

# Anti-Bribery Toolkit

for Small and Medium-Sized  
Enterprises



Thailand's Private Sector Collective Action Coalition Against Corruption หรือ CAC

# Preface

Thailand's Private Sector Collective Action Against Corruption or CAC has created the CAC SME Certification program to expand our collective action anti-corruption network and strengthen anti-bribery practices in the private sector.

CAC has developed this SME Anti-Bribery Toolkit for business owners, managers, and employees to guide them with process to mitigate corruption risks within their organizations. This toolkit outlines steps required for SMEs to prepare for CAC SME Certification from developing internal anti-corruption policies, assessing corruption risks, designing control measures, improving internal management system, to communicating with employees and external stakeholders.

By CAC definition, Small and Medium-sized Enterprises (SME) eligible to participate in the CAC SME Certification program refers to companies that are neither listed on the stock exchange nor a subsidiary of a company listed on the stock exchange with less than 1 billion baht annual revenues. SMEs usually have higher bribery risks because of their vulnerabilities to the public sector, competitive environment, habitual practices, and lack of knowledge in fighting bribery. In a broader sense, large corporations tend to have more bargaining power and able to put in place internal controls to protect themselves from bribery while SMEs seem to have less bargaining power and may not afford to refrain from paying bribes.

Therefore, it is more important than ever for SMEs in Thailand to build tools necessary to counter bribery demands. By working collectively, the private sector has the power to change the norms of business practices and create cleaner and more transparent business environment.

Benefits of getting certified with CAC SME are as follow:

- Transparent operations.
- Uplift operating standards to meet that of large business and foreign partners.
- Decrease risks of facing extortion (of bribes) and reduce investment costs that would have otherwise gone into bribery
- Mitigate risks of being prosecuted under section 123/5 (176) of the Organic Act on Counter Corruption of 1999 which seek to penalize both payer and receiver of bribes

This toolkit will help owners, managers, and employees of SMEs get a better understanding about how to develop internal systems to prevent corruption. By participating in CAC SME Certification, they will also have the opportunity to learn about the necessary steps in drafting an effective anti-corruption policy, assessing corruption risks, and creating relevant internal controls.

We hope that this toolkit will be a useful guide for SMEs business owners and operators in preparing their companies for certification as well as in daily business operations.

**Collective Action Coalition Against Corruption (CAC)**

**Thai Institute of Directors**

2/9 Moo 4 Northpark Project Vibhavadi-Rangsit Road,

Thung SongHong, Laksi Bangkok 10210, Thailand

Contact Tel: (66) 2955 1155 Fax: (66) 2955 1156-57

Email: [cac@thai-iod.com](mailto:cac@thai-iod.com)

Second Edition January 2018

# CAC

## SME Anti-Bribery Toolkit

# CONTENTS

Preface	1
About CAC	5
CAC SME Certification	7
Status of CAC SME Participants	11
Thai Law and Compliance	13
Success Factors in Operating a Transparent Business	15
Risk Assessment	21
Internal Control System	31
Policy and Practical Guidelines	41
Communication	50
Human Resource Management	55
Whistleblowing and Incident Reporting	62
Check, Review, and Adjustments	66

## About CAC



CAC is an organization that uses collective action to empower businesses to fight corruption. We help businesses create preventive measures, locate shared pain-points, and demand public reforms. By developing a coalition of transparent businesses, we hope to build enough social pressure to create a new business ecosystem and end corruption.

CAC was co-founded in 2010 by eight leading organizations in Thailand's private sector including the Thai Chamber of Commerce, the Joint Foreign Chambers of Commerce in Thailand, the Thai Listed Companies Association, the Federation of Thai Industries, the Federation of Thai Capital Market Organizations, the Thai Bankers' Association, the Tourism Council of Thailand, and the Thai Institute of Directors Association (IOD). The IOD currently serves as CAC's secretariat and assumes a major role in driving the program forward.

Following Thailand's ratification of the United Nation Convention against Corruption in 2003, the founding of CAC initiative is in alignment with Thailand's national strategic goal to counter corruption set by the National Anti-Corruption Commission (NACC). Since inception, the CAC has won support from the Thai government and the NACC. The initial technical meeting between the public and private sector was held on July 29, 2010 to lay strategy in driving the CAC forward.

CAC receives financial support primarily from Washington-based Center for International Private Enterprise (CIPE).

## CAC SME Certification



CAC SME Certification is an extension of the CAC Certification network which has been active since 2012 and received well support from both the private and public sectors. Currently, 930 companies have signed up with CAC and 345 of which have been certified. The CAC anticipate that 50-100 SMEs that are trading partners of CAC certified members will sign up with the CAC SME program each year during the first three years and expect the number to escalate to 200-300 companies per year from the fourth year onwards.

The CAC SME Certification process steps are as follow:

1. Registration. In this process, each company will have to specify whether they are listed on the stock exchange or if they are a subsidiary of a listed company and whether their annual revenue less than 1 billion baht. If the company is not listed in the stock exchange, not a subsidiary of a listed company and have less than 1 billion baht annual revenue, they will be eligible to apply for the CAC SME Certification process. SMEs can also opt to apply for the CAC Certification process for large companies with more stringent requirements.

2. After registering on the CAC SME website and passing all of the qualifications as an SME, the SME owner or CEO of the company will receive an invitation to attend the SME Executive Briefing, a mandatory half-day orientation . The briefing will cover an overview of the CAC SME certification process including guidances on how to develop anti-corruption policies and code of conduct, communication with employees and business partners, installation of functional whistleblowing system, bookkeeping, and auditing.

During the briefing, participants will also have the opportunity to review the SME 17 checklist to evaluate their readiness. The SME is required to provide sufficient documentation according to the 17 checklist in order get certification. This SME checklist is a simplified version of the CAC's original 71 checklist for large companies and has been tailored to help SMEs with limited resources without compromising the essence of the original certification process. The SME checklist also aligns with the National Anti-Corruption Commission (NACC) guideline for setting up internal anti-corruption control framework and the Anti-Corruption Toolkit for Small and Medium-Sized Companies developed by B20 International Business Summit.

3. Once the SME owner or CEO has attended the SME Executive Briefing, they can decide if they are ready to declare intention to join CAC. The declaration means the SME agree to take zero-tolerance stance on corruption and intends to apply for CAC SME certification within 18 months SMEs can declare their intentions without any cost.

4. After signing the declaration, the SME can choose to send staffs to attend SME Clinic. The SME Clinic will provide an opportunity for staffs designated to prepare documentation for the 17 checklist to learn more about proper checklist document preparations, CAC's expectation on the quality of documents and online submission process.

5. SME owners and executives can also enroll their employees in the SME Anti-Bribery E-learning course, which can help employees gain deeper understanding about corruption risks, bribery channels and ways to counter corruption. The E-learning course also comes with a short assessment at the end. In order to pass, employees must be able to answer all of the questions correctly.

6. After the declaration of intent (step 3), the SME can begin preparing supporting documents for each of the checklist item. Once completed, it can submit the documents and apply for certification.

7. After the SME has uploaded the documents onto the CAC SME website, they can choose an independent auditor from the list of CAC-approved auditors to help check the correctness and quality of the documents.

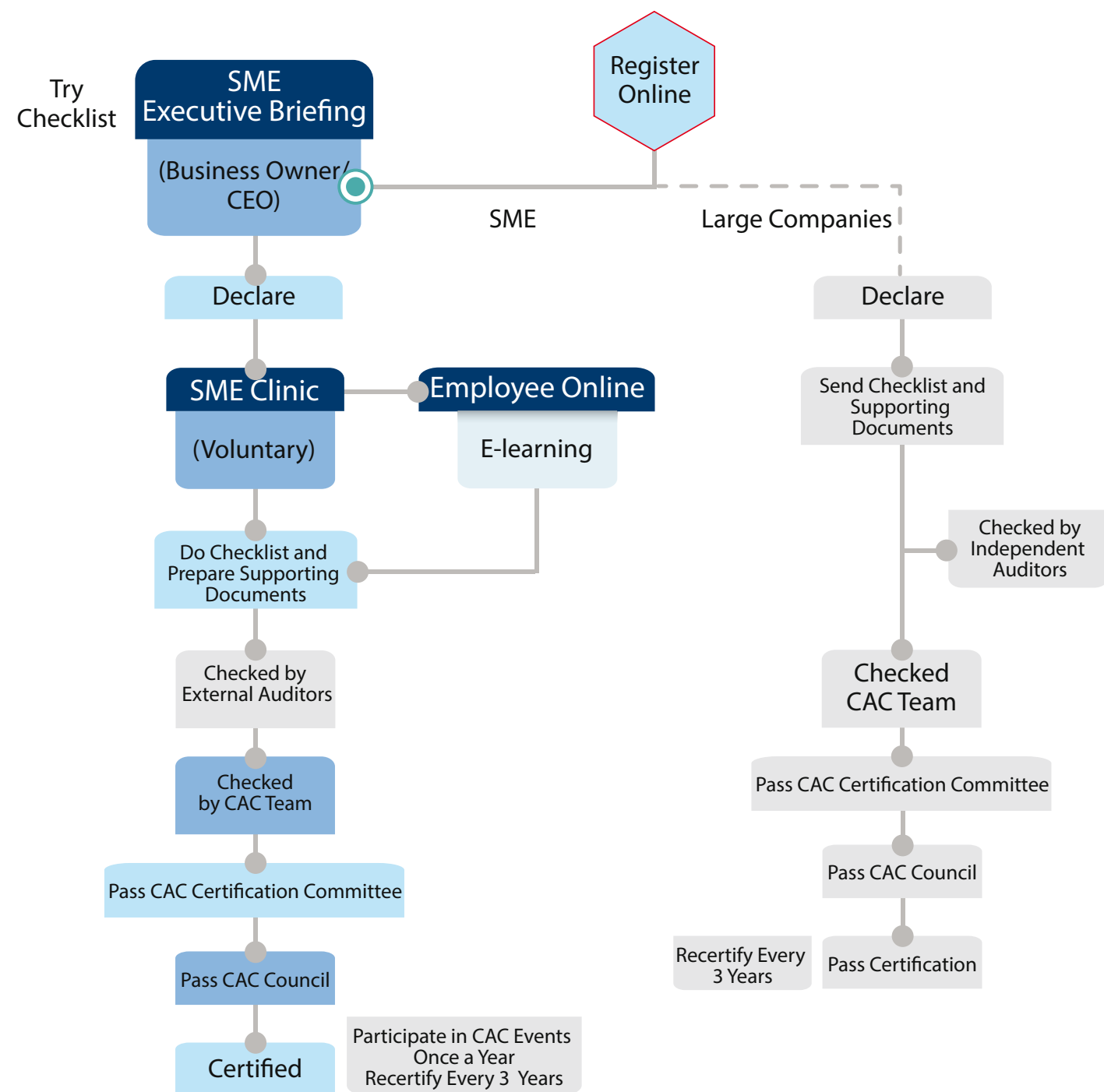
8. The SME will have 18 months complete the checklist and apply for certification, starting from the declaration date to the day independent auditor signs-off on all supporting documents for the 17 checklist.

9. The quarterly deadline for the SME to submit documents for certification are on the 15th of the last month in each quarter e.g. 15th March, 15th June, 15th of September and 15th of December in order to get certification in the proceeding quarter.

10. After the independent auditor has approved all the documents, CAC staffs will randomly check documents to ensure completion and correctness. The CAC may also pay random visits to companies to check that they have complied and implemented policies and controls described in the submitted checklists.

11. CAC will release the results of certification application within 3 months after the independent auditors have approved the checklist documents.

If the SME fails to certify within the 18-month timeline, the SME will be put on the CAC's blackout list for a period of six months. After the six-month blackout period, the SME can declare its intention again and restart the certification process with CAC.



## Status of CAC SME Participants

Different Statuses of CAC Participants are:

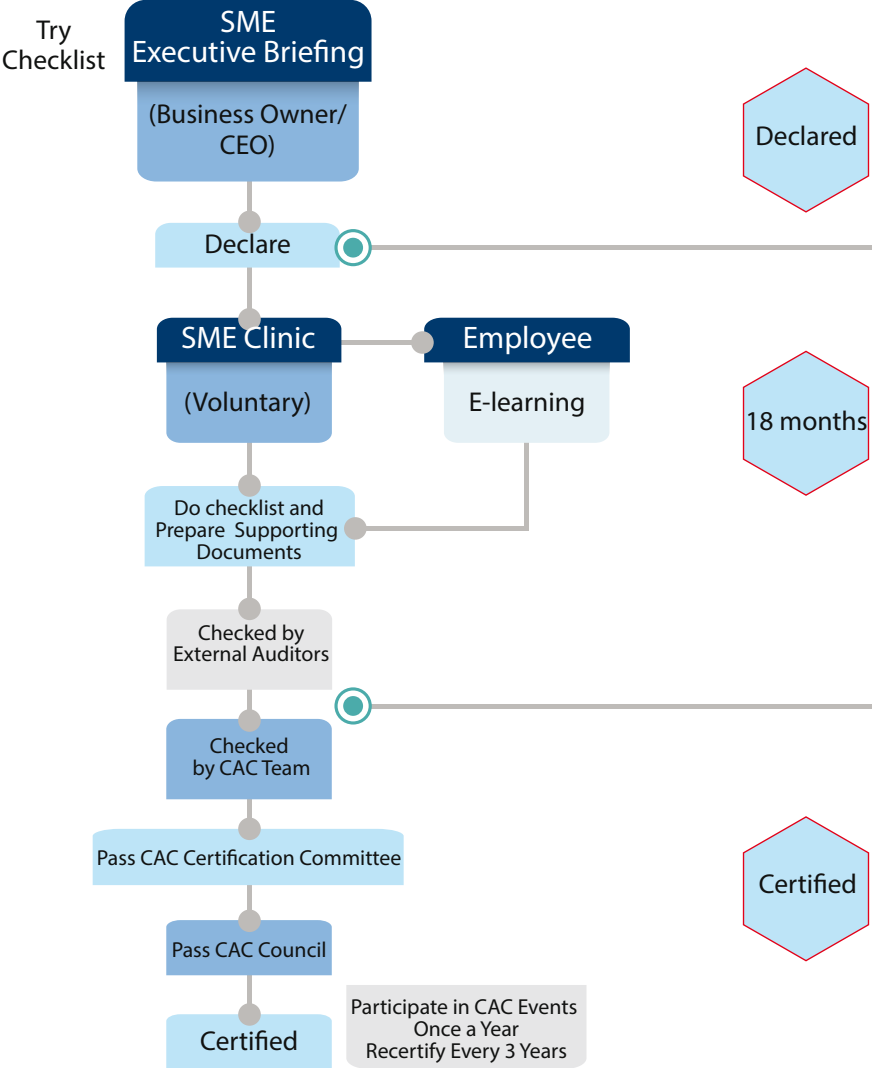
**Declared**

After the SME owner or CEO has attended the SME Executive Briefing and submitted the declaration documents, the SME will be considered “declared”.

**Certified**

The SME is considered “certified” when they have been approved by both independent auditors and CAC. Certified companies will receive a certificate at CAC’s Award Ceremony and will be put on the list of certified companies on the CAC website. The “certified” status will remain for a duration of 3 years (unless the SME found to be, accused of, or is involved in corruption). Certified members must also attend at least one free CAC event per year.

Thai Law  
and Compliance





Section 123/5 under the Organic Act on Anti-corruption (updated in 2015) states that:

Any person who provides, requests or agrees to provide assets or any other benefit to a state official, a foreign state official or a staff of an international organization in order to persuade them to act, omit to act or delay in acting in his or her duties in an unlawful manner, shall be liable to imprisonment for a term of not exceeding five years or to a fine of not exceeding one hundred thousand baht or to both.

In the case where an offender pursuant to paragraph one is a person who is involved with any juristic person and acts for the benefit of that juristic person where such juristic person does not have appropriate internal control measures to prevent such commission of offence, that juristic person shall be guilty under this section and shall be liable to a fine from one time but not exceeding twice of the injury occurred or benefit received.

A person involved with the juristic person pursuant to paragraph two shall mean an employee, a representative, an affiliated company or any person who acts for or on behalf of such juristic person, whether they have the power or duties in such matter or not.

Organic Act on Anti-corruption, B.E. 2542 (1999)

Section 123/5 provides that corporate entities are criminally liable for bribing government officials—but if an organization has appropriate “internal controls” in place, liability can be mitigated, or even eliminated.

#### Example

For instance, Mr. A, who works at a company with no formal internal control measures and policies on anti-corruption, decides to bribe a state official in order to help his company win a public project procurement contract worth 50 million baht. Based on section 123/5 under the Organic Act on Anti-corruption, Mr. A will be liable to imprisonment for a term of not exceeding five years or to a fine of not exceeding one hundred thousand baht or both. His company would also be subjected to a fine between 50 million (the value of the project that he obtained through the means of bribery) and 100 million baht (twice the project’s value) due to the company’s lack of internal control measures and policies on anti-corruption.



## Success Factors in Operating a Transparent Business

Three key success factors that will enable companies to conduct clean business and steer clear of corruption:

**An Ethical and Determined Leader:**

- Understands the negative impact of corruption on the individual, company, and society as a whole.
- Is highly committed to be a part of the solution and a transparent, united society.
- Is willing to become a role model for both his/her organization as well as the society as a whole.
- Has basic knowledge on his/her company's internal control system.
- Is open minded to feedback

**Success Factors**

**Raising Employee Awareness:**

- Understands the negative impact of corruption and knows the corruption channels
- Aware of methods to avoid or refrain from offering bribes
- Informed about the personal and corporate liability of corruption (Section 123/5)
- Educated on how to report corruption or make complaints within the company's internal system.

**Internal Control System:**

- Clear corporate ethical standards and policy
- Corruption Risk Assessment
- Control Measures and monitoring system
- Effective corporate communication system

**Ethical and Determined Leadership**

- Understands the negative impact when the company participates in corruption.
- Determined and committed to the task of preventing employees from engaging with bribery.
- Evaluate the readiness of the company's internal anti-corruption system.
- Persuade and ensure that the SME owner, board members, and high-level managers accept (and follow) the company's anti-corruption policies and systems in place.
- Incentivize employees by rewarding those who comply with anti-corruption policies and take disciplinary actions against those who do not.

**Raising Employee Awareness**

- Raising awareness about methods that employees can use to avoid or refuse bribes
- Hosting internal training courses on anti-corruption and assessing employees for their level of understanding. The SME Anti-bribery E-learning course could also be used as a good substitute or supplement to an existing internal training course to help build deeper understanding on corruption such as corruption risks, relevant legislations, liability, and whistleblowing channel usage.
- Providing employees with knowledge about the available whistleblowing channel to allow employees to report bribery or extortion incidents.



### Creating an Effective Internal Control System:

- Anti-corruption policies with clear definition of bribery and made known to all employees. The anti-corruption policies must be accepted and signed-off by the business owner or CEO.
- Has a process of identifying corruption risks in day-to-day business operations.
- Has clear and detailed control measures for business activities with high corruption risk.
- Has clear and detailed control measures against corruption for business partners, agents, and other party that are involved with the company’s activities.
- Has a single and effective accounting system with sorted data and files.
- Has a human resource management system that emphasizes on corruption prevention such as hosting anti-corruption training courses, protecting employees who refuse to participate in bribery, and punishing employees who put the company at risk by accepting or giving bribe.
- Has a functional whistleblowing system to allow employees to report bribery incidents or suspicions.
- Has a way to monitor and evaluate the effectiveness of the anti-corruption system.

### SME 17 Checklist for CAC SME Certification

The checklist can be divided into the following topics:

- 1 checklist on risk assessment
- 4 checklists on internal system
- 3 checklists on policies and procedures
- 3 checklists on communication
- 4 checklists on human resource management
- 1 checklist on whistleblowing
- 1 checklist on reviewing and improving the anti-corruption system



### 17-Item Checklist for SME Certification Collective Action Coalition Against Corruption

	SME Checklist	SME Requirements to Pass Checklist
Risk Assessment	1. The SME must examine relevant bribery risks that exist in business operations such as permit applications and project procurements. A thorough risk assessment is essential for creating a robust anti-bribery policy, internal control system, and implementation.	A complete registry of the company's bribery risks and internal controls to reduce or eliminate the risks (internal controls are mandatory for risks with score above 4 or top 3).
	2. The SME has a good accounting practise, which has been verified and audited by third-party including a statement that the SME only has one accounting book.	The latest SME's accounting report filed by an independent auditor plus a letter from the owner or CEO stating that the company has only one accounting book (no financial statements needed).
Internal Control System	3. The SME has formal procedures to regularly monitor high risk activities such as sales, marketing, and procurement.	Flowcharts detailing business activities with high bribery risk and relevant control measures (signed by the business owner or CEO).
	4. The SME has control measures to monitor and record fund disbursements and reimbursements from high risk departments and data retention on activities with bribery risk such that information can be easily retrieved.	Process details relating to fund disbursements and reimbursements including data retention processes, procedures, data storage procedures, type of information stored, person(s) or department(s) responsible for updating the database and backup plan.
	5. The SME has taken proper precautions to keep documents organized so that they will always be ready for auditing.	Procedures related to storing important documents including details on accountable party or parties, department(s) and storage location(s).
Policy	6. The SME has official anti-corruption policies and procedures to help employees conduct activities, which might be considered as bribe such as giving gifts, paying for meals and entertainment, donating money to non-profit organizations or foundations, supporting government officials or politicians and hiring third-party.	The policies and employee guidelines that are relevant to or deals directly with high risk activities.
	7. The SME has clear definitions that defines bribes, channels and parties involved.	Definitions for words related to bribery and corruption. At minimum, definitions must include corruption, bribery, government official, gift giving, entertainment, sponsorship, donation, third-party and agent.
	8.The anti-corruption policy has been officially approved and signed by business owner, Chairman of the Board or CEO.	The business owner, Chairman of the Board, or CEO must sign documents approving or enacting the anti-corruption policy.
Communication	9. The SME communicates publicly about its anti-corruption policy and procedures through different channels such as on their website, publication, email header, and/or receipt.	Proof that the company publicizes its anti-bribery policy and procedures such as a screenshot of company website, copy of email header, or company issued receipts with the information.
	10. The SME informs its business partners about their anti-bribery policy, procedures and channels to report bribery related incidences.	Proof that the SME has informed its partners such as copies of official emails or letters.
	11.The SME continually communicates with its employees about anti-bribery through different channels such as company website, announcement boards, or flyers.	Proof that the company communicated to its employees about its anti-bribery policy and procedures. .

Managing  
Company  
Personnel

Reporting  
incidents  
of corruption

Reviewing and  
Improving Internal  
Processes

SME Checklist

SME Requirements to Pass Checklist

12. The SME has plans to select, evaluate, and reward employees for their commitment to anti-corruption policy.	Documents relating to personnel management that includes selection, evaluation, and rewards that supports its commitment to anti-corruption.
13. The SME trains new and existing personnel on anti-corruption. The courses should cover topics such as negative impact of corruption, anti-corruption laws, corruption channels, how to refuse bribe requests and whistleblowing channels.	Details outlining the training course(s) including the departments (or personnel) that will be trained, topics covered in the training course, how the course will be carried out (internal classroom training, training with an external agency, or E-learning), and the duration of the course.
14. The SME has a policy not to demote or discipline employees who refuse to participate in bribery even if it limits business opportunities.	Details of policy to protect all personnel who refuse to participate in bribery signed by the business owner or CEO.
15. The SME has disciplinary actions for its executives and employees who fail to comply with its anti-corruption policy and guidelines.	Details of disciplinary actions stated in the company's personnel guideline.
16. The SME has whistleblowing channels for reporting misconduct relating to bribery.	Documents outlining the different whistleblowing channels, reviewing process, reviewers, responsibilities of each reviewers, duration of process, and time to report back to the whistleblower.
17. The Anti-corruption checklist is reviewed by the SME's owner or CEO each year and improvements are made according the changes in business activities and the associated risks.	Documents signed by the SME owner or CEO agreeing that they will review and improve the anti-corruption checklist annually.

# Bribery Risk Assessment

## Checklist #1

The SME must examine relevant bribery risks that exist in business operations such as permit applications and project procurements. A thorough risk assessment is essential for creating a robust anti-bribery policy, internal control system, and implementation.

Failing to perform a thorough assessment could lead to ineffective control measures, policy, and guidelines for reducing the SME's bribery risks.

In order to thoroughly assess the bribery risks, it is essential to fully understand the SME's business operations including internal processes, individual/departmental responsibilities, and potential bribery channels. For instance, if company A is involved in public project procurements, the risk of the procurement department, the procurement process, and potential bribery channels must be assessed. Public officials in charge of awarding the procurement may seek bribes or can be influenced through bribes in the form of expensive gifts and entertainment from the procurement department staffs, a third party agent, or business partner on behalf of the SME.



## CORRUPTION RISK

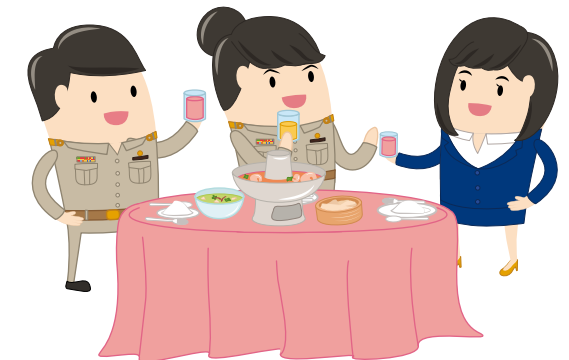
### Components of Risk Assessment

1. Business operations with bribery risks such as importing, transporting, producing, hiring foreign workers, selling, marketing, exporting, and licensing.

2. Parties involved in high risk operations such as employee(s), departments within the SME, public official(s)/agencies, regulators, and permit office administrators.

3. Forms of bribery include:

- **Kickback** is a form of negotiated bribery and arises when a commission is paid to the bribe-taker in exchange for a procurement contract. Kickback can come in various forms such as money, gifts, expensive dinners, promises, or even in the form of loans. Kickbacks adds unnecessary cost and is illegal.
- A **facilitation payment** is a type of bribery where the bribe-taker receives a small amount of money or benefits usually to speed up work.
- **Gifts and entertainment**, although may be normal business practices, can also be considered as bribes. Gifts and entertainment may be considered bribes if it is given in return for benefits.
- **Donations** in the form of money or material gifts can also be a form of bribe, when they are given to persons or people related to those who can offer benefits or influence the outcome that may benefit the donor.
- **Conflict of interest** is when an individual hold multiple position of interests (often between personal and professional) that prevent them from making impartial decision(s) or performing their duties. Examples of conflict of interest include a procurement employee using his/her authority to purchase products from a company that he/she has ownership in or a public official with authority to grant licenses uses his/her authority to get his/her cousin employment with the company applying for the license.





Conflict of interest can be disguised in the form of a “revolving door.” A revolving door is when a person with authority, usually a senior public official, is later employed as consultant, advisor or board member in the company as a reward to the public official for granting benefits to the company during his/her official position. The public official in return uses his/her influence and connections to help the company gain competitive edge. Companies must have policies to avoid revolving door as it may lead to corruption. A cooling-off policy, mandating a two-year resting period before the public official can be hired by the company, is recommended.

4. The risks identified in the assessment must be risks that can happen within the next 12-36 months.

After identifying and assessing bribery risks, there may be many risks associated with each business activities with various stakeholders. Thus, the SME should rank the risks so that the company can dedicate their resources to monitor and mitigate corruption risks that are most frequent or have the most impact to the business first.

**Organizing and Recording Corruption Risk**

The SME should prioritize the corruption risks so that it can focus on creating control measures and dedicate resources to reduce or eliminate those risks. The risks can be prioritized by assessing two factors:

**Likelihood of the risk:** The more likely or the higher the chance of the bribery happening, the more important or higher ranked the risk should be. Important factors to consider when assessing the likelihood of a risk include:

- Business activities known to have bribery risks such as annual permit requests or weekly import export formalities.
- Past occurrences with bribery in the particular operations.
- Known risks that other companies within the same industry frequently face.

**Impact to business:** In assessing potential impact of a bribery risk, the SME should examine both the consequences and severity. Some forms of bribery can affect the SME financially, legally, as well as its reputation. Similarly to the likelihood of the risk, the higher the impact, the higher rank the risk should be. The risk’s impact can be measured based on the following factors:

- Past consequences within the company or from the industry.
- Civil and criminal consequences to the board, employees, and executives.
- Loss of credibility and business opportunity from business partners and/or customers.
- Impact from being blacklisted by government agencies.
- Impact on the company’s reputation, consumer confidence, employees and shareholders.
- Impact on the company’s ability to raise funds from the financial institutions.

In order to prioritize risks, the SME must rate each risk on the likelihood and impact on the scale of 1 to 3 (1 being the lowest and 3 being the highest).

Scoring the Likelihood of a risk:

- Low likelihood = 1
- Medium likelihood = 2
- High likelihood = 3

Scoring the Impact of a risk:

- Low Impact = 1
- Medium Impact = 2
- High Impact = 3

Both scores for the likelihood and impact are added together to give the overall risk score for that particular risk.

- Medium likelihood 2
- High Impact + 3
- Total Risk Score = 5

Example of A Risk Assessment Table:

	Risk	Category	Likelihood 1-3	Severity 1-3	Total Score	Internal Control Measures	Person(s) Responsible
1.	An employee, who is tasked with dealing with the land department, wants to speed up the process in dividing up land. Bribes could be offered to the surveyors to help cut the queue.	Bribing to buy speed	2	3	5	<ul style="list-style-type: none"><li>There are clear procedures to help guide employees in preparing the application at the land department. The procedures must provide employees with good understanding of the necessary amount of time, fees and documents.</li><li>There are clear policies and guidelines in dealing with public authorities.</li><li>There is a policy dictating disciplinary actions for personnels who refuses to follow policy and guidelines.</li><li>There are channels for employees to report or file a complaint when bribes are demanded.</li></ul>	Personnels responsible for dealing with public offices and authorities.
2.	A sales employee hosts dinner for a public official to gain an advantage during the bidding of a construction project. Expensive wine and entertainment could be offered to the public official.	Buying a business opportunity with gifts, entertainment to gain business opportunity	2	3	5	<ul style="list-style-type: none"><li>There are clear policy and guidelines on giving gifts and entertaining public officials.</li><li>There are trainings for the sales department on the company's gift and entertainment policy.</li><li>There is a disciplinary policy for personnels who refuses to follow policy and guidelines.</li><li>There are whistleblowing channels for employees to report policy violations or report bribery incidents.</li><li>The spending receipt of personnel on gifts and dinners are regularly audited.</li></ul>	Sales department

3.	A company driver is stopped by traffic police, when the company's truck is found to be heavier than the regulated weight. Bribes to the traffic officer could be offered.	Bribing to correct a misconduct	3	3	6	<ul style="list-style-type: none"><li>There is a procedure to check the weight of all company trucks before they leave the factory or warehouse.</li><li>There is a clear policy and personnel guidelines dictating the procedures for transporting company goods.</li><li>There are trainings for company drivers on trucking regulations and traffic stop procedures.</li><li>There are penalties for personnels who do not follow company procedures or bribe public officials.</li><li>There are whistleblowing channels for employees to report or file a complaint when bribes are demanded by public officials.</li><li>The spending receipt of company drivers are regularly and systematically audited.</li></ul>	Transportation department
4.	A logistics employee uses an agent to bribe a Customs officer to reduce tax on the company's product.	Hiring intermediaries or representatives	3	2	5	<ul style="list-style-type: none"><li>There are guidelines to instruct employees on Customs procedures.</li><li>There are trainings to instruct logistics employees on Customs procedure to help them prepare for shipment orders.</li><li>There are clear guidelines and policies to prevent third-party agents from paying bribes for the company.</li><li>There are penalties for personnels who do not follow company guidelines or bribe officials.</li><li>There are channels for employees to report or file a complaint when bribes are being requested by public officials.</li><li>The spending receipt from third-party agencies are regularly and systematically audited.</li></ul>	Logistics Department

## Risk Management System and Action Item Guidelines

A risk management system prevents situations that lead to bribery and depends on the cooperation of all SME personnels. Owner and CEO create policies, employees put policies into action, and the auditing team checks for irregularities. Each group acts as a protective layer against bribery. The higher the risk, the more it should be prioritized.

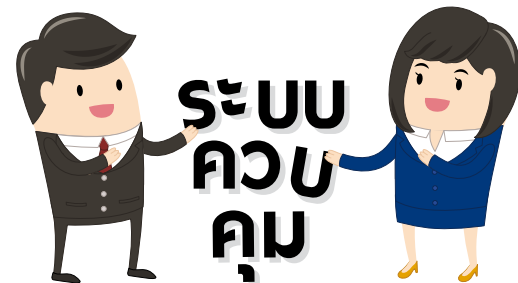
Risk management can be formulated through a number of different ways. Policies that are widely communicated and implemented, for instance, could be effective in managing risks. To ensure the effectiveness of policies, checking mechanisms should also be employed either through examining financial reports or through other means. SME should also create quality control measures to prevent operational mistakes that can lead to bribery.

### A Risk Management System Consists of the following:

1. **A robust risk management policy** must clearly define bribery related terms and specify potential channels of bribery. It should inform personnels about bribery and preventive methods to avoid bribery. The policy should also provide employees with guidelines on denying bribery demands from public authorities. Lastly, a robust risk management policy must have disciplinary actions for employees who fail to comply with company procedures, guidelines, and protocols.

2. **A proper accounting system** that is accurate and verifiable is also a crucial component in a risk management system. The accounting system must only use one accounting book and must allow all transactions to be traceable and referenceable. This can be done by managing the company's balance sheet and avoiding cash-based transactions. A good accounting system should also be regularly audited by an external auditor.

3. **Personnel training and communication** are essential to an effective risk management system. Executives must inform employees about the importance of refusing any form of bribery, existing bribery channels, and penalties. Personnels must be trained to respond appropriately to bribe demands, report incidents, and comply with company guidelines. The personnel training should be current, systematic, and tailored to different groups such as executives, low-risk departments, high-risk departments, affiliates, and partner groups. An effective training system must examine participants on their anti-bribery responsibilities in the workplace.



4. **Creating transparency** means ensuring that all business operations are transparent so that no employee can violate company policy, personnel guidelines, or the law. For instance, vital decisions with high bribery risks should be made systematically and transparently by the board of directors. A system for employees to report bribery risks such as giving or receiving gifts, hosting dinner, or an existing relationship with a client/supplier/public officials should also be instituted to ensure transparency.

5. **Encouraging business partners to have good audit and control** means informing about anti-bribery policy and encouraging business partners to have controls in-place to reduce bribery risks. Specifically, if the business partners are hired as intermediaries between the SME and government agencies. Any bribery incidents occurred with business partners could pose reputation risk to the SME.

6. **Segregation of duties and responsibilities** refer to having a division of administrative responsibility within the company to increase transparency and verifications. For example, a manager should review and approve payments before they are issued by an employee according to the specified limit and processes.

7. Having **disciplinary action and incentives within the policies** can help foster anti-bribery corporate culture. SME owner or CEO is key to drive change by advocating anti-bribery policy, control measures, and personnel guidelines. The disciplinary procedure should apply and communicated to all personnel, including the owner and CEO.. At the same time, recognition should also be given to employees, who comply to company guidelines and policy.

8. **Third-party Review** means getting assessed by an internal auditor who is independent from company's system and operations. The auditor should begin with the company's risk assessment, and then inspect business operations and control measures accordingly. For instance, during permit application, the company should have all necessary documentation and timely application submission to avoid any potential delays. Good preparation can help decrease risk of bribing public officials to accelerate permit application. The auditor should also review payment transactions to ensure that they comply with the company's policy while employee awareness should also be assessed. Lastly, if or when there are adjustments to the company's business plan or business operations, auditors should pay particular attention to whether the SME's risk assessment and control measures have been altered to accommodate new risks sprung from those new operations.





9. **Whistleblowing Channel** is a control measure that can alert SME executives about any irregularity in company activities so that any problems can be quickly addressed. A whistleblowing channel will not work, however, if whistleblowers fear intimidation or consequences of reporting incidents. Thus, an effective whistleblowing channel must protect the anonymity of the whistleblowers, respond back in a timely manner and lead to actual change.

10. **Business operations control** refers to the control of the work processes to minimize mistakes and delays in operations, which could create an opportunity for public officials to demand bribe. For example:

- When applying for a permit, the company provides a clear outline of the process, timeframe, and specific people/departments responsible for document and payment preparation. This way, the SME can follow proper protocol and deadline when applying for permits.
- When transporting products by land, the shipping department has procedures to inspect delivery truck weights before leaving the factory.
- When disposing waste water through public drainage, the company regularly measures the quality of the waste water.

It should be noted that the first step to creating an effective anti-corruption policy is to have comprehensive risk assessment and effective control measures.

## Internal Control Measures



The requirement for passing this item: Completing the risk assessment table and drafting control measures for risks with a total score of over 4.

The company should also have transparent accounting process. Specifically, the company should have only one accounting book, a systematic process for keeping financial records, a monitoring process for high-risk departments, a disbursement and reimbursement system for high-risk processes, and a good information management system.

## Checklist #2

**The SME has a good accounting practice, which has been verified and audited by third-party including a statement that the SME only has one accounting book.**

By having only one accounting book that has been legally recorded and audited, the company becomes more credible and mitigate any risks of breaking the law. If the company keeps multiple books, one for taxation, one for banks, and one for executives, the liability remains with the business owner and company.

Currently, technology has been increasingly integrated into the auditing financial statements. Counterfeiting accounting books for the purpose of tax evasion can thus be easily found and severely penalized. Banks have also evolved to be less lenient with loans and are verifying whether or not companies have more than one accounting book. Should banks discover the existence of more than one accounting book, the company and business owner credit worthiness could be reduced. Lastly, investors could also be dissuaded from investing in a company with multiple accounting books due to the lack of credibility in the company's financial reports.

A good accounting system also needs to go beyond having a complete and accurate record of all financial transactions; it must implement payment and reimbursement controls for high risk activities. Large cash payments or payments without proper documentation, which could make it difficult to trace and audit, should not be allowed. Any exception should only be authorized by the SME owner or CEO.

The accounting process is about recording evidence and financial documents that are related to SME's activities such as purchases, sales, inventories, savings, and other payments. Each of these

processes need to be organized correctly and should all have the necessary supporting documents. If the company is unorganized, its accounting system and bookkeeping may also leave room for error and oversight.

**The principles of accounting standards can be easily visualized:**

1. It is critical to know the rules to managing accounting transactions such as when to cut off a transaction, how to cut off a transaction, and when to record a transaction. The company should also take into account whether it uses accrual accounting or not.

2. When a transaction occurs, the company needs to know if the transaction creates revenue, an expense, an asset, or a liability. Revenue and expense transactions should be documented in the profit and loss statement, whereas assets, liabilities, and capital should appear on the balance sheet.

3. When the company purchases an asset or stock, it should acknowledge whether the account is recorded based on cost or retail price. At the end of each accounting cycle, the company's assets and liabilities should be reevaluated at market value in order to reflect reality. Account receivable that is likely to default should lower the value and declare an allowance for defaults. These changes in assets devaluation could negatively affect the profit-loss statement as well as the distribution of dividends and the company's stock price.

4. In presenting financial statements, the company must have a common set of standards in order to help evaluate its financial status as well as compare its performance with competitors. By following accepted accounting standards, the company could analyze its financial ratio, debt-equity ratio, profit-making capacity, and future performance. The financial statement should include notes to disclose relevant details to the company's finances such as lawsuits and other consequential events. Providing additional information in the financial statement can ensure transparency and allow business owners to make informed business decisions.



The International Financial Reporting Standards for SMEs (IFRS for SMEs) set by the Accounting Standards Board has drafted a new set of guidelines to meet international standards for SMEs. IFRS for SMEs incorporates 2015 Amendment into the new draft which becomes effective on January 1, 2017 and can be found from this link:

<http://www.fap.or.th/TFRS-for-SMEs.html>.

With respect to auditing, SME owners or CEOs should appoint internal staffs and an external auditing firm to ensure that the company's accounting practices comply with accepted accounting standards.



**The requirement for passing this item: Financial report from external auditor.**

### Checklist #3

**The SME has formal procedures to regularly monitor high risk activities such as sales, marketing, and procurement.**

High risk departments are all departments that interact with public officials, government agencies or even other businesses. These departments include sales, marketing, procurement, tax, licensing, logistics, import/export and transport.

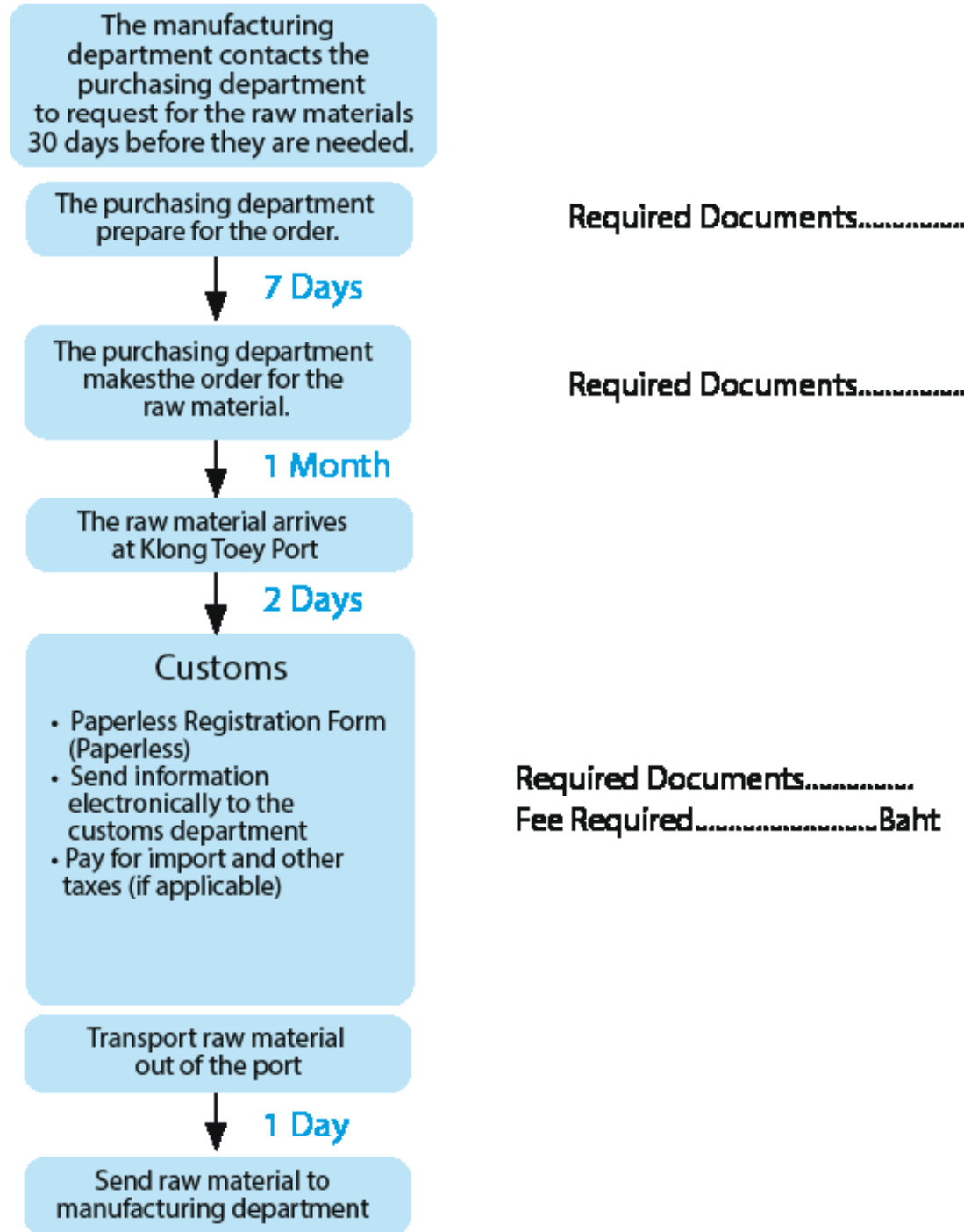
Personnels in these departments have high risk of being involved in bribery because they have greater exposure to public officials and decision makers as well as procurement personnels of other businesses. Furthermore, they are also under pressure to complete company tasks efficiently and successfully.

If tasks within high risk departments are not clear and well-defined, staffs may feel inclined to bribe a public official to expedite work or overlook mistake. Thus, providing clear work procedure and making sure that staffs strictly adhere to those procedures are of great importance.



**Example:**

Company A's business requires them to import raw materials. Their work procedure has been described below:



From the example above, the company should specify the necessary documents and payments in each steps of the Customs process. The company should also keep records and documents for future inspections.

**Audit Example:**

Audits can be conducted by randomly picking documents from different work processes once a year. During the audit, the company should check if the departments involved properly followed company guidelines and completed each task within the allocated timeframe. The company should also review documents and evidence for receipts, approval documents, and other records.

The requirement for passing this item: High-risk procedures chart and documents signed and approved by the owner or CEO.

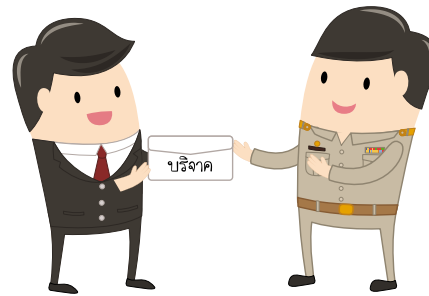
## Checklist #4

The SME has control measures to monitor and record fund disbursements and reimbursements from high risk departments and data retention on activities with bribery risk such that information can be easily retrieved.

The company must have anti-bribery control mechanisms to reduce or eliminate corruption risks in the disbursement and reimbursement process. The control mechanisms must provide a clear process for approving payments that identifies allowable payments and personnels involved (more than 1 approver may be involved based on the size of the amount). The information should be recorded for future inquiries or investigations.

Details that should be recorded:

- Gift offering: giver, receiver, date, value of the gift, etc.
- Entertainment: participating company representatives, public officials attended, purpose, etc.
- Sponsorships and donations: documents relating to the charity, names of founders and committee members, names of company staffs that assessed and verified the organization, etc.



The record should be kept for at least 10 years, consistent with the Revenue Department's recommendations.



The requirement for passing this item: disbursement control measures and data management system detailing data back-up processes and person(s) responsible.

## Checklist #5

The SME has taken proper precautions to keep documents organized so that they will always be ready for auditing.

Record-keeping or document preservation is important in executing an effective anti-bribery policy regardless of the size of the company. Companies should not be compelled to keep records and preserve documents to simply comply with the law or business standards, but should embrace the importance of using these records for auditing and reviewing business transactions, incomes, and expenses. Record-keeping can be executed in simple ways, such as organizing files in different folders, or more sophisticatedly, through uploading files and storing them on a computer database. The sophistication of record-keeping is at the company's discretion.

The business owner and CEO should pay special attention to record-keeping, which can be used to audit for bribery incidents. These important documents could include:

- Receipts for fees and services paid to government agencies with dates and details, receiver, and purpose
- Receipts for gifts, entertainment, sponsorships, charitable donations
- Receipts for third-party services and detailed of the services offered
- Licenses and permits issued by the government
- Proof of contact with government officials such as memorandums, emails, complaints, bids, etc.
- Tax forms and related documents.
- Financial documents such as bank receipts, copies of accounting books, etc.

### Records Can Be Kept Using Various Methods:

- Folders can be used to organize official documents and original records by projects or dates. The company should be conscientious in protecting documents from damage over time or destruction by natural disasters.
- An electronic database could also be used by scanning documents and records. The files could be organized and reviewed electronically at a later date. Since USB drives, CDs, and computers can break down or files can get corrupted, electronic records should be periodically backed up in case of any technical failures.

- Cloud storage could also be used to store electronic documents and records through a third-party service. Cloud storage possesses the advantage of being protected from natural disasters and technical failures.

Records and documents should be kept for at least 10 years, consistent with the Revenue Department's recommendations.

#### Examples of Good Record Storing Systems:

Company A stores its records and documents in a locked filing cabinet inside the accounting department. Since the accounting department is located on the second floor of its office, the files will be protected against floods. The documents within the filing cabinet are sorted by categories and dates so that documents can be easily located.

Company B stores its records and documents electronically. Each document and record is submitted to accounting department staffs to be scanned and stored. The files are organized and sorted by category in the computer. Each month, the company's accountant updates their backup file onto a CD.



The requirement for passing this item: Recordkeeping process description with specific details outlining person(s) responsible.

## Policy and Practical Guidelines



Bribery Prevention must be a key policy set up by the executives of the company. The preventive measures must be clear, detailed (including definitions of bribery terms), and implemented officially.

### Checklist #6

The SME has official anti-corruption policies and procedures to help employees conduct activities, which might be considered as bribe such as offering gifts, paying for meals and entertainment, donating money to non-profit organizations or foundations, supporting government officials or politicians and hiring third-party.

#### Examples of Good Practice:

Creating a policy is an important starting point for running a business; good policies inform outsiders and company staffs about company values. In order for policies to become day-to-day practice, the business owner or CEO must lead by example and clearly communicate to employees about the importance of following company policies. Beyond this, policies also act as framework for acceptable behaviors that ensure the business operates in accordance with the law.

#### Disadvantages of absent, deficient, or incomplete anti-bribery policies:

- Corporate culture may be negatively affected by low honesty and respect for rules
- Employees may lack motivation to compete with other companies
- If bribery is used as a business tool, both the employees and the company are at risk of breaking the law, damaging company reputation, and losing credibility
- Without clear policies, employees and managers lack clear guidelines in preventing bribery
- The SME may lose business opportunities, particularly with business partners that demand clear anti-bribery policies and personnel guidelines.



### Key Principles to Effective Policies:

The SME owner or CEO is responsible for setting up anti-bribery policies and leading by example (the tone at the top). Examples of good policies and practices are as follows:

- Emphasize the purpose of the policies.
- Provide details about the limitations of certain actions to capture and communicate important points.
- Determine and support acceptable behaviors and practices. The business owner or CEO may offer incentives or prescribe disciplinary actions to motivate employees' adherence to company policies.
- Determine common practices to prevent bribery and protect employees who refuse to participate in bribery.
- Specify that the anti-bribery policy and practices apply to all staffs without exception.
- Determine the person(s) responsible for assessing and reviewing the anti-bribery policy to accommodate the company's changing circumstances over time.
- The SME owner or CEO must regularly emphasize to their staff and business partners about the importance of anti-bribery policy compliance.
- The anti-bribery policy must be clear, concise, straight forward and communicated through the right channels to each particular target group.



## Responsibilities of SME Owners or CEOs

- Set policy and ensure the principal of anti-bribery is in the mind-set of all employees.
- Monitor internal control systems to ensure that business operations are transparent and comply with domestic laws and international standards.
- Promote anti-bribery policies among employees.
- Monitor and ensure business operations are conducted in accordance with company policy, regulatory requirements, and law. SME owner or CEO must ensure that the control systems are appropriate for the bribery risks and report to the board of directors and executives if needed.

## Practical Guidelines

For All Employees in the Company:

- Employees must follow the anti-bribery policies and code of conduct; in particular, they must refuse to participate in bribery.
- Employees must be committed to building and maintaining the company's corporate culture in anti-bribery and treat bribery as an unacceptable act when dealing with both the public and private sectors.
- Employees must not ignore bribery incidents involving the company. They are obliged to report such incident to their respective supervisor or a staff responsible for overseeing bribery cases and cooperate in the ensuing investigation thereafter. If there are questions or inquiries, employees should consult with their supervisor or the person(s) responsible for dealing with corruption cases through various established channels.
- The company must protect employees who refuse to participate in bribery or report any potential bribery cases, utilising appropriate measures as stated in the company's whistle-blowing policy.
- Employees should help raising awareness about the company's anti-bribery policy and encourage business partners to conduct businesses with transparency.
- Employees who do not follow the guidelines as well as those who participate in bribery should be subjected to disciplinary action(s) within the company's policy and in accordance with the law.

## Terms of the Policy:

- The policy must cover all human resources processes including recruiting, promoting, training, evaluating and rewarding personnels. Supervisors must be assigned to communicate and oversee employees, and to ensure compliance.
- The policy must prohibit directors, executives, and all employees from offering or receiving bribes in any form. The policy must be periodically reviewed to ensure compliance. It must also be regularly updated to address changes in business operations, regulations, and the law.
- The policy must demand all personnels to report to their supervisor when they witness a bribery committed by a public official or another employee.
- The policy must require all personnels to comply with company guidelines and manuals.
- The policy must caution and advise the company's owner, CEO, managers, and all employees when engaging in the following activities:
  - Giving or receiving gifts, hosting events (dinners or entertainment), and other expenses should be done in accordance with the company guidelines.
  - Donations and sponsorship must be conducted transparently and lawfully, ensuring that the contribution will not be a bribe.
  - When hiring third-party to seek government related services, the company is responsible for ensuring that the third-party does not engage in any form of bribery as well.
  - The company must maintain professional relationship with public officials and other related agencies.
- Directors, managers, executives, and employees are prohibited from offering bribes in all business operations relating to the public sector. Contacting public officials must be done with transparency, honesty, and accountability and in accordance with the law.





### Example of a Policy

The company has a policy that counters all forms of bribery and applies to all personnels and any other third-party agents related to the company. The anti-bribery policy must align with Thailand's anti-corruption laws, protocols, and standards for good corporate governance. Specifically, the policy must explicitly demand employees to refrain from participating in all forms of bribery including offering, accepting, agreeing to bribery demands regardless of the type of payment (cash, goods, or other services).



The requirement for passing this Item: Company policy and practical guidelines that cover each high risk business operation.

## Checklist #7

### The SME has clear definitions of bribes, channels and parties involved.

By providing a clear definition for the different keywords relevant to bribery, the company can teach employees the processes relating to corruption and bribery.

#### Example of Definitions:

**Corruption** refers to improper conduct intended to secure a benefit for oneself or another. Corruption encompasses a variety of wrongful acts including bribery, extortion, the misuse of inside information, jury tampering, and abuse of public office, and many others. The benefit also exists in several forms including assets, cash, objects, rights.

**Bribery** refers to the offering, promising, giving, soliciting, or receiving of any item of value as a means of gaining an advantage or benefit by influencing an individual to act against the law or his/her duty.

**Public officials** refers to anyone in a position of official authority that is conferred by the state including tax inspectors, customs officers, police officers, civil servants, companies under the supervision of the state or public international organizations, candidates for public office, and current political office holders.

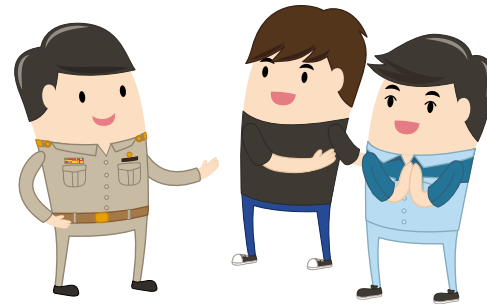
**Business Partners** include partnered companies, third-party agencies, or any affiliated companies.

**Gift-offering** includes both direct (giving money, vouchers, valuable goods, products, and services) and indirect (discounts) offers. Gift-offering includes gifts that are offered in accordance with social etiquette, local tradition, and special holidays such as birthday gifts, new year gifts, and gifts in celebration of a promotion.

**Donation** means giving money, product, valuable goods, or services in the form of a charity.

**Endorsing** means offering money, valuable goods, or services with the purpose of showing support for a public official or agency in order to improve the company's business operations, branding, or reputation. By doing so, the company is able to build public credibility that can strengthen business relationships.

**Third-party** refers to external individuals, business partners, or agents tasked with contacting public officials or other business partners.



✓ The requirement for passing this item: Clear definitions of words relating to bribery and forms of bribery that was included in the policy and practical guideline. There should at the least be definitions for bribery, public official, business partner, gift-giving, hosting/entertainment, endorsing, donations, third-party, and agent.

## Checklist #8

The anti-corruption policy has been officially approved and signed by business owner, Chairman of the Board or CEO.

Once the anti-bribery policy has been drafted, the owner, Chairman of the Board or CEO must sign off the policy and publicize the policy to employees as well as external parties.

✓ The requirement for passing this item: Proof that the anti-bribery policy has been officially approved by the business owner or CEO.

## Communication

The SME communicates publicly about its anti-corruption policy and procedures through different channels such as on its website, publication, email header, and/or receipt.

### Checklist #9

The company is required to notify the public about its anti-bribery policy through accessible channels such as its website, publication, letterhead, or receipt.

By publicizing its anti-bribery policy, the company can inform customers and the public about its intention to practice business with transparency and good governance, commitment to foster a better society, willingness to support anti-corruption, and standards for future ventures.

#### Example of Announcement:

On the company's website or publication, there should be a clear notification announcing: "Our company has declared intent against all forms of bribery in compliance with CAC's SME Certification" or "Our company has been certified by CAC's SME Certification on our anti-bribery policy".



The requirement for passing this item: Proof of communication such as a website screenshot, publication used, or receipt for business partners and customers.

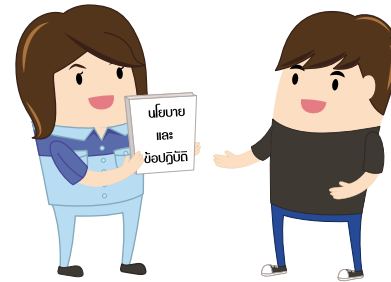
## Checklist #10

The SME informs its business partners about its anti-bribery policy, procedures and channels to report bribery-related incidents.

The company should notify all parties including customers, business partners, representatives, affiliates, financial institutions, and government agencies about its anti-bribery policy commitment for awareness and compliance.

### Example of Notification:

The company can place a clear statement notifying that “Our company has declared intent against all forms of bribery in compliance with CAC’s SME Certification” or “Our company has been certified by CAC’s SME Certification on our anti-bribery policy” in headers or footnotes of letters, receipts, and other documents.



- Example of Letter: To inform trade partners

**Subject:** Request for cooperation in supporting our Anti-bribery Policy and bribery reporting.

**To:** Managing director, business partners and other related business units

Our company would like to inform you that we have created an anti-bribery policy, which is be followed when our employees work with your company as well as government officials. The details of the policy are as follows:

“The company prohibits all staffs including the business owner, executive, employees, and any representatives from engaging in bribery. In this case, bribery refers to the offering, promising, giving, soliciting, or receiving of any item of value as a way of influencing, convincing, or coercing someone in trade for special benefits or treatment of the individual or the company”.

Other than this, the company has also opened a whistleblowing channel to report bribery acts or demands. The company can be contacted via this email: [bribeincident@company.com](mailto:bribeincident@company.com) (example email address).

I would like to thank you on behalf of our company and hope that you will support us by mailing this form back with your signature acknowledging receipt and participation in the collective action to fight corruption.

Yours Sincerely,

.....

CEO of Company



The requirement for passing this item: Notification sent to business partners.

## Checklist #11

The SME continually communicates with its employees about anti-bribery through different channels such as company website, announcement boards, or flyers.

In order to inform employees about the company's anti-bribery policy and practices, SME owner or CEO must communicate through means that are accessible to all employees. Multiple channels of communication can be used to inform each particular target group. For instance, posting information on the company website will reach employees with access to computers, while posting on announcement board will be visible to all employees in that particular area.



### Example of Announcement Channel:

The SME may post announcement notifying employees about current anti-bribery policies at building entrances and exits.



The requirement for passing this item: Example of communication such as a picture of the announcement board, a screenshot of the website, or a letter.

# Human Resource Management

**The company must have personnel management and training as well as policies to protect employees who refuse to pay bribes, while disciplining employees who participate in bribery.**

The human resource department is considered one of the most important function to prevent company employees from engaging in bribery.

To counter bribery risks, human resource department can take a leading role in training new and existing employees, providing clear work guidelines, and protecting employees' rights. Human resource department must also recognize employees who follows the company policy by declining and reporting bribes and discipline employees who fail to comply with the company policies.

An ineffective human resource management can result in greater risk of employees engaging in bribery.

## Checklist #12

The SME has plans to select, evaluate, and reward employees for their commitment to anti-corruption policy.

- In selecting employees, the company conducts a background check on the applicants' career and criminal history. For positions in high risk department, the company should interview applicants on their work experience with public officials and bribery record.
- In employees evaluation, the company should prioritize behaviors that exhibit discipline in policy compliance. For instance, the ability to follow the company's anti-bribery guidelines and turn down bribes should be considered as part of the evaluation.
- In rewarding employees, the company should compensate or recognize (separate from bonuses) employees who have turned down bribes. Employees who have been able to utilize the company's whistleblowing channel may also be rewarded in a similar manner.
- The business owner or CEO must review and approve the new administration plan incorporating these three components.



The requirement for passing this item: A human resource management plan approved by the business owner or CEO that covers the selection process, evaluation process, and rewarding mechanism.



## Checklist #13

The SME trains new and existing personnel on anti-corruption. The courses should cover topics such as negative impact of corruption, anti-corruption laws, corruption channels, how to refuse bribe requests and set up whistleblowing channels.

In order to raise awareness about the company's anti-bribery policy, the company should provide training for its employees. To do so, the company can choose to design its own course or use the CAC SME E-learning platform (which can be accessed online free of charge).

If the company chooses to conduct its own anti-bribery course, the curriculum should cover the following topics:

- The definition of bribery
- The company's anti-bribery policies
- The negative impact of bribery on the company: legal penalties, loss of opportunities, and defamation
- Legal penalties
- Regulations and precautions relating to gifts and entertainment
- Regulations and precautions relating to donations and sponsorships
- Regulations and precautions relating to hiring third-party
- Methods of turning down bribery requests



For the benefit of new employees, SMEs should conduct this training every 6-12 months to inform new hires about anti-bribery. For existing employees, SMEs should conduct this training annually to renew their understanding of anti-bribery and inform of any adjustments to anti-bribery policies.

If the company hosts its own training courses, the human resource department should record the names and dates of all employees who have attended the course. This information can be used as reference and for course management.



The requirement for passing this item: The employee training course including the list of departments required to participate, employee's names, course topics, medium (in class training, third-party training, or E-learning course), and the frequency of required employee training.

## Checklist #14

The SME has a policy not to demote or discipline employees who refuse to participate in bribery even if it limits business opportunities.

The SME has a policy to prevent superior officers from demoting, punishing, or threatening employees who refuse to participate in bribery or resist a command to pay a bribe. This policy must protect employees' career, salary, and safety.

This policy serves to help promote trust in the company's anti-bribery policy and personnel guidelines. If employees feel that they may be punished when refusing to bribe, they may not comply with the company's anti-bribery guidelines.

### Example of Employee Anti-bribery Protection Policy

Any prosecution, threat, or punishment (in any form) of an employee for refusing to participate in bribery is considered a direct violation of the company's anti-bribery policy. This violator will be held responsible and liable to compensate the company or the individual (wrongfully punished). Violating this policy could potentially result in an immediate termination of the violator's position.



The requirement for passing this item: An approved policy to protect employees who refuse to participate in bribery signed by the business owner or CEO.



## Checklist #15

**The SME has disciplinary actions for its executives and employees who fail to comply with its anti-corruption policy and guidelines.**

Disciplinary actions can include:

1. Verbal warnings: verbal warnings are used with the intention to change employee behavior or to warn employees about severe penalties against repeated offenses.
2. Written warnings: written warnings should specify the violation or offense the employee has committed and record the employee's explanation. The employee must sign a statement acknowledging that they have been given a written warning.

Other disciplinary measures can include:

- Annual bonus cut
- Suspension
- Immediate termination of employment
- Legal action

### Example of disciplinary policy 1:

The company has stipulated penalties for employees who fail to comply with the company's anti-bribery policy. For minor offenses, the company will give verbal or issue written warning. For major or repeated violation of company policies, the disciplinary actions could include 2-week suspension, annual bonus cut, or immediate termination of employment.



### Example of disciplinary policy 2:

Any employee or business associate who fails to comply with company's anti-bribery policy or procedures will be penalized by immediate termination of employment, contract cancellation (based on the situation) and/or legal actions.



**The requirement for passing this item: The disciplinary policy for employees who fail to comply with the company's anti-bribery guidelines.**



## Whistleblowing and Incident Reporting

### Checklist #16

**The SME has whistleblowing channels for reporting misconduct relating to bribery.**

By creating safe whistleblowing channels, employees can have the confidence to report bribery incidents. The company must ensure the anonymity of the whistleblower and protect the whistleblower from any retaliation.

If the company fails to ensure the safety of the whistleblower, the whistleblower may be reluctant to step forward in fear of repercussions and the company will be unaware about the misconduct..

For SMEs, bribery incidents can also involve the business owner or CEO. Thus, the company's whistleblowing channel may not be neutral and confidential. Thus, the whistleblowing channel can also include third-party entity such as CAC or a state entity such as the Public Sector Anti-Corruption Commission of Thailand (PACC) or the National Anti-Corruption Commission of Thailand (NACC).



Examples of Ways to Report Incidents and Complaints

- The SME may consider assigning a senior executive or director to receive bribery reports
- The SME can set up an online whistleblowing channel via e-mail or webpage for employees to directly report incidents.
- The SME may also assign specific telephone numbers for employees to report incidents of bribery.
- The SME may use the same or separate whistleblowing channels for external parties.

An example of communication channels for incident reports:

Anyone being forced to bribe or witness bribery acts can submit details of the incidents, evidence or information for investigation, name, address, and contact details. This information can be sent through the following channels:

- Hotline Tel: 0-2111-1111 (example)
- Email: company@mail.com (example)
- Mail: P.O. Box 1234 กรุงเทพฯ 11111 (example)
- [https://www.bangchak.co.th/pdf/policy/Whistle%20blowing\\_updated\\_TH.pdf](https://www.bangchak.co.th/pdf/policy/Whistle%20blowing_updated_TH.pdf)



- Report to PPAC

แจ้งเบาะแส ร้องเรียนการทุจริต 1206 PACC Call Center

- Report to NACC



Examples of Incident Reports or Complaints:

Guideline of investigations and penalties:

1. Once there is an incident report, the CEO, Executive Committee and/or assigned Committee will convene an investigation.
2. During the investigation, the CEO, Executive Committee, and/or assigned Committee may delegate a representative within the working group to periodically report the progress back to the whistleblower.
3. If the investigation has yielded evidence to support the whistleblower’s report, the company must conduct additional investigation to prove that bribery acts have been committed.
4. If an employee is found to be in violation of the company’s policy and procedures, disciplinary action(s) should be decided by the the CEO, Executive Committee and/or the assigned Committee accordingly.



The requirement for passing this item: Documents describing available whistleblowing and incident reporting channels as well as the consideration process, processor, responsibilities of the processor, investigation, and company's response to the reporters.

## Checking, Reviewing, and Adjusting

Executives are responsible for continuously reviewing and evaluating the use of anti-bribery measures to reflect internal and external changes.

Reviews and evaluations must take into consideration how company risks may have changed, and whether the measurements and regulations adequately cover those changes. If not, the business may be at risk to committing bribery, as measures and employee regulations do not cover all company activities.

### Checklist #17

The Anti-corruption checklist is reviewed by the SME's owner or CEO each year and improvements are made according to changes in business activities and associated risks.

The SME owner or CEO must continuously review anti-bribery measures to ensure they are current with business operations and in compliance with external factors. Changes such as establishment of new affiliates, forming new joint ventures, or the introduction of new laws and regulations by the government can change the company's bribery risks and subsequent controls.



ความเสี่ยงใหม่

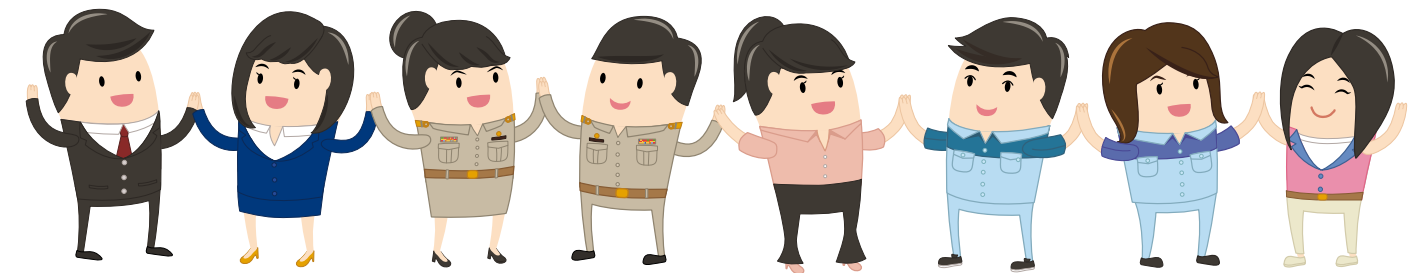
The process of reviewing anti-bribery measures is as follows:

- Assess if there are changes in business profiles, structure, stakeholders and activities.
- Verify that existing company risk assessment aligns with the company's current business.
- Investigate various risks to determine whether there is any change/increase in bribery risks
- After reviewing the risks, if there are changes to current bribery risks then identify necessary control measures.
- Review whether existing policy and procedures are clear, well-defined, and in accordance with each risk.
- If any policy and procedures are adjusted, the SME owner and CEO must acknowledge the changes and sign-off on the new policy and procedures.

In assessing risks/controls and suggesting improvements, the SME owner and CEO should solicit help from employees in high risk departments, such as sales, purchasing, logistics, project procurement and government communications to assist in reviewing the risks and controls.

#### Examples of what to look for and how to fix it

Company A has expanded its business from supplying raw materials to construction. The owner or CEO of Company A should assess various risks that may arise in the construction business together with the current risks. These risks may include risks from contacting the Land Department for land titles or from obtaining construction permits. These new risks should be added to the company's risk assessment and new control measures should be implemented. The SME owner and CEO is responsible for reporting such assessment, amendments, and improvements to the board of directors for their acknowledgement if needed.



The requirement for passing this item: Documents signed by the business owner or CEO confirming that the company's anti-bribery policy and control measures has been reviewed.

## References:

<http://www.maybank-ke.co.th/investor-relations/good-corporate-governance/pagegroup/anti-corruption/>

<https://www.cargill.com/doc/1432076404302/guiding-principles-th.pdf>

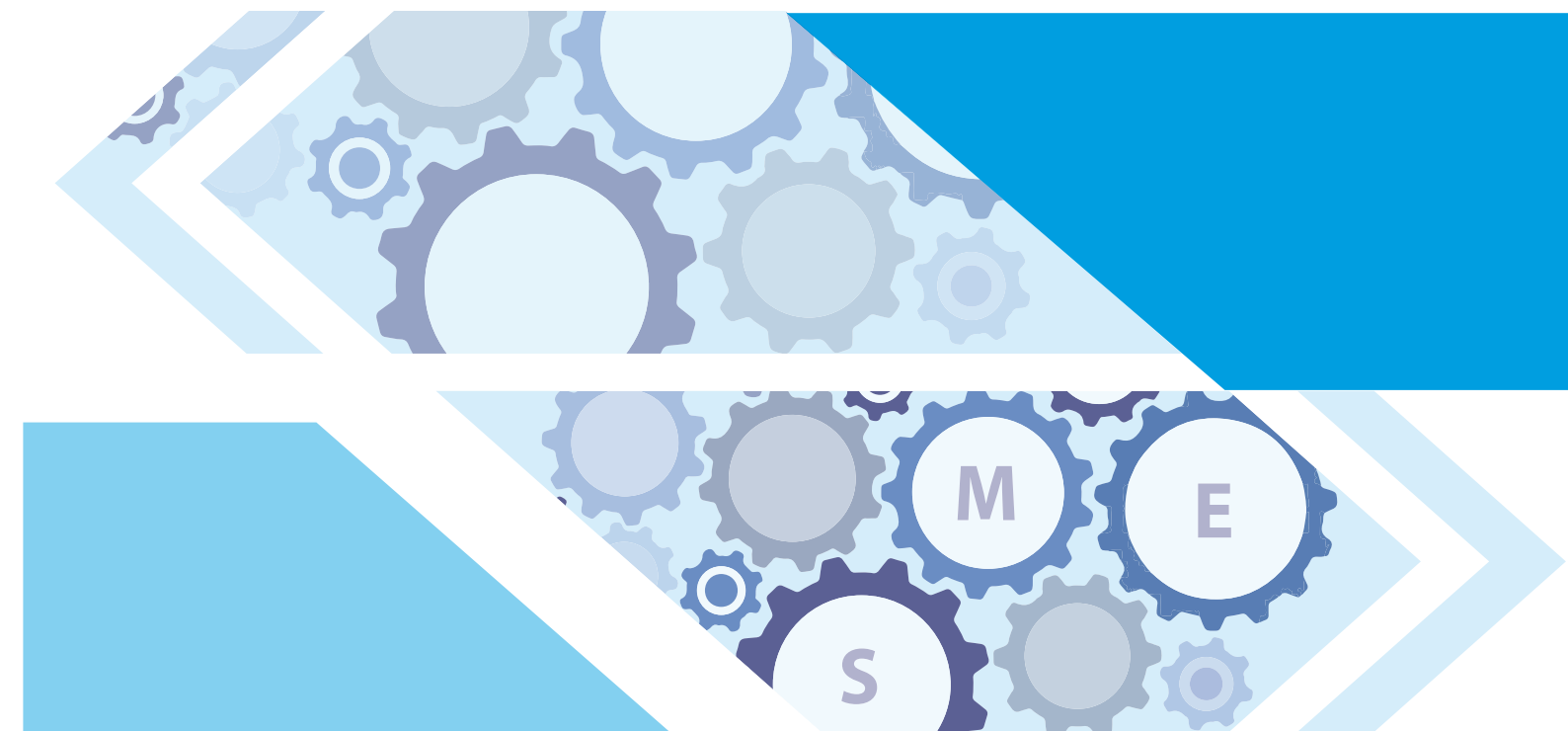
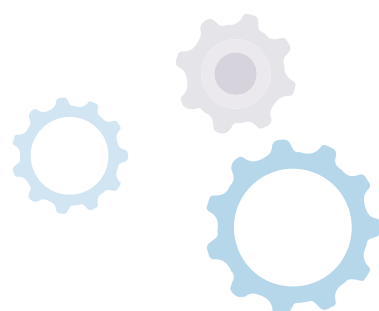
[http://www.moongpattana.com/wp-content/uploads/2016/09/TH\\_Anti-corruption-Practices\\_Effective-9-Sep-2016.pdf](http://www.moongpattana.com/wp-content/uploads/2016/09/TH_Anti-corruption-Practices_Effective-9-Sep-2016.pdf)

<http://www.labourguide.co.za/discipline-dismissal/731-workplace-discipline/361-forms-of-disciplinary-action>

[https://www.sba.gov/sites/default/files/files/PARTICIPANT\\_GUIDE\\_RECORD\\_KEEPING.pdf](https://www.sba.gov/sites/default/files/files/PARTICIPANT_GUIDE_RECORD_KEEPING.pdf)

<https://www.smartsme.tv/content/17964>

<http://www.fap.or.th/TFRS-for-SMEs.html>



**CAC SME Anti-bribery Toolkit:** This toolkit is meant for business owners, executives, and employees from companies in the private sector. It serves to inform these audiences about the processes involved in developing a robust internal system that can reduce bribery risk. The following topics are covered:

- Drafting a policy
- Creating control measures
- Managing human resources
- Communicating with business partners and employees
- Risk assessment
- Setting up personnel guidelines
- Improving the system
- Whistleblowing and Incident Reporting

Participating in a bribery is against the law and is a risk that can greatly damage the company's business. On a larger scale, bribery also inhibits economic growth and national development.

By practicing business with transparency, setting up anti-bribery policies, control measures, and countering each bribery risk with appropriately, the private sector can create a new ecosystem of transparent businesses. With this ecosystem, the private sector can reduce bribery risk, create transparency in business operations, and create a free market with fair competition.