices – none of this would be possible without the support of our Partner Companies.”



Lord Michael Hastings of Scarisbrick
Global Head of Corporate Citizenship
KPMG International

“

The younger generation today show an impressive level of social and moral conviction and commitment, and this is further demonstrated by the students who have shared their knowledge and ideas through this case study competition.”

FOREWARD

“Ethics and integrity are the foundation stones of any individual or organisation, and should definitely be a key component of any course at universities and colleges. If we can instill this at a very young age amongst the future generation of leaders we will see a significant positive impact on issues such as corporate governance, transparency and accountability within the marketplace. The good news is that, there is a growing trend of global businesses, SMEs and family owned businesses that are making positive headway on these issues in this region and it is important that quality and credibility are maintained in a structured and regulated way. The younger generation today show an impressive level of social and moral conviction and commitment, and this is further demonstrated by the students who have shared their knowledge and ideas through this case study competition organised by Pearl Initiative and supported by universities across Bahrain.”

Lord Michael Hastings of Scarisbrick
Global Head of Corporate Citizenship
KPMG International

ABOUT THE COMPETITION

The Pearl Initiative Student Case Study Competition was open to all undergraduate and graduate business and management students enrolled at an accredited university in Bahrain. Under the supervision of a faculty member, the students could submit case studies in Arabic or in English in teams of up to 3 students.

The Bahrain case study competition is the third competition hosted by the Pearl Initiative. The competition was initiated in Saudi Arabia and expanded to the UAE and now Bahrain, engaging over 30 universities and 1,000 students across the region.

The case studies had to be examples of good practices implemented within a Bahraini company on one of the following integrity-related policies:

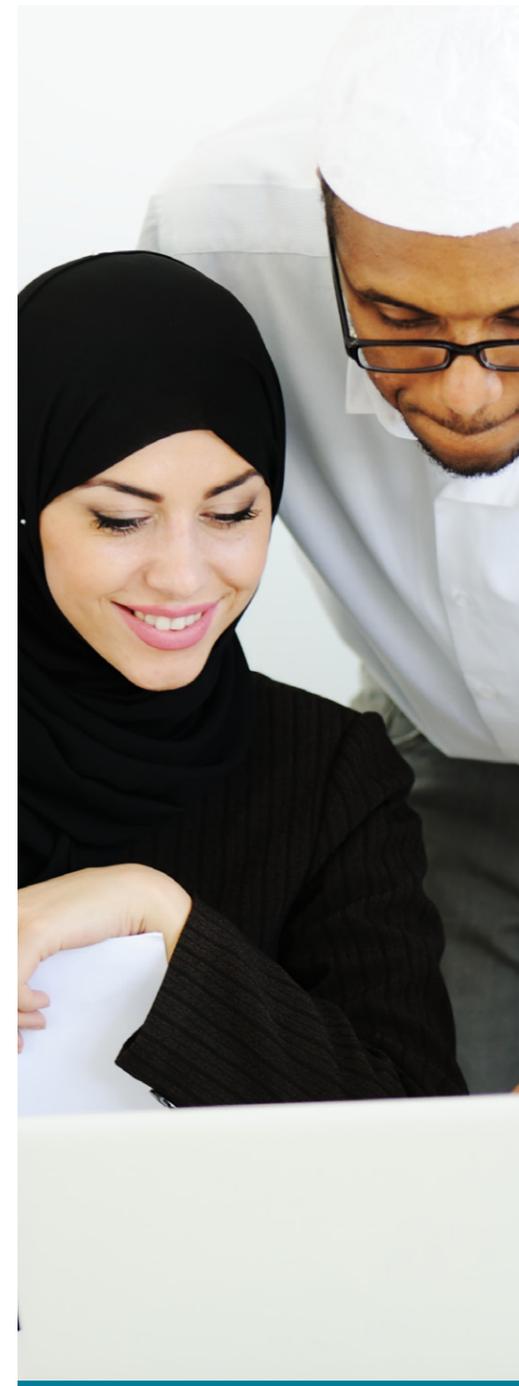
- Anti-corruption policies
- Third party due diligence
- Ethical labour practices
- Anti-money laundering

The case study could be on any company based in Bahrain, including state-owned entities, listed companies, private companies, family businesses, and small and medium-sized enterprises.

Student teams contacted the company chosen for their case study and interviewed the relevant responsible executives and complemented it by collecting information through secondary research of data in the public domain.

Each team was provided with guidelines on the process and the format of the case studies, which included the following keypoints:

-  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, the 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 CONSISTED OF

- Adnan Al Mahmood, IT & Knowledge Manager at Gulf Petrochemical Industries Co. (GPIC), Kingdom of Bahrain
- Jamal Fakhro, Managing Partner – KPMG Bahrain and Qatar, KPMG
- Hassan Jarrar, CEO, Bahrain Islamic Bank

In alphabetical order as per surname

AWARD CEREMONY

The Pearl Initiative organised an Award Ceremony to honour the three winning teams. The event was held at Ahlia University in Manama, Kingdom of Bahrain, on 24 May 2016 and was attended by over 130 executives from leading GCC companies, students and faculty members from universities across the Kingdom.

The guest speaker at the Award Ceremony was Lord Michael Hastings of Scarisbrick CBE, Global Head of Corporate Citizenship, KPMG

OVERVIEW OF THE CASE STUDIES

This report showcases the three best case studies submitted during the 2016 student case study competition by students from the leading universities in Bahrain.



CASE STUDY	NAME OF STUDENTS	PROFESSOR & UNIVERSITY
Anti-Money Laundering Controls at National Bank of Bahrain (NBB)	Salek Muyeen Akbar Nawal El Tahir Mohamed	Gagan Kukreja, Ahlia University
The Code of Conduct at Aluminum Bahrain (Alba)	Fatima Khalifa Al Jar Noora Ebrahim Bubshait Kaltham Saleh Mubarak	Entesar Abdul Aziz, University of Bahrain
The Health and Safety Policy and the Ethical Labour Practices at Aluminum Bahrain (Alba)	Alaa Matoq Yusra Abu Odeh Mariam Almubati	Stephen Black, Bahrain Polythetic

SUMMARY ON CASE STUDIES

CASE STUDY 1: Anti-Money Laundering Controls at National Bank of Bahrain (NBB)

This case study focuses on the Anti-Money Laundering Controls at National Bank of Bahrain (NBB). The case study describes the policies and the process for implementing the policy using tools that identify and expose possible red-flags of money laundering from within and outside the organisation.

The case study describes the process created and what were the drivers for the development of the policy, how it was embedded within the organisation, and once implemented, the effectiveness of the identification and reporting of issues process and the challenges the organisation faced throughout the process.

CASE STUDY 2: The Code of Conduct at Aluminum Bahrain (Alba)

This case study discusses Alba's code of conduct which is aimed at achieving high levels of standards and ethics. The code of conduct's focus revolves around valuing people; safety, health and environment; good citizenship and social responsibility; ethical business; and information and confidentiality. The motivation for creating the code of conduct is to gain the trust and confidence of the employees, community and society.

The case study highlights the importance of human capital, and how people are key to the success of an organisation. It provides an insight into the process of embedding and implementing the policy through training and the importance of involving suppliers and the community and being transparent in communication. It also shares some of the challenges the organisation faces in implementing and enforcing the policy.

CASE STUDY 3: The Health and Safety Policy and the Ethical Labour Practices at Aluminum Bahrain (Alba)

This case study sheds light on Alba's Health and Safety policy and its ethical labour practices. The policy created was based on the requirements of Bahrain's labour law, however, Alba goes beyond these requirements to reach global recognition, ensure the future sustainability of the organisation and to take steps to create a comfortable working environment for its employees.

This case study explains the process in which the policy is developed, the process of embedding the policy through employee involvement and training and the ways the organisation overcomes obstacles it faced in enforcing the policy across the organisation.

CASE STUDY 1 ANTI-MONEY LAUNDERING CONTROLS AT NATIONAL BANK OF BAHRAIN

COMPANY NAME	National Bank of Bahrain (NBB)
HEADQUARTERS	Manama, Bahrain
SECTOR	Financial Services
NUMBER OF EMPLOYEES (2016)	590
ANNUAL REVENUE	BD 94.4 million (US\$ 251.07 million) 2015
STATUS	Public



COMPANY DESCRIPTION

National Bank of Bahrain (NBB) is a Shareholding Company established in 1957 as the first local bank in Bahrain. NBB has grown steadily to become the country's leading provider of retail and commercial banking services with a network of 26 branches and 59 ATMs. Its total assets as of 31 December 2015, amounted to BD 2,999.71 million (US\$ 7,977.94 million). NBB is committed to supporting and contributing to Bahrain's social welfare and stated as part of their social responsibility commitments that: "It is both our duty and our privilege to be serving the community beyond banking". This case study focuses on the bank's Anti-Money Laundering (AML) controls to prevent and detect Money Laundering (ML).



DESCRIPTION OF INTEGRITY-RELATED PRACTICE

NBB has developed and implemented a number of programmes and policies that together, comprise of a 5 point approach to AML controls:

- Decrease the costs the bank would have to endure in the long-run by preventing money laundering from occurring in the first place.
- Avoid penalties resulting from the failure to comply with AML laws.
- Enhance safe and sound banking practices.
- Boost the safety and durability of its banking system.
- Assure all stakeholders that the bank complies with the international regulations and the laws of the Kingdom of Bahrain.

“The transaction monitoring system is used for monitoring, examining and taking appropriate actions against any suspicious or unusual activities.”

NBB employs a Know your Customer (KYC) programme to identify customers who are engaging with NBB and to gather intelligence over the course of the bank's relationship with the customer. It accomplishes this by using two major systems: account opening systems and transaction monitoring systems. The bank conducts Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD) and other investigative processes to aid the KYC systems.

NBB's account opening systems use a Customer Identification Programme (CIP) to identify potential customers by using established account-opening forms and documents to gather intelligence on the customer and then categorising them using NBB's internal list which classifies different customers using the Risk Control Self-Assessment (RCSA) process to allocate resources to areas with greater risks.

The transaction monitoring system is used for monitoring, examining and taking appropriate actions against any suspicious or unusual activities. NBB therefore employed an automated software which performs a review of all accounts by filtering customer activities and screening new customer's information against a host of Public Control Lists which filters activities using metrics and parameters set by NBB to detect unusual activities and generate an alert for activities violating the mathematical equations. The software then classifies customers on a "Risk Heat Map" using NBB's risk formulas and scores the risk levels. It represents the results through a color scheme of green (low), amber (medium) and red (high) on a risk matrix to indicate areas in which Customer Due Diligence or Enhanced Due Diligence need to be performed.

NBB conducts a Risk-Based Due Diligence (RBDD) on customers throughout their affiliation with the bank. The higher the risk of an entity, the more rigorous the investigative and monitoring processes used. While Customer Due Diligence (CDD) is conducted on every customer, some account activities or types of customers require Enhanced Due Diligence (EDD) due to higher risks of Money Laundering. Moreover, the Relationship Management

Disclaimer

All the contents of the case study do not represent NBB's view about NBB's internal AML controls. The contents represent the opinion, views and comments of the students only on the bank AML controls. NBB makes no representations or warranties and assume no responsibility or liability as to the accuracy, correctness or adequacy of the information contained in the case study. Neither NBB nor any of its employees shall under any circumstances assume any kind of responsibility for any statements or assessments expressed or made in the case study. It should be clearly understood that any person uses the information contained in the case study is doing so at his/its own risk and based on his/its own independent appraisal, assessment or judgment and has not relied while using such information on assumption that the information has been prepared by NBB or represent NBB's view



Application by Society for Worldwide Interbank Financial Telecommunication (SWIFT) is used to connect with financial institutions that may engage with NBB to exchange payment related information. For such customers, NBB has developed an AML Questionnaire inspired by the Wolfsberg Group's AML questionnaire and has modified it to suit its own risks.

Since violations can also occur internally, NBB has placed a Know Your Employee programme (KYE) to perform background screening and credit checks on potential and existing employees. This is necessary to identify and prevent insiders from engaging in unethical activities.

To ensure high standards and compliance with laws and regulations, NBB complies with the following government requirements and guidelines:

- Central Bank of Bahrain (CBB) Financial Crime Modules
- Financial Action Task Force (FATF) 40+9 Recommendations
- The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury Sanctions
- The applicable AML laws and regulations in Bahrain, including but not limited to the following:
 - Decree Law No. 4 of 2001 with Respect to Prohibition of and Combating Money Laundering
 - Decree Law No. 54 of 2006 with Respect to Amending Certain Provisions of Legislative Decree Law No. 4 of 2001
 - Decree Law No. 58 of 2006 with Respect to Protection of the Community Against Terrorist Acts
- Basel II & III

NBB's policies have been established to achieve complete compliance with all relevant laws and regulations."



POLICY DEVELOPMENT

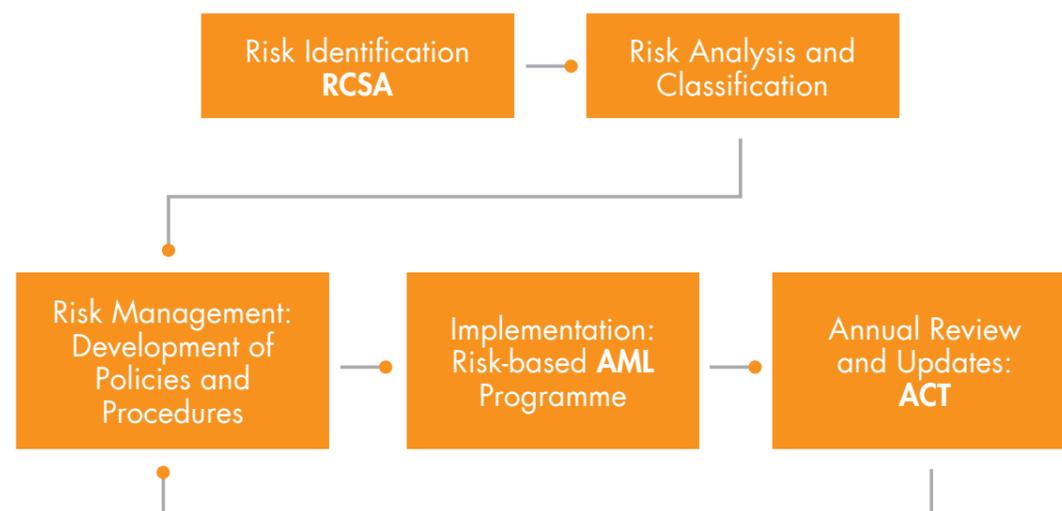
NBB's policies have been established to achieve complete compliance with all relevant laws and regulations. The following concisely states some with NBB's major policies:

- External reporting of suspicious activities to authorities through the AML Department established within NBB.
- A Know Your Customer (KYC) programme in force throughout the customer's affiliation with the bank.
- Additional resources such as Enhanced Due Diligence (EDD) are to be allocated for high-risk entities.
- Effects of alteration in laws and regulations are to be integrated by reviewing the bank's practices frequently.
- All employees are trained in handling and reporting suspicious activities confidentially.
- Periodic audits are to be carried out to ensure compliance with laws and procedures.
- Employing a Risk-Based Approach (RBA) in dealing with money laundering threats.

Figure 2 shows the stages of developing policies and practices within NBB. The initial stage involves identifying risks by performing a Risk Control Self-Assessment (RCSA) to determine exposures to possible money laundering risks. The aim is to develop policies by identifying the risks faced by the bank and all the markets it operates in. The next stage involves analysing the risks and creating a mathematical formula and a risk matrix for categorising risk levels. Once the analysis is complete, the Money Laundering Reporting Officer (MLRO) decides on how to mitigate the risks by building policies and practices as countermeasures. The result forms NBB's AML programme. Finally, the MLRO reviews the controls periodically to appraise compliance and mitigation of the risks and reports to the Compliance Department to replace old policies or develop new ones. NBB's "Risk Group" is responsible for performing the Risk Control Self-Assessment (RCSA) to develop new policies based on changes in operations or risks identified

within the annual review of the bank's policies. The MLRO also interacts with the Central Bank of Bahrain in order to provide feedback on the issuance of a new regulation based on requirements or on publications by international bodies. Such interaction may occur through direct conversations or indirectly through "Consultations" whereby feedback is given by relevant stakeholders electronically to the Central Bank of Bahrain. If a new law is enacted or updated based on feedback, the MLRO develops, checks and updates the policies on an annual basis and sends them to the senior management and the Board of Directors for approval. Once approval is granted, the policies and procedures are incorporated within the bank. The MLRO conducts an "AML and Compliance Testing" (ACT) every one and a half years to examine the implementation of all new regulations within the bank and submits a report to the Compliance Department.

Figure 2 Policy Development Process



“ New employees are given an induction training on AML and Combating Terrorism Financing within the first three weeks of joining the company.”

PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION



NBB prioritises enhancing its employee's knowledge on money laundering and AML practices. This is achieved using both internal and external training, which are prepared and regulated by NBB's HR Department and Compliance Department. These include giving insight to their employees through comprehensive E-Learning, face-to-face meetings with qualified colleagues/managers, holding workshops, group discussions, hiring qualified people and much more. New employees are given induction training on AML and Combating Terrorism Financing within the first three weeks of joining the company to familiarise them with the internal policies and procedures. NBB's policy requires any employee who interacts with customers to receive additional training which is held annually. NBB adopts these bank-wide programmes to spread awareness amongst its employees mainly to identify suspicious activities, take action on detecting such activities and engaging in transaction monitoring activities.

IDENTIFICATION AND REPORTING OF ISSUES



Several measures are taken at NBB to ensure that possible issues regarding compliance with AML regulations and the AML programme requirements are identified by the bank's employees and dealt with in an appropriate manner. Firstly, the MLRO reports daily to the Head of the Compliance Department regarding the types of transactions, number of Suspicious Transaction Reports (STRs) filed and the monitoring mechanisms being used. The MLRO then creates a monthly and annual report on the performance of the AML mechanisms,

produces statistical data, trends and patterns to aid in future investigations. Furthermore, the AML software is reviewed frequently to ensure it does not fail to detect unusual activities or generate excessive false alerts.

Secondly, NBB adopts a whistleblower policy which allows employees of the bank to report any unethical or illegal activities to the HR Department electronically with the option to remain anonymous. The HR Department also informs the whistleblower of the outcome of the investigation privately and maintains all records pertaining to the whistleblower's reports and subsequent action taken, for a period of five years. If reporting to the HR Department does result in successful action, the employee can reach out to the Audit Committee. This is done to prohibit managerial personnel from taking adverse actions against employees for whistleblowing.



ENFORCEMENT

The Audit Committee's primary responsibility is to ensure compliance of the established procedures and policies of the bank by supporting the Internal Audit Unit as well as the external audit processes for inspecting all departments including the AML Department. The aim of the committee is to bolster the bank's internal controls and its risk management framework.

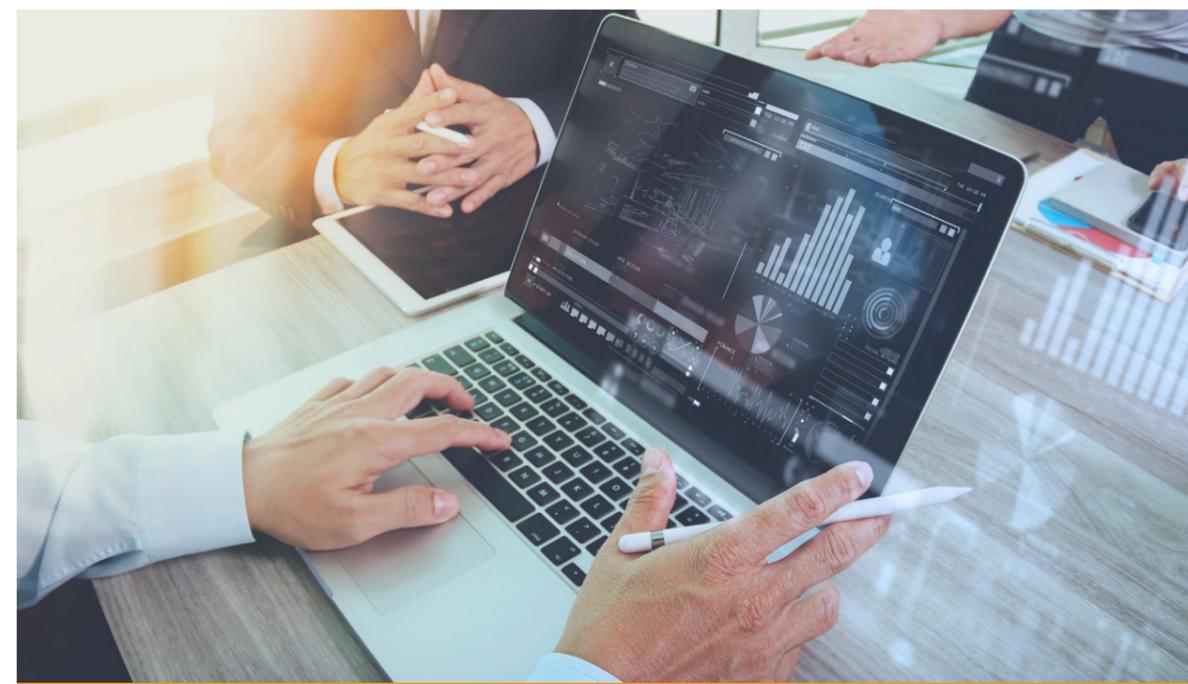
The Internal Audit Unit's responsibility is to ensure the appropriate use of the AML procedures, provision of adequate training to employees, maintenance of due diligence records, appropriate completion and filing of Suspicious Transaction Reports (STRs) and verification of the department's annual reviews. This is done by initiating both regular and ad hoc reviews of the AML controls and procedures that are in place and processing any changes to determine their adequacy.

The Audit Committee appoints external auditors to review the work of the AML Department and the Internal Audit. The External Audit reviews the AML policies and procedures annually and appraises the success of the AML programme in terms of how well it has been operating based on how well the Internal Audit Unit conducts its reviews of the AML Department through the Audit Log Report.



LESSONS LEARNED

- Enhanced Due Diligence is imperative for identifying as well as monitoring high risk entities as it enhances the rigorousness of the monitoring process.
- A bank must develop its policies based on risk assessments in order to ensure their effectiveness and relevance to the business.
- Know Your Customer (KYC) takes place throughout the customer's affiliation with the bank.
- Know Your Employee (KYE) is required to prevent insider money laundering activities.



WRITTEN BY:

Salek Muyeen Akbar,
Nawal El Tahir Mohamed

PROFESSOR:

Gagan Kukreja

UNIVERSITY:

Ahlia University

CASE STUDY 2 THE CODE OF CONDUCT AT ALUMINUM BAHRAIN (ALBA)

COMPANY NAME	Aluminum Bahrain B.S.C. (Alba)
HEADQUARTERS	Askar, Bahrain
SECTOR	Aluminum Smelting and Manufacturing Sector
NUMBER OF EMPLOYEES (2016)	2,650
ANNUAL REVENUE	Approximately BD 766 million as of 2015
STATUS	Public



COMPANY DESCRIPTION

Aluminum Bahrain B.S.C was established in 1968 and is currently one of the largest aluminum companies in the world. On the global scale, it is widely regarded as one of the top ten performers in the aluminum industry and one of the pillars of Bahrain's economy. Alba commenced its operations with 120,000 tons of aluminum and now produces over 971,000 metric tons per year. Half of the output is destined for the Bahraini market while the rest is exported to various regions across the globe.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

A major element that has contributed towards building Alba's reputation is the integrity practices it has instilled within its labor environment. The Code of Conduct was implemented in 2009 as one of the guiding manuals helping the company to achieve high standards and strong ethics. It is essentially an agreement between the company and employees that consist of a set of rules and policies embedded in the company to promote trust, equality and dignity. It consists of five main elements namely: valuing people; safety, health and environment; good citizenship and social responsibility; ethical business; and, information and confidentiality.

Human capital is the most valuable asset to a company operating in the industrial sector. Hence, Alba's Code of Conduct prioritises and ensures the safety and health of the work environment and the wellbeing of all employees. The main motivation for the company to develop the Code of Conduct was to gain the trust and confidence of employees, community and society.

“The Code of Conduct defines the principles of fairness, equality and the opportunities available to the employees.”

The Code of Conduct also includes a description of the duties and responsibilities managers and supervisors have towards their employees to ensure their health and safety. It also describes the set of rules and ethical practices that must be embraced by all employees and defines the process of raising claims and concerns in the presence of unethical practices or the violation of rules. In addition, the Code of Conduct defines the principles of fairness, equality and the opportunities available to the employees.

The Code of Conduct also describes the responsibilities employees have towards all stakeholders. Further, it addresses issues such as bribery, corruption, conflict of interests, assets theft, fraud and misuse. It also includes policies to control these behaviors and what actions should be carried out to report these issues. Moreover, a section in the Code of Conduct was dedicated to discuss the confidentiality of information, being the most valuable resource in the company.





POLICY DEVELOPMENT

To establish the Code of Conduct, Alba has involved all its Executive Management along with its senior officials. The established policies were checked against the Bahrain Labor law, Bahrain Business Law, Financial Law and other International laws. It is important to ensure that the established policies are robust and relevant worldwide.

Furthermore, the internal audit department at Alba was responsible for introducing, amending, altering and monitoring the implementation of the Code of Conduct. Any updates or changes made are published on the company's official website and the intranet.



PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

To put the Code of Conduct into practice, Alba organised a communication campaign as well as a mandatory programme to train and orientate current and new employees. As part of their induction, new employees must take part in a safety training. Upon completion of the training, the trainees must sign an agreement to the terms of the Code of Conduct. Next, the employees enter a mandatory training programme where they learn about the company's policies, regulations, and practices. They are also informed about their obligations and expectations towards the company. During this event, posters and guiding manuals are distributed to all trainees.

The process of the implementation of the Code of Conduct also extends to the supply chain. Customers and suppliers are informed about the Code of Conduct and are required to act in accordance with it. In the presence of any claim, customers and suppliers can directly contact the safety integrity line to report their issues.

The main challenge that Alba faced was training a large number of employees to use the Code of Conduct as a guideline to fulfill their responsibilities. Also, introducing the company's strategy and Code of Conduct to suppliers and customers from all over the world required tremendous efforts.



IDENTIFICATION AND REPORTING OF ISSUES

Alba has established various mechanisms in order to identify and control unethical practices or violations. The whistleblowing line is hosted by an independent third party to ensure the confidentiality of the whistleblower, allowing all stakeholders to act as whistleblowers through its hotline and website.

Another mechanism is the "good suggestion scheme", where employees are given the opportunity to suggest and express their opinion regarding any issue. In addition, Alba's CEO Tim Murray introduced a new concept known as the "Town Hall Meeting" back in January 2013 wherein the objective is to have a direct communication with all layers in the company's pyramid. This approach allows the Executive Management, managers and employees to interact directly and share ideas, concerns and expectations for the year ahead in a simple and transparent manner.

All claims and concerns are raised to the Integrity Task Force, which consists of the Chief Internal Auditor (Chairman), as well as the Administration Director, and Legal Manager, who review these claims.



ENFORCEMENT

The process of enforcing the Code of Conduct is the responsibility of line management and HR, with the support from the independent internal auditor, who observes the activities of each department. External auditors are hired to review the work of the Audit Department. Also, a national auditor ensures the compliance and implementation of the policies in accordance to the Bahrain Labor Law.

To assist in the process of enforcement of the Code of Conduct, the company uses posters that illustrate the expectations from each employee towards the organisation. These posters are distributed throughout the offices to constantly remind and encourage the employees of their responsibilities and goals.



The process of the implementation of the Code of Conduct also extends to the supply chain. Customers and suppliers are informed about the Code of Conduct and are required to act in accordance with it."



“As a result of the implementation of Alba’s policies, employees become self-monitored and embed the concept of ethical practices within their values.”

Moreover, the head of each department regularly meets with the employees to ensure that they meet these expectations.

Employees who violate the Code of Conduct, ethical practices and norms of the organisation are subject to investigation and potentially even termination. This action reflects Alba’s high transparency and accountability towards the ethical practices.

As a result of the implementation of such policies, employees become self-monitored and embed the concept of ethical practices within their values.



LESSONS LEARNED

- The company’s primary concern is the creation of an ethical environment and its impacts as opposed to the costs associated.
- Managers play a critical role in supporting employees by granting them the confidence and a sense of ownership to efficiently implement the policies.
- The direct interaction between managers and employees is essential to communicate the various concerns and matters, as demonstrated in the recently introduced “Town Hall Meeting”.

WRITTEN BY:

Fatima Al Jar,
Noora, Bubshait,
Kaltham Mubarak

PROFESSOR:

Entesar Abdul Aziz

UNIVERSITY:

University of Bahrain

CASE STUDY 3 THE HEALTH AND SAFETY POLICY AND THE ETHICAL LABOUR PRACTICES AT ALBA

COMPANY NAME	Aluminum Bahrain B.S.C. (Alba)
HEADQUARTERS	Askar, Bahrain
SECTOR	Aluminum Smelting and Manufacturing Sector
NUMBER OF EMPLOYEES (2016)	2,650
ANNUAL REVENUE	USD 2.0 Billion (as of 2014).
STATUS	Public



COMPANY DESCRIPTION

Alba established the foundation for non-oil industries and economic diversification in Bahrain. Alba was incorporated by Charter in 1968 and commenced its operations by 1971 as a smelter, producing 120,000 metric tons of aluminum per annum. Today Alba produces over 971,000 metric tons per annum. Its range of operations includes the production of aluminum and a variety of other molded aluminum products. Alba produces 49% of its products for industrial use in Bahrain and exports the rest to over 25 countries across the globe. In 1997, aluminum provided by Alba was used in for producing Solar Panels on the "Sojourner" rover that was used in the Mars Pathfinder spacecraft.

Alba's plant extends over 3.65 Km² and includes 5 production lines, two cast-houses, a dedicated carbon plant, a coke calcining plant, a water desalination plant, 11 fume treatment plants, their own marine terminal and a power plant that includes 4 power stations.

The focus of this case study will be on the Health and Safety policy and the company's ethical labor practices.



DESCRIPTION OF THE INTEGRITY-RELATED PRACTICE

Employees are key to the growth of the organisation, making their safety one of the company's top priorities. Alba therefore applies its 2006 Health and Safety Policy providing a safe working environment which helps protect employees, assets and operations. The policy achieves this through the provision of safety helmets and shoes; special clothing; protective glasses; and other safety equipment.



It also includes provisions on the operation of manually handled machines and equipment, safe disposal of waste, banning the use of prohibited materials such as Asbestos, the availability of all types of fire extinguishers, automatic sprinkling systems and other provisions.

It is essential to implement such policies as it is within Alba's ethical responsibilities to ensure that a safe working environment exists for employees.

The main driver for establishing Alba's Health and Safety Policy is the requirement of the Ministry of Labour as per Bahrain's Labour Law of 2012. Alba, however, goes beyond these requirements by adopting the Occupational Health and Safety Assessments Series 18001 (OHSAS) as it seeks global recognition. Implementing such policies would increase recognition and foster collaboration between existing and new partners, ensuring the future sustainability of the business. It also operates as an incentive for employees as it builds a sense of comfort in the workplace which boosts productivity and reduces the likelihood of accidents and errors which results in cost reductions and increased profitability.

“Employees are key to the growth of the organisation, making their safety one of the company's top priorities.”

POLICY DEVELOPMENT

Real changes in the safety culture were seen from 2012 under the leadership of Mr. Tim Murray, the appointed Chief Executive Officer, focusing Alba towards global recognition and protecting employees.

Alba adopted the requirements of Occupational Health and Safety Assessments Series 18001 (OHSAS) which ensures Alba's policies comply with the international standards. In terms of firefighting, Alba uses standards adopted by the National Fire Protection Association (NFPA) that are also adopted in several other countries around the world. This policy was developed by the managers of the Safety and Health Department and was reviewed and approved by the Board of Directors including the CEO. Further development of the policy and its practices can be made based on suggestions by the employees through a 'Safety Suggestion' system allowing employees to contribute by suggesting safety enhancement and accident prevention ideas. Good ideas get rewarded financially.

Safety systems and policies are continuously being updated by the Risk Assessment Committee who examine risk factors in the plant and modify the policy if required.

PROCESS FOR EMBEDDING THE PRACTICE WITHIN THE ORGANISATION

In 2015, Alba achieved a record of completing 5,000,000 working hours without a single accident, making it one of the safest aluminum smelters in the world. Alba follows a range of methods to embed its Health and Safety Policy within the organisation. These include conducting seminars, using printed materials and PowerPoint presentations to further enforce the policy. In October 2013, Alba held a Loss Prevention Seminar conducted by FM Global, a renowned insurance company specialising in loss prevention services in order to ensure that Alba's policies are implemented according to standards. Additionally, a 1-hour induction training as well as an on-the-job training (170,000 training hours annually) (e.g. Forklifts Usage Safety Procedures) is provided for all employees by OHSAS 18001 certified safety personnel and EMIC Training Company. The 1-hour induction training includes informing employees of the basic elements of the Code of Conduct, risks and rules. This includes practical training on the use of software systems that are implemented to ensure safety; printed materials and PowerPoint presentations by supervisors and managers.

 *A culture of communication is established, so that everyone is aware of the progress by implementing an open-door policy."*

Additionally, a 5-minute safety talk is conducted every morning by the supervisor of each department. This talk includes discussions and information on, for example, what accidents have happened in other departments, how to avoid them and what possible risks the day could hold (e.g. the risk of bad weather conditions to operations).

A key challenge to the implementation of Alba's Health and Safety Policy is employee resistance. What drives this resistance is that employees and sometimes management believe that if operations continued safely without the implementation of the policy, it should not be a necessity. It is due to such ideology that employees resist the implementation of the policy and any further developments and changes, especially since Alba implements requirements beyond those of the Ministry of Labour. To overcome these barriers, Alba ensures the transparency of communication and does not withhold any information regarding safety issues and accidents. A culture of communication is established so that everyone is aware of the progress by implementing an open-door policy so that employees can communicate with their supervisors or managers in case they are facing any issues with the policy implemented before, during and after implementation. Raising awareness regarding all accidents by management to employees is also necessary to emphasise the importance of such policies and minimise resistance.

IDENTIFICATION AND REPORTING OF ISSUES

Alba's entire premises is equipped with fire detection and prevention systems that detect traces of smoke and have automated water releasing sprinklers. At areas where it is not possible to install such systems, all types of fire extinguishers and equipment are available for different types of fires. Due to the critical nature of fire in such a plant, Alba has two fire trucks and their own firefighters to quickly respond to issues. Additionally, Alba's entire premises are monitored with CCTV 24/7 and connected to one control room where employees can detect any issues or accidents with their own accident investigators to identify causes of accidents and who is held responsible. This further enforces the importance of safety and security to the employees and boosts their sense of responsibility.

The main accident reporting method is via cellphones where employees, upon employment are provided with Alba's own emergency number (3333) to contact in case quick responses are needed. The employee should then contact his/her direct supervisor to report the accident. In places where cellphones aren't allowed such as on top of cranes, Walkie-Talkies are used to report issues. Monitors are also embedded around Alba's premises to announce any issues or accidents so that all employees take caution and are aware of the problem.



ENFORCEMENT

To ensure compliance with safety policies, a list of disciplinary actions suitable for the type of misconduct is established and employees are made aware of it. Additionally, external auditors from the responsible company inspect the implementation of OHSAS 18001 twice a year. The company also conducts its own internal audit to ensure compliance with the policies. Moreover, the acting SHE Manager conducts monthly visits to each department where he inspects awareness and compliance to the different safety procedures and produces reports that are sent to top management when required.

The acting SHE Manager also audits the Job Safety Practices (JSP) documents that should be signed by employees every 6 months to ensure their awareness and obligation. Presentations are also conducted by the CEO annually to individual departments to increase their sense of responsibility and obligation towards safety practices. The Acting SHE Manager also presents monthly to top management regarding the practices, achievements and shortfalls in the past month to identify gaps and further develop the policy.



LESSONS LEARNED

- Implementing the Health and Safety Policy requires change management that also considers the different factors within a particular region or country (e.g. culture) because the workforce reacts differently depending on cultural background and other factors.

- Continuous communication and transparency. The Acting SHE Manager has daily contact with the employees and aims to be transparent in communicating progress of the implementation of the policy and following cases of accidents. This conveys to employees the message that management are concerned about their well-being and that they are a critical element. Otherwise, employees would feel neglected and they would be operating in a demotivating working environment which reduces productivity and can lead to increasing the risk of accidents.
- The continuous monitoring and supervision of the implementation of the policy and awareness of employees in relation to it is important. It monitors how employees are implementing the policy in daily operations. The lack of monitoring can lead to negligence by employees as they would disregard incorporating the policy within their practices because there would be no consequences.



WRITTEN BY:
Alaa Matoog,
Yusra Abu Odeh,
Mariam Alzubati

PROFESSOR:
Stephen Black

UNIVERSITY:
Bahrain Polytechnic

ABOUT THE PEARL INITIATIVE

OUR PURPOSE

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

Founded in 2010, the Pearl Initiative works 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.

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KEY TOPICS OF INTEREST



CORPORATE GOVERNANCE



ANTI-CORRUPTION BEST PRACTICES



DIVERSITY IN BUSINESS LEADERSHIP



CORPORATE REPORTING



ETHICAL LEADERSHIP DEVELOPMENT

OUR PARTNER COMPANIES (AS OF AUGUST 2017)



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

KEY ACHIEVEMENTS



PRESENCE

The Pearl Initiative is working across the Gulf Region of the Middle East.





PO Box 26666, Sharjah, United Arab Emirates
Tel +971 6 515 4605 Fax +971 6 572 6000
enquiries@pearlinitiative.org www.pearlinitiative.org