

ESTABLISHING A SUB-COMMITTEE ON COMPLIANCE & ETHICS

Proposal

1. Which do you wish to establish — a committee, sub-committee, working group (WG), or task force (TF)?

A sub-committee (of existing Legal Committee)*

*** a separate committee can be considered going forward**

2. What is the name of the proposed committee, sub-committee, working group, or task force?

Compliance & Ethics Sub-committee

3. What are the goals, task, or purpose for founding it?

To provide an overview of goals, tasks and purposes of founding of Compliance & Ethics Sub-committee at AEB it is helpful to consider external and internal factors related to Business Ethics and Compliance in Russia in complex.

The legislative and enforcement environment in Russia is quickly evolving. To get an accurate understanding of the business ethics climate in Russia, it is beneficial to analyse the political landscape in the country and the impact of foreign laws on Russian business. As one would expect, the political environment is dynamic and pressure is increasing on leadership to address future growth concerns.

Russia is becoming increasingly interested in foreign investment, while also seeking ways to decrease reliance on imports. Russia also realizes that a main impediment to foreign investment is the high corruption perception in the country (Russia is ranked 136 out of 175 on 2014 Transparency International Corruption Perception Index)¹. Number of international investigations with involvement of Russia increases (Pfizer 2012: USD 2,3 billion fine for bribing HCPs through distributors; EL 2012: USD 29 million fine for fake consultancy agreements; J&J 2013: USD 2,2 billion fine for paying HCPs for prescriptions; Siemens; Daimler).

Accordingly, Russia is taking steps to address these issues. In early 2012, Russia formally joined the OECD Anti-Bribery Convention which obligated Russia to implement certain legislation. Based on that National Anti-corruption plan was approved by the President of the Russian Federation for realization. Currently, Russian legislation criminalizes bribery for individuals only (no corporate criminal liability). While there is no criminal liability, companies face administrative fines (up to 100 times of the bribery amount), with the minimum fine being 1 million roubles. In January 2013, new amendments to Russian law "On fighting corruption" were made introducing an obligation for legal entities to undertake measures to fight corruption, including introduction of a Code of Conduct for employees and development of procedures aimed to secure compliance. Later, Ministry of Labour issued very thorough Methodical recommendations on implementation of compliance programs for the Russian organisations. The developments in this are continued.

Recently in autumn 2014, Federal Antimonopoly Service of Russia (FAS) publically announced its new initiative on implementation of rules and approaches to complex antitrust compliance by Russian market players.

¹ In 2013 the rank was 127 out of 175, in 2012 - 133 out of 174, in 2011 - 143 out of 182

To navigate the evolving and aggressive enforcement environment and meet expectations of U.S., U.K., Russia and elsewhere authorities, as well as international organizations including the OECD, it is important to provide a solid platform for experienced professionals' collaboration to conduct risk assessments, to bring together compliance efforts, and to share advice regarding the conduct.

Anticorruption/antitrust compliance are new areas that require special dedicated professionals on internal compliance programs implementation to minimize compliance risks of foreign companies in Russia. From internal (company's) perspective, Compliance & Ethics are new areas of corporate governance in the modern business model. They are considered as additional and often independent functions of corporate lawyers.

The Compliance & Ethics Sub-committee is going to be a place where professionals from AEB members and different external stakeholders (incl. state bodies) can share and promote best practices via informational briefings, seminars, reports, regular compliance cases updates.

Key tasks are to assist AEB members i) to comply with their obligations under the international and local requirements in compliance area; ii) to facilitate, promote, monitor and aim to secure the implementation of the best compliance program and policies, iii) to foster the international understanding of applicable laws, including but not limited to laws addressing corruption, bribery, trade controls, and fair competition. Areas of interest include business ethics, regulatory issues, internal controls, governance and risk assessment and mitigation.

4. What will be the composition of the committee (WG, TF)? Please list the companies interested in founding it.

Composition is Chairperson, Deputy Chairperson and Coordinator.

5. Please give an outline of the activities or tasks that are intended to be accomplished in the first six months.

Providing an update/overview on compliance cases, emerging risks and trends globally and domestically, (focus on discussions, take-aways). The sub-committee will address the practicalities of complying with a wide range of professional risk management and compliance issues including:

- **Bribery and corruption**
- **Fair Competition**
- **Sanctions**
- **Data protection**
- **Conflict on interests and confidentiality**
- **Anti-money laundering**
- **Design and implementation of compliance risk management approaches, systems and policies**
- **Compliance complaints and claims handling**
- **Internal audit over compliance and monitoring programs**
- **Internal investigations and external reporting**
- **Reputation risks.**

6. Will it require any additional resources?

There is a need of AEB conference premises for the sub-committee events

7. Please list any additional information relevant for the founding of this committee (WG, TF).

Compliance & Ethics Sub-Committee:

- a) Monitors compliance with senior overlay requirements of international and country authorities;**
- b) Keeps AEB members apprised of changes in international and country regulations effecting maintenance compliance standards;**
- c) Invites state bodies for a constructive dialogue, business and government opinions' sharing on critical legislation regulations, enforcement practices;**
- d) Joins various government initiatives in compliance area via interaction with country authorities and other relevant bodies, involved/responsible in/for compliance and anti-corruption matters;**
- e) Engages of external counsels and reputable consulting companies to provide professional insight to compliance matters;**
- f) Drives joint cross-sectoral activities jointly with Legal, HR, PR & Communications, Finance and Investments committees.**