

Corruption and Trade

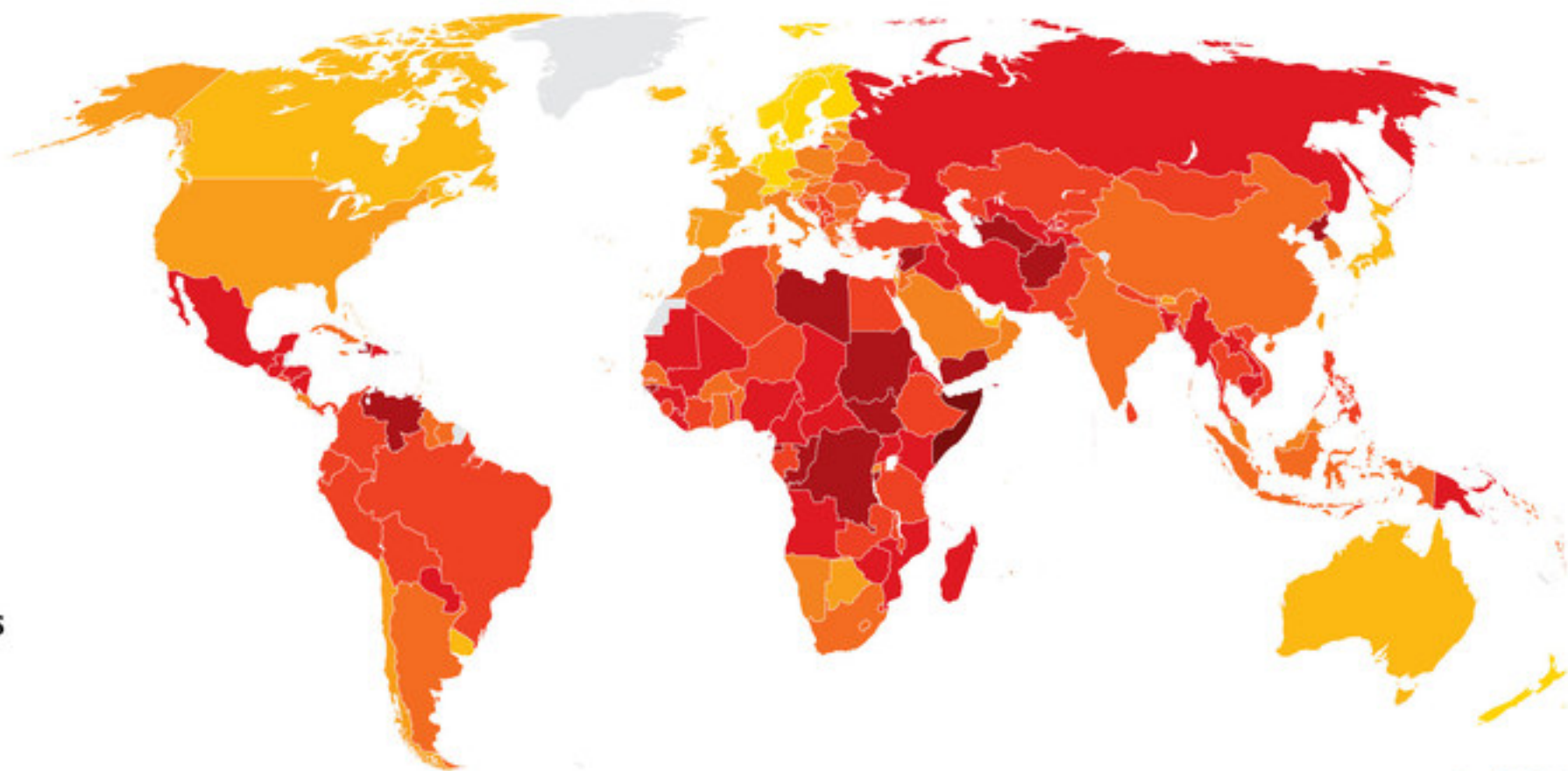
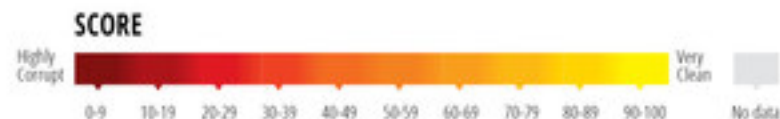
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CORRUPTION PERCEPTIONS INDEX 2019

The perceived levels of public sector corruption in 180 countries/territories around the world.



#cpi2019

www.transparency.org/cpi

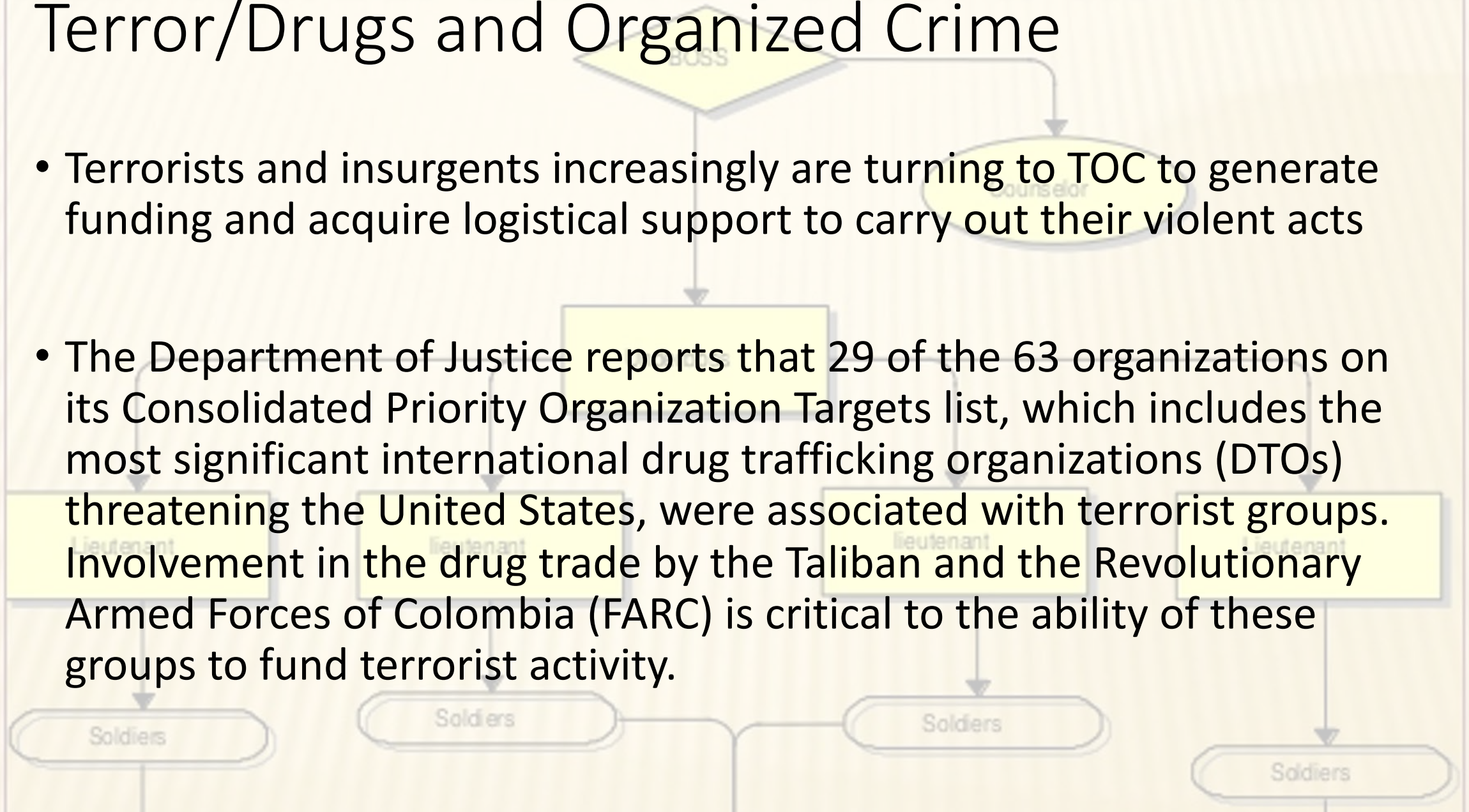
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SCORE	COUNTRY/TERRITORY	RANK	69	France	23	56	Czech Republic	44	45	Montenegro	66
87	Denmark	1	69	United States of America	23	56	Georgia	44	45	Senegal	66
87	New Zealand	1	68	Bhutan	25	56	Latvia	44	44	Hungary	70
86	Finland	3	67	Chile	26	55	Dominica	48	44	Romania	70
85	Singapore	4	66	Seychelles	27	55	Saint Lucia	48	44	South Africa	70
85	Sweden	4	65	Taiwan	28	54	Malta	50	44	Suriname	70
85	Switzerland	4	64	Bahamas	29	53	Grenada	51	43	Bulgaria	74
84	Norway	7	62	Barbados	30	53	Italy	51	43	Jamaica	74
82	Netherlands	8	62	Portugal	30	53	Malaysia	51	43	Tunisia	74
80	Germany	9	62	Qatar	30	53	Rwanda	51	42	Armenia	77
80	Luxembourg	9	62	Spain	30	53	Saudi Arabia	51	42	Bahrain	77
78	Iceland	11	62	Botswana	34	52	Mauritius	56	42	Solomon Islands	77
77	Australia	12	61	Brunei Darussalam	35	52	Namibia	56	41	Benin	80
77	Austria	12	60	Israel	35	52	Oman	56	41	China	80
77	Canada	12	60	Lithuania	35	50	Slovakia	59	41	Ghana	80
77	United Kingdom	12	60	Slovenia	35	48	Cuba	60	41	India	80
76	Hong Kong	16	60	Korea, South	39	48	Greece	60	41	Morocco	80
75	Belgium	17	59	Saint Vincent and the Grenadines	39	48	Jordan	60	40	Burkina Faso	85
74	Estonia	18	59	Cabo Verde	41	47	Croatia	63	40	Guyana	85
74	Ireland	18	58	Cyprus	41	46	Sao Tome and Principe	64	40	Indonesia	85
73	Japan	20	58	Poland	41	46	Vanuatu	64	40	Kuwait	85
71	United Arab Emirates	21	58	Costa Rica	44	45	Argentina	66	40	Lesotho	85
71	Uruguay	21	56			45	Belarus	66	40	Trinidad and Tobago	85

AMERICAN MAFIA FAMILY NETWORK

Terror/Drugs and Organized Crime

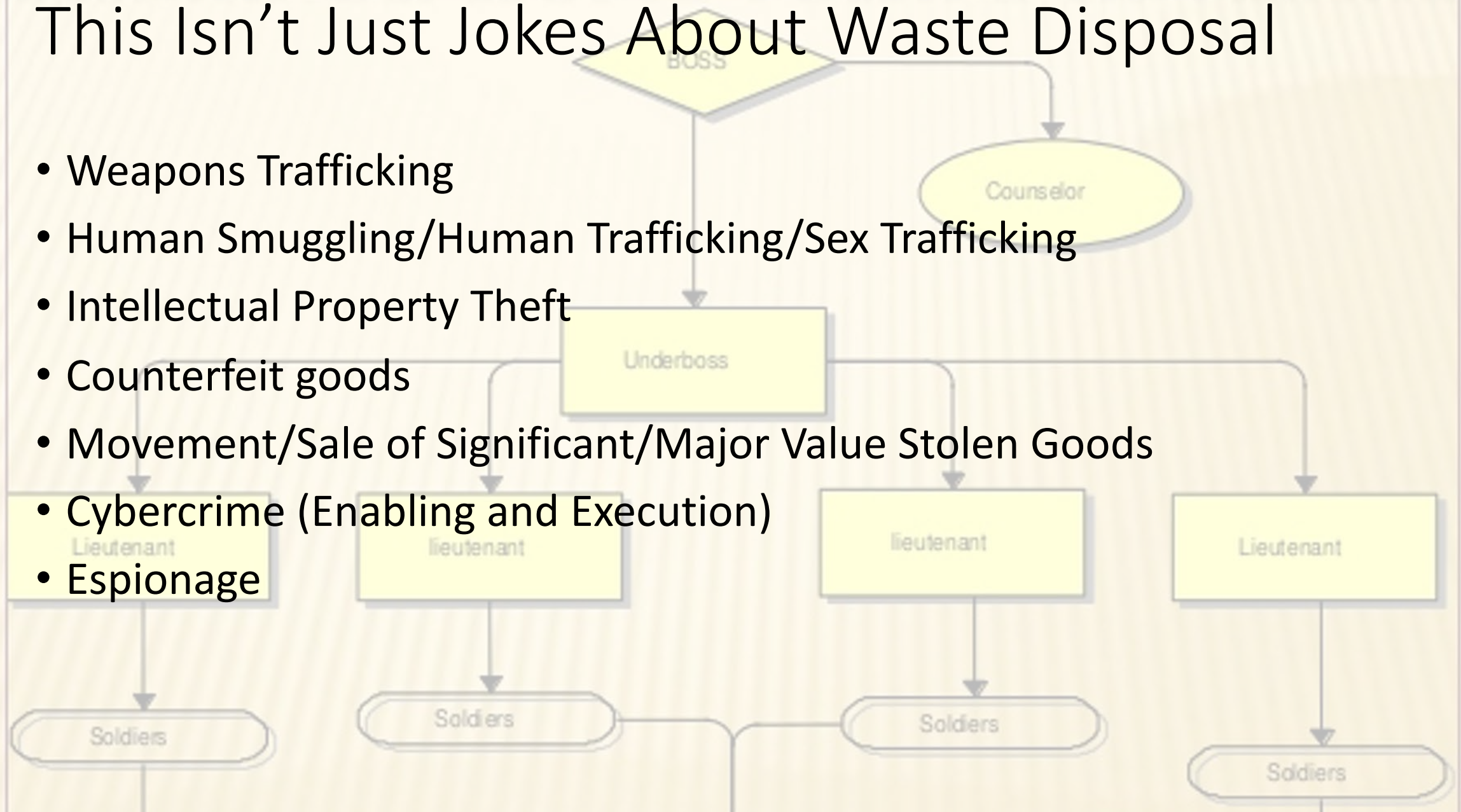
- Terrorists and insurgents increasingly are turning to TOC to generate funding and acquire logistical support to carry out their violent acts
- The Department of Justice reports that 29 of the 63 organizations on its Consolidated Priority Organization Targets list, which includes the most significant international drug trafficking organizations (DTOs) threatening the United States, were associated with terrorist groups. Involvement in the drug trade by the Taliban and the Revolutionary Armed Forces of Colombia (FARC) is critical to the ability of these groups to fund terrorist activity.



AMERICAN MAFIA FAMILY NETWORK

This Isn't Just Jokes About Waste Disposal

- Weapons Trafficking
- Human Smuggling/Human Trafficking/Sex Trafficking
- Intellectual Property Theft
- Counterfeit goods
- Movement/Sale of Significant/Major Value Stolen Goods
- Cybercrime (Enabling and Execution)
- Espionage




A close-up photograph of olive oil being poured from a glass bottle into a small glass bowl. The oil is a vibrant yellow color and is captured mid-pour, creating a thin stream. The background is slightly blurred, showing more of the bottle and some greenery.

Olive Oil – The Whole Supply Chain

- Italian crime syndicates earned an estimated 16 billion euros (\$16.85 billion) in 2015 through illegal activities in the agriculture sector, up from 15 billion in 2014, according to Italy's agricultural association, Coldiretti.
- Besides counterfeiting products, gangs make money seizing control of farmland and firms, fixing prices, controlling distribution and through labor exploitation, studies say.
- In 2015, crime groups forced more than 100,000 Italians and migrants to work long hours for little pay in fields across the country, according to a report by Italian General Confederation of Labor union (CGIL).
- Similar schemes have been successful in wine, cheese and liquors. Wines being by far the most popular and profitable.

Nobody Knows Anything About Wine

- Buying quality wine has never been more fraught. Global food and beverage fraud is reportedly a \$40 billion industry.
- Art theft, on the other hand, is valued at \$6 billion per year.
- The Interprofessional Council of Bordeaux Wine believes that 30,000 bottles of counterfeit imported wine are sold every hour in China alone.

The background of the slide is a collage. On the left and bottom, there are various US dollar bills (including \$100, \$20, and \$10) and gold coins. On the right side, there is a collection of several handguns of different models and colors (black, silver, gold).

“Weaknesses in our laws are being exploited by a growing list of bad actors at home and abroad. From foreign despots to terror networks, drug cartels to human traffickers, some of the world’s most destructive forces are benefitting from gaps in U.S. law. Multiple corruption scandals in the last year alone have shown that transnational corruption is often facilitated, enabled, or perpetuated by countries toward the top of the Index, including the United States. Fortunately, bipartisan legislation currently before Congress, the ILLICIT CASH Act and the Corporate Transparency Act, would go a long way toward stopping these interests from using the U.S. as a laundromat for their dirty cash.”

- Gary Kalman, Director, Transparency International

Purpose

- It must be a fundamental policy that all its business and other activities be always conducted in strict compliance with all applicable laws and regulations of the countries and jurisdictions in which the Company conducts business.
- The purpose of any compliance program focused on FCPA is to ensure compliance by employees and agents of the Company with the Foreign Corrupt Practices Act (the “FCPA”).



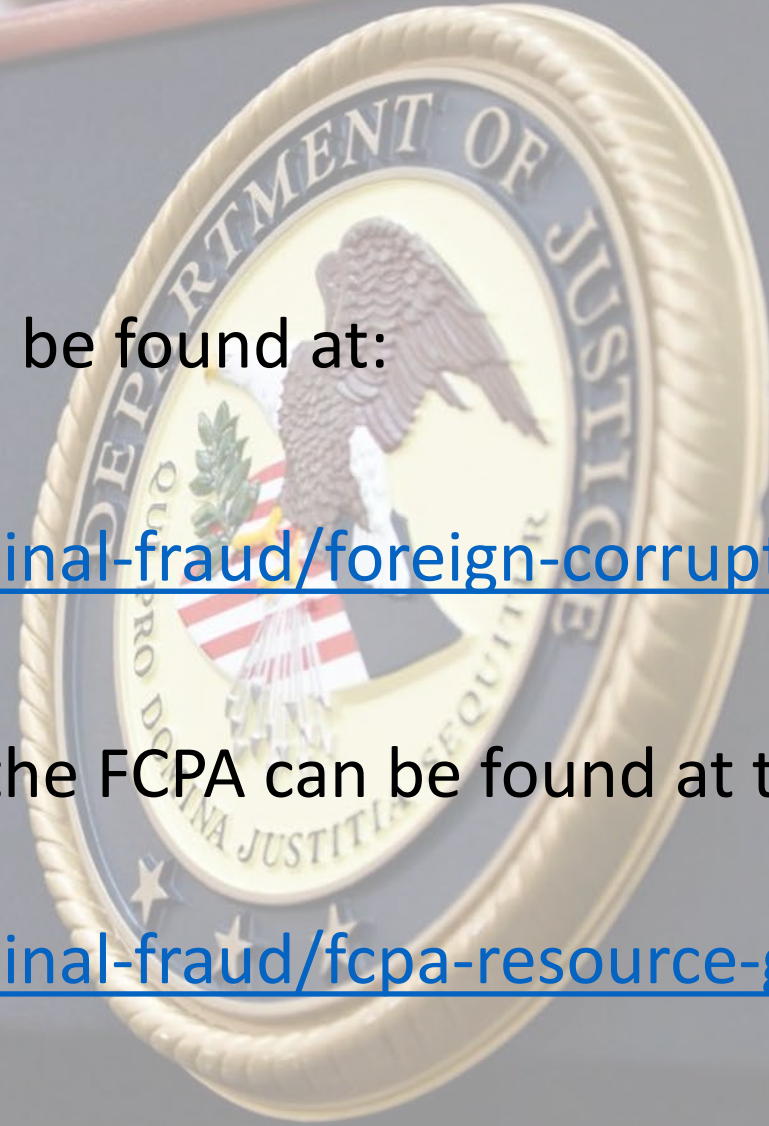
Purpose

- The full text of the FCPA can be found at:

<https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act>

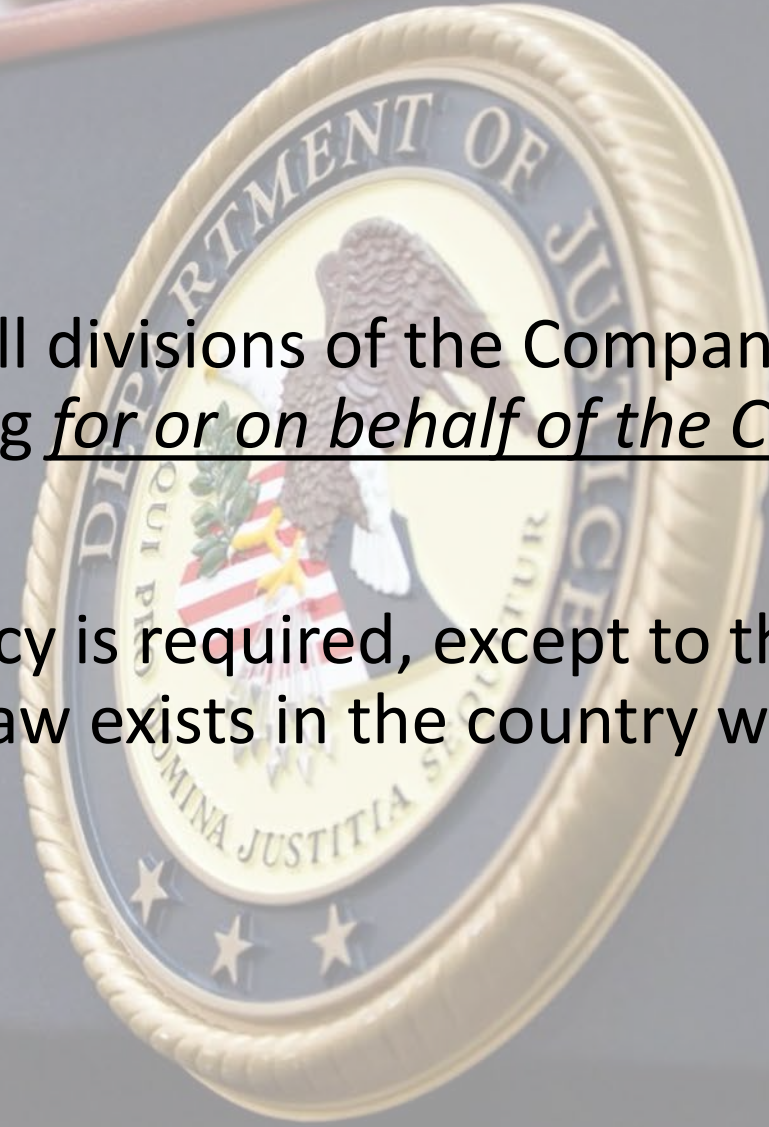
- A useful resource guide on the FCPA can be found at the website below:

<https://www.justice.gov/criminal-fraud/fcpa-resource-guide>



Application

- This policy is applicable to all divisions of the Company and to all employees and agents acting for or on behalf of the Company.
- Strict adherence to this policy is required, except to the extent that a more stringent, applicable law exists in the country we are operating.



SIMILAR LAWS FROM AROUND THE WORLD

In addition to the U.S., many other countries have adopted legislation that penalizes bribery of foreign government officials. For example:



The U.K. Bribery Act, which was passed in 2010, prohibits both active and passive bribery. Active bribery refers to the offering of financial or other advantages in exchange for business favors, while passive bribery refers to the receiving of such advantages.



Canada introduced its anticorruption law—the Corruption of Foreign Public Officials Act—in 1999, ratifying the OECD Anti-Bribery Convention. This law was updated in 2013 to increase the maximum sentence of imprisonment for bribery from five years to 14 years. And, among other changes, Canada removed the exception for facilitation payments, which are for routine governmental actions such as processing visas, providing mail service, and supplying utilities.



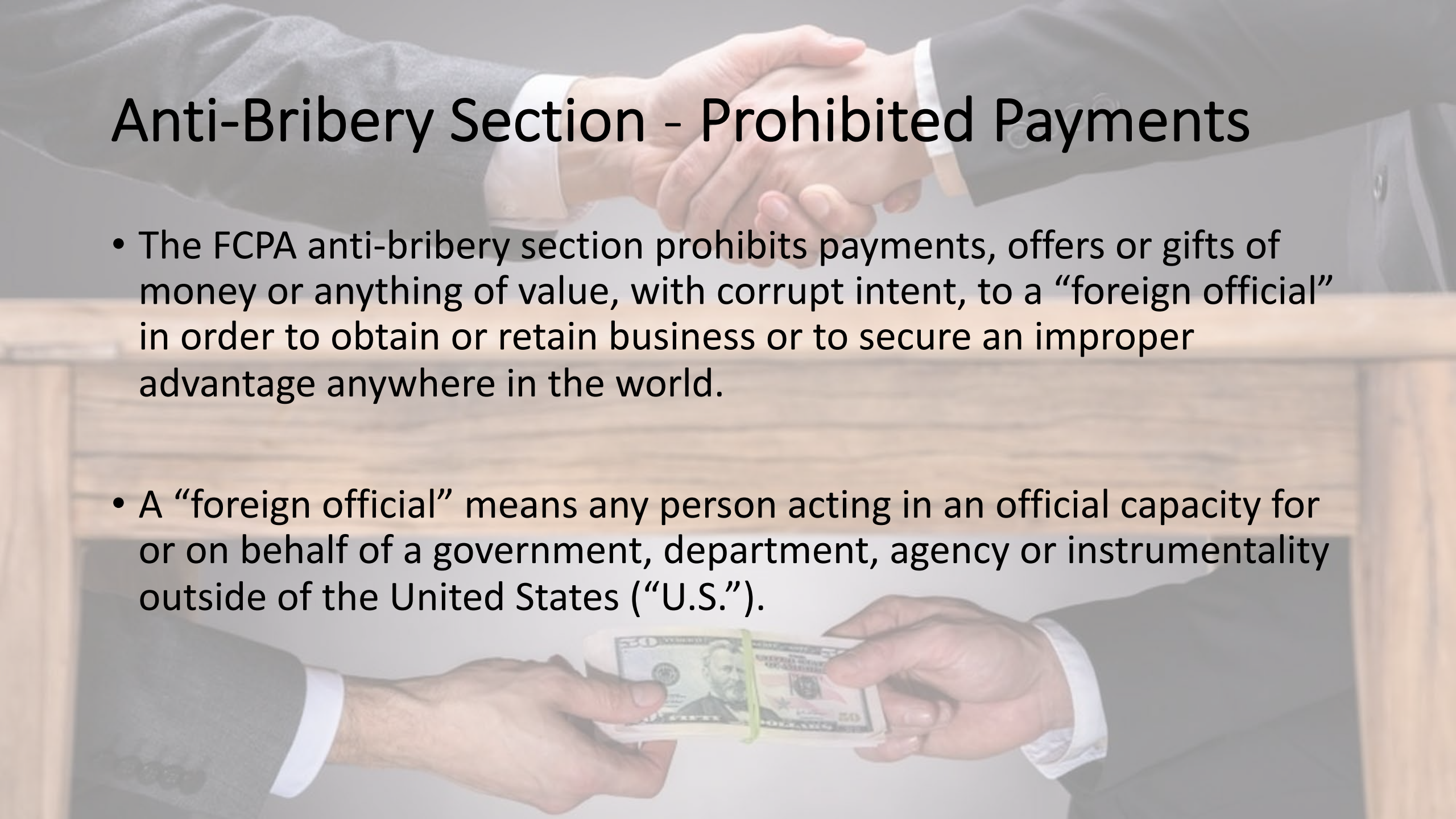
In 2011, China amended the Eighth Amendment to the Criminal Law of the People's Republic of China to formally penalize foreign bribery. The Amendment states that Chinese citizens and companies paying bribes to foreign government officials and officials of international public organizations are subject to criminal sanctions that may include fines and up to 10 years in prison.



Brazil made significant antibribery efforts when it passed the Clean Companies Act in 2014. The Act expands the OECD's definition of bribery to include both foreign and domestic government officials. It also expands the scope of illegal behaviors to include facilitation payments.

Overview of the FCPA

- The FCPA consists of two sections. The separation and distinction are extremely important as you will find out shortly.
- The first section, the “anti-bribery section,” makes it a crime to bribe or attempt to bribe foreign officials in order to obtain or retain business or to secure an improper advantage.
- The second section, the “accounting section,” requires companies to keep accurate and complete books and records and to maintain a system of internal controls.

The background image is a composite of two scenes. The top scene shows a close-up of two hands shaking in a firm grip, with the hands emerging from grey suit sleeves with white cuffs. The bottom scene shows two hands exchanging a thick stack of US dollar bills, with the bills fanned out to show multiple denominations. The hands are also in grey suit sleeves with white cuffs. The entire image has a semi-transparent grey overlay.

Anti-Bribery Section - Prohibited Payments

- The FCPA anti-bribery section prohibits payments, offers or gifts of money or anything of value, with corrupt intent, to a “foreign official” in order to obtain or retain business or to secure an improper advantage anywhere in the world.
- A “foreign official” means any person acting in an official capacity for or on behalf of a government, department, agency or instrumentality outside of the United States (“U.S.”).

Anti-Bribery Section - Prohibited Payments

- Foreign officials include:
- Officers or employees of a non-U.S. government, department, agency or instrumentality.
- Customs officials.
- Non-U.S. candidates for political office; and
Officials of public international organizations (i.e., the Red Cross or the World Bank).

Anti-Bribery Section - Prohibited Payments

- The FCPA prohibits both direct and indirect payments to foreign officials. For this reason, a company can face FCPA liability based on improper payments made by any representative of such company.
- Neither a US Company nor any of its employees or agents shall make, promise or authorize any gift, payment or offer anything of value on behalf of the Company to a foreign official or to any third party who, in turn, is likely to make a gift, payment or offer of anything of value to a foreign official.

Anti-Bribery Section - Prohibited Payments

- If an Employee of a US Company is confronted with a request or demand for a bribe, the request or demand must be immediately rejected and reported to management and the FCPA policy officer.
- If any employee or representative of a US Company knows or believes that a bribe has been or will be committed, the employee or representative must immediately report this to his/her manager and the FCPA policy officer.

Anti-Bribery Section - Permissible Payments

- Although the FCPA allows an exception for “facilitating payments” to foreign officials, US Companies should prohibit such payments without prior written authorization from the FCPA policy officer, except where a threat to personal health and safety exists.
- In any situation where health and safety concerns do not allow enough time for prior approval, the payment may be provided and immediately thereafter reported to management and the FCPA policy officer.
- Any facilitating payment must be fully and accurately reflected in the Company’s books and records.

Foreign Corrupt Practices Act

What is a Facilitating Payment?

- A facilitating payment is a payment made to a foreign official for the purpose of facilitating *routine governmental action or to speed up the performance of essentially clerical activities that are not discretionary in nature.*
- “Routine governmental action” is defined to encompass only actions that are ordinarily performed by a foreign official.
- Routine governmental action does not include discretionary decisions by foreign officials such as “whether, or on what terms, to award new business to or to continue business with a particular party.”

Foreign Corrupt Practices Act

Promotional or Marketing Payments

- In some circumstances, the FCPA permits payments to foreign officials that are lawful under the written laws of the local country.
- These payments may include expenses directly related to the promotion of products or services or the performance of a contractual obligation.
- Because promotional or marketing payments are not always clearly defined and frequently require some degree of legal analysis, US Companies must prohibit such payments without the prior written authorization of the FCPA policy officer.
- In addition, such payments, when made, must be fully and accurately reflected in the Company's books and records.

Accounting Section

- The accounting section of the FCPA requires companies to accurately maintain their books, records and accounts in reasonable detail, such that they fairly reflect all transactions and dispositions of assets.
- The accounting section also requires companies to maintain a system of internal controls to prevent concealment of bribes and discourage fraudulent accounting practices.
- Thus, the FCPA prohibits the mischaracterization or omission of any transaction on a company's books or any failure to maintain proper internal controls designed to discourage, prevent and detect bribes.

Accounting Section

- Accordingly, no false or misleading entries may be made in books or records. Company employees and agents are prohibited from engaging in any arrangements that would result in such entries. No undisclosed or unrecorded funds or assets may be established.
- If any employee or representative knows or believes that a payment has been or will be recorded improperly or in any manner that conceals, distorts or otherwise misrepresents the true and accurate nature of the transaction, the employee or representative must immediately report this to management and the FCPA policy officer.

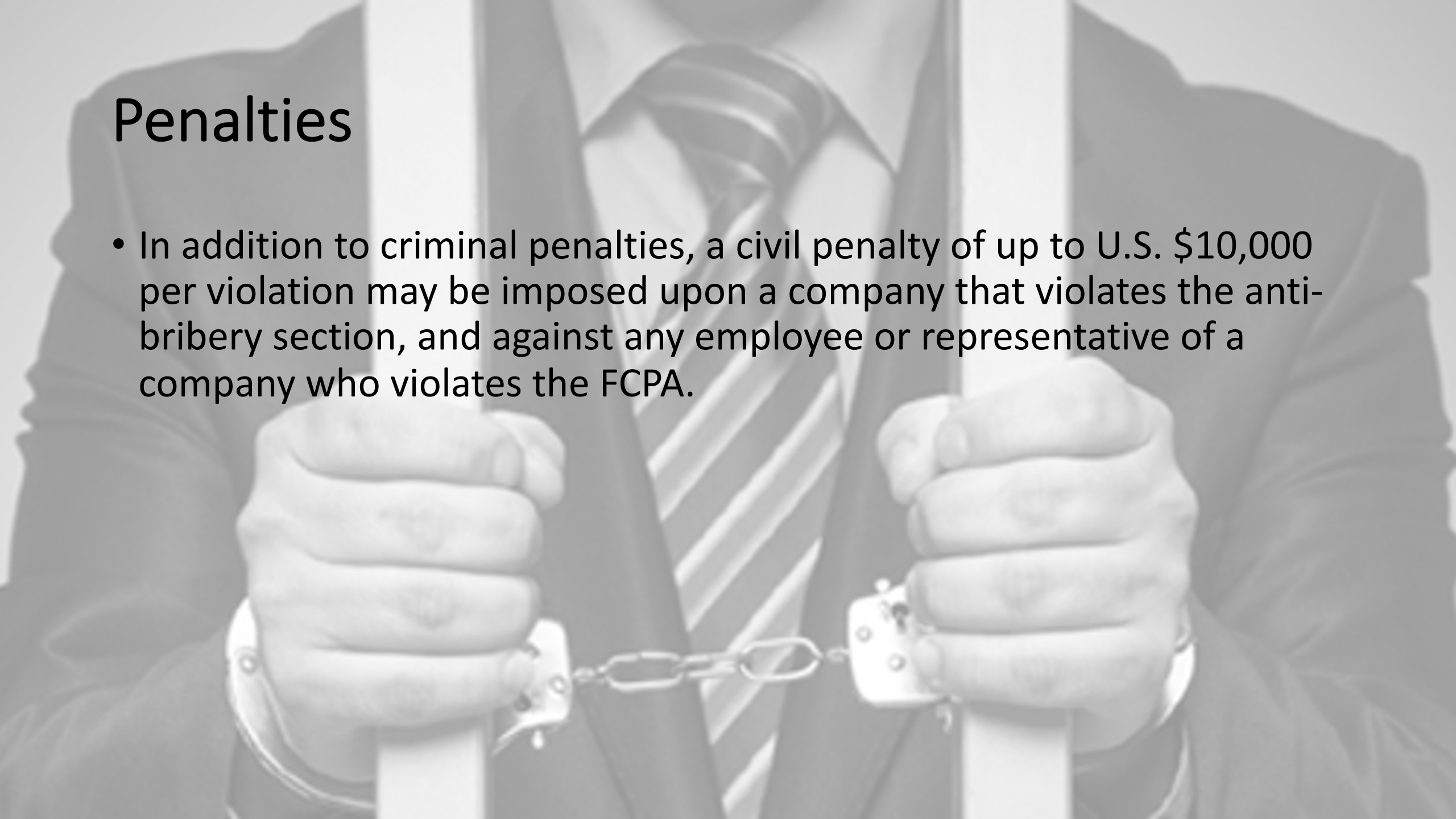
Penalties



- The FCPA imposes criminal liability on both individuals and companies.
- For individuals who violate the anti-bribery section of the FCPA, criminal penalties include substantial fines and/or imprisonment of up to five years.
- The FCPA prohibits companies from reimbursing any fine imposed on an individual. Companies may be fined up to U.S. \$2,000,000, or, alternatively, twice their pecuniary gain, for criminal violations of the FCPA's anti-bribery section.

Penalties

- In addition to criminal penalties, a civil penalty of up to U.S. \$10,000 per violation may be imposed upon a company that violates the anti-bribery section, and against any employee or representative of a company who violates the FCPA.



Penalties

- Individuals who willfully violate the accounting section of the FCPA may be fined up to U.S. \$1,000,000, imprisoned up to twenty years, or both.
- A company may be fined up to U.S. \$2,000,000. Alternatively, both individuals and corporations violating the FCPA's accounting section may be subject to fines of up to twice the amount of any pecuniary gain resulting from such violation.

Penalties

- In addition to civil and criminal penalties, a company may suffer disgorgement of profits and the imposition of an independent compliance monitor to oversee compliance matters.
- An individual and company found in violation of the FCPA may be precluded from doing business with the U.S. government.
- Other penalties include suspension or termination of export licenses and debarment from programs under the Commodity Futures Trading Commission and the Overseas Private Investment Corporation.

Due Diligence and Selection of Agents

- In many instances, the use of local agents, consultants or joint venture partners (collectively “agents”) is an essential element of doing business.
- Local agents are generally retained by the Company in part for their knowledge of and access to persons in the local market and for their ability to secure and retain business.

Due Diligence and Selection of Agents

- The FCPA include payments to foreign officials made by agents on a company's behalf.
- US Companies must be careful to avoid situations involving agents that might lead to a violation of the FCPA.
- Therefore, prior to retaining any local representative to act on behalf of the Company about local governments or international business development or retention, the Company must perform appropriate FCPA-related due diligence and obtain from prospective local agents certain assurances of compliance.

Due Diligence and Selection of Agents

- Such due diligence should include where available:
 - Checking public sources of information, including any published press reports concerning the agent
 - Interviewing prospective local agents
 - Discussing this policy with prospective local agents and providing the representative with a copy
 - Discussing local anti-bribery laws with prospective local agents
 - Continuous monitoring of activities of local agents to ensure compliance with the FCPA and local laws.

Due Diligence and Selection of Agents

- All local agents must be identified and selected based on objective criteria, i.e., a representative should be selected based on identifiable commercial and industry competence and not because the representative is the relative of any government official or special relationship that is not business related.
- A written agreement must be entered into prior to conducting business with any local representative, the form of which must be approved in writing by the FCPA policy officer.

Red Flags

A woman in a dark business suit is seen from the back, holding a large, flowing red flag that dominates the upper half of the image. The background is a light, hazy grey.

- US Companies and their employee's must continuously monitor the activities of local agents.
- The presence of any of the warning signs listed below or other suspicious actions, payments or demands by local agents should be immediately reported to management and the FCPA policy officer.
- US Companies must not retain or conduct business with any local representative if any of the following warning signs exist without first obtaining the written approval of the FCPA policy officer.

Red Flags

A woman in a dark business suit is seen from the side, holding a large, flowing red flag. The flag is draped over her and extends across the top of the frame. The background is a light, hazy grey.

- Unusual or excessive payment requests, such as requests for over-invoicing, up-front payments, unusual commissions or mid-stream compensation payments, requests for payments in a third country, to another party, to a foreign bank account, in cash or otherwise untraceable funds
- Requests for political or charitable contributions
- Any refusal or hesitancy by the local representative to promise in writing to abide by the FCPA or this policy
- A demand or strong suggestion by a foreign official that a particular local representative should be retained

Red Flags

A woman in a dark business suit is seen from the side, holding a large red flag that is waving in the wind. The background is a light gray gradient.

- Any known or suspected misrepresentation by the local representative in connection with the proposed transaction
- Reliance by the local third-party on political/government contacts rather than knowledgeable staff and investment of time to promote the interests of the US Company.
- Any known or suspected family relationship between the local representative and any foreign official

Reporting Violations

A large, stylized graphic of the American flag is centered in the background. It features a circular field with stars and stripes. Above the circle, a large white exclamation mark is superimposed, with several white lines radiating outwards from its top, creating a sunburst or alarm effect.

- Any Employee or representative who has any question with respect to application of this policy or any other anti-bribery laws should consult with FCPA policy officer.
- In addition, any employee or representative who becomes aware of a violation or potential violation of the FCPA or any other anti-bribery laws must promptly report this to management and the FCPA policy officer.



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