

Navigating corruption risks and ensuring compliance

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The United Nations has recently emphasised India's remarkably robust economic growth by spotlighting it as a viable investment hub for Western corporations. The 2024 World Economic Situation and Prospects report projects India's economy to grow by 6.9% in 2024 and 6.6% in 2025. However, foreign investors must be cautious due to the complex regulatory landscape and prevalent corruption risks, especially in sectors like defence, healthcare, mining, energy, hospitality, infrastructure, manufacturing, and retail.



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To overcome these issues, establishing a robust anti-bribery and anti-corruption (ABAC) framework is crucial. This involves a thorough risk assessment to identify potential corruption vulnerabilities, implementing controls to mitigate risks and fostering an ethical culture. Identifying bribery risks requires examining internal practices, business partnerships, market operations and regulatory environments. To mitigate corruption risks, global companies often implement risk-based ABAC compliance programmes tailored to their operations in India. These programmes consider, among other things, operational and regulatory risks, the nature of government interactions and reliance on third-party intermediaries.

Companies should introduce comprehensive ABAC policies specifically covering penalties for bribery along with dealings with government entities, gifts and hospitality, political

contributions and charitable donations. The goal is to provide clear guidelines on what constitutes an acceptable behaviour. This reinforces the company's commitment to ethical operations with "zero tolerance" for any form of bribery or corruption. Establishing clear channels for reporting suspected violations ensures stakeholders can raise concerns without fear of retaliation and discrimination. Defined escalation protocols are essential for timely and effective resolution of reported issues. Recognising and incentivising ethical behaviour is also important.

Standard operating processes should be implemented for key departments, with clear guidelines for transactions and processes relevant to each department. Financial controls are essential, including segregation of duties, detailed record-keeping and approval processes for expenses, to prevent illicit payments.

Due diligence is pivotal in mergers, acquisitions and engagements with high-risk third parties to identify potential ABAC risks. Conducted internally or externally, it involves a thorough investigation of compliance history, internal controls and business practices, preventing hidden compliance liabilities, and ensuring ethical alignment with an organisation's ethical standards. Contracts with third parties may include audit and termination rights to ensure adherence to standards/regulations.

Remember, due diligence isn't a one-time task; it's an ongoing process. Regular monitoring of existing business partners is necessary, achieved through periodic reviews, audits and partners affirming their compliance periodically. Documentation and record-keeping further bolster the due diligence process, providing a clear trail of compliance efforts. Mandatory workshops and tailored trainings on compliance policies and laws should be conducted for employees and high-risk third parties. Sessions should be held periodically, supplemented by email reminders, especially during festive seasons (when giving and receiving gifts and favours are more likely).

Leadership plays a critical role in fostering integrity and accountability. Senior executives must endorse anti-corruption efforts and promote transparency.

Continuous monitoring and auditing of ABAC frameworks are essential to adapt to evolving regulations, business practices and emerging risks. Prompt implementation of necessary changes based on audit results is vital. A dedicated compliance officer should be appointed to enforce internal policies and laws, oversee trainings and ensure compliance. Adhering to international standards like those set by the OECD, and laws like the US' Foreign Corrupt Practices Act and UK Bribery Act, are essential for global businesses. Aligning ABAC frameworks with international standards builds trust with partners and

customers.

Non-compliance with ABAC regulations can result in severe penalties and reputational damage. By implementing these strategies, foreign companies can navigate the Indian business landscape while promoting integrity and compliance within their organisation.

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