About this report

The reputation and impact of the EBRD depend on the Bank’s integrity and ethical standing. We are therefore deeply committed to promoting integrity, good corporate governance and high ethical standards in all business operations.

The EBRD’s Office of the Chief Compliance Officer (OCCO) is responsible for protecting the Bank’s integrity and reputation, setting its ethical standards, and acting as an independent check to ensure that these standards are entrenched in all aspects of the EBRD’s operations. The department plays a critical role in making sure that the operations and business partners of the Bank help to build well-governed, competitive and sustainable market economies.

The Integrity and Anti-Corruption Report 2018 summarises the actions that were taken during the reporting period to ensure that the EBRD conducted its business activities with integrity. It also describes how OCCO responded to allegations of fraud and corruption connected to the EBRD’s activities and how these responses enhanced business integrity in the Bank’s regions.

In memory of Judi

Judith Shenker
Deputy Chief Compliance Officer (2008-19)
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Message from the President

Integrity is at the heart of many of the qualities that the EBRD defines as being essential for transition to a sustainable open-market economy. This is true, of course, of the quality of being ‘well-governed’. But it holds good for the qualities of ‘competitive,’ ‘green,’ ‘inclusive’ and ‘resilient’, too.

What applies to well-functioning modern economies is also crucial for the EBRD and every aspect of its operations, whether projects or the profile and conduct of its partners and those who work for the Bank. It is imperative that all our activity corresponds to international best practice and that, as the saying goes, we practice what we preach.

The mandate of the Bank’s Office of the Chief Compliance Officer (OCCO) is to set the EBRD’s integrity and ethical standards and to act as an independent check to ensure that they are upheld in everything we do. The publication in 2018 of the revised Codes of Conduct was thus a key milestone, both for the Bank as a whole and for OCCO itself – and not just because these are the only institutional documents which, when reviewed, require the Board of Governors’ approval. The new Codes reflected an exercise in benchmarking with other international financial institutions and our own experience of enforcing their previous iterations. They introduced substantive changes to provisions concerning outside activities, post-employment, gifts, hospitality, gratuities, honours and awards, financial interests and the duty to report misconduct.

Other major milestones were the launch last year within OCCO of a new Domiciliation Unit and the approval by the Board of Directors of a revised domiciliation policy that will enter into force in July 2019. The EBRD supports international efforts to discourage tax evasion and other harmful tax practices. We believe that the new policy is stronger and more up to date than the previous one, while remaining a practical tool for ensuring that cross-border corporate structures used by EBRD clients comply with international standards.

In parallel with the approval of these important documents, OCCO continued to advise the rest of the Bank on the integrity profile of prospective projects. Indeed, the number of projects referred to the department increased by nearly 30 per cent compared to 2017. Through its action plans and training, OCCO also played a broader role in the promotion of a culture of integrity and compliance among EBRD staff and clients across the economies where the Bank invests. The publication of this report is a vital part of such outreach and education. The EBRD will only succeed in improving the business climate, and in achieving its broader goals of promoting the market economy and entrepreneurial initiative, if it plays a highly effective – and very public – role in the efforts of the international community to combat corruption.

Sir Suma Chakrabarti
EBRD President
1. Introduction

The European Bank for Reconstruction and Development (EBRD) was founded to help transition countries committed to, and applying, democratic principles to become open and sustainable market economies.

In early 2017, the EBRD refined its concept of transition\(^1\) in order to give the Bank’s work greater focus. Every project is now evaluated using the EBRD’s six “transition qualities”, according to which a sustainable open-market economy should be competitive, well governed, green, inclusive, resilient and integrated. Integrity is formally recognised as being part of what makes an economy well governed, and is widely accepted as permeating other key qualities such as competitiveness, resilience and sustainability. Indeed, integrity and anti-corruption efforts are essential for transition: trust is a vital element of any well-functioning economy, and countries that suffer from endemic corruption erode trust – in governments, in the private sector and in society.

OCCO fulfills a critical role as the Bank’s vanguard of integrity. It is independent of all operational departments of the EBRD. The Chief Compliance Officer, Lisa Rosen, heads the department, and reports functionally to the EBRD President. She has full and free access to the Chair of the Audit Committee.

At present, OCCO has 29 staff members (up from 23 in 2017) and is divided into 4 teams: Policy and Ethics, Project Integrity, Investigations, and the Project Complaint Mechanism.\(^2\) Each team uses a combination of protective, proactive and remedial tools to help OCCO fulfil its mission to protect the integrity and reputation of the Bank, to promote ethical standards of behaviour and to strengthen the EBRD’s accountability and transparency.

The Project Integrity team continued to provide timely advice and conduct ex-ante due diligence in the context of prospective EBRD projects, to ensure that operations have an acceptable integrity profile. On the policy front, the Policy and Ethics team successfully completed the revision of the Bank’s Codes of Conduct, which the Board of Governors approved on 23 May 2018.

The Domiciliation Unit completed its review of the policy on *Domiciliation of EBRD Clients*, in response to developments in international taxation. The revised policy relies on internationally accepted tax standards and, consistent with the Bank’s role as a model corporate citizen, it places the EBRD at the forefront of efforts to tackle tax evasion and other harmful tax practices. All teams maintained their focus on bespoke and localised training, developing new courses and outreach programmes for the EBRD’s Resident Offices (ROs). Where EBRD personnel and/or counterparties failed to meet the Bank’s integrity standards, the Investigations team examined all allegations in a timely manner, and, where appropriate, recommended sanctions and oversaw the Bank’s enforcement measures.

Throughout 2018, OCCO continued to proactively advance the anti-corruption agenda by promoting a culture of integrity and compliance in its regions, including among EBRD clients. Specifically, the Project Integrity team assisted with the implementation of client-specific anti-corruption and compliance action plans – programmes in which EBRD clients agree to improve their internal controls as a condition of Bank financing. Not only do these action plans significantly improve the integrity profile of the companies concerned, but more importantly, they have a positive demonstration effect in the market, where integrity becomes a company’s competitive edge and part of its brand.

Similarly, where instances of fraud and corruption have been established, but where clients have nevertheless demonstrated a genuine desire and willingness to reform and implement the best international standards on fraud and corruption risk mitigation for future operations, the Investigations team has facilitated clients’ remediation through settlement agreements with anti-corruption conditions. By using such agreements, OCCO has been able to assist with the rehabilitation of these entities by imposing specific conditions designed to improve their internal governance and anti-corruption controls.

In October 2018, the EBRD demonstrated publicly its commitment to combating corruption, by publishing a statement at the International Anti-Corruption Conference in Copenhagen. It is imperative that all of the Bank’s partners in the international financing community know our commitment to anti-corruption – and the baseline for

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1 See [www.ebrd.com/our-values/transition.html](http://www.ebrd.com/our-values/transition.html)
2 The Project Complaint Mechanism issues its own annual report, which can be found at: [www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism/about.html](http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism/about.html)
doing business with the EBRD. Therefore, throughout the year, each of the OCCO teams worked with departments across the Bank and with international organisations such as the OECD and the Financial Action Task Force on innovative and targeted programmes that enhance business integrity and curb corruption.

The Integrity and Anti-Corruption Report 2018 summarises OCCO’s work to instil a culture of integrity and high ethical standards throughout the Bank, its projects, the community of international financial institutions (IFIs) and the wider EBRD regions to advance the anti-corruption agenda. The report also describes how OCCO has applied and updated its policies and procedures on integrity and anti-corruption during the year ending 31 December 2018.

In 2019, OCCO will continue to build on this work, as we turn our attention to enhancing the whistleblower protection regime by creating a standalone policy. The department will also deepen its efforts in targeted, thematic interventions to build capacity in anti-corruption, business integrity and ethical conduct – both internally and externally.

1.1. OCCO highlights of 2018

1.1.1. Standards and policies

The Policy and Ethics team in OCCO develops and recommends the policies, rules, procedures and processes that govern the ethical behaviour of Board Officials, management and staff of the EBRD. The team also establishes the standards of integrity that the Bank expects of its clients, project sponsors and other counterparties, and ensures that policies, rules, procedures and processes are effectively communicated, interpreted and implemented. It aims to make sure that the EBRD’s internal standards of integrity are in line with international best practice, creating a demonstration effect in the economies where the Bank invests.

The Code of Conduct for EBRD Personnel and the Code of Conduct for Officials of the Board of Directors (collectively, the “Codes”) are normally reviewed every five years. The last review was completed in 2018 and the revised Codes came into effect on 23 May 2018.

Since 1 January 2018, the Policy and Ethics team has also been responsible for the EBRD’s approach to client domiciliation (in other words, the selection of a particular country for the establishment of a client entity). A dedicated Domiciliation Unit has now been established. At the start of 2018, the Domiciliation Unit began a formal review of the policy on Domiciliation of EBRD Clients (the Domiciliation Policy), in response to developments in international tax policy. The policy was approved in January 2019 and will enter into force in July 2019.

The revised policy relies on global tax standards – including recent OECD standards on the automatic exchange of information and on base erosion and profit shifting (BEPS) – to determine whether jurisdictions used in cross-border ownership structures are acceptable. The revised policy also involves enhanced project due diligence, to ensure that individual projects meet new OECD standards on BEPS (for example, to avoid abuse of tax treaties) and gives due consideration to other relevant standards.

As a result, the revised policy puts the EBRD at the forefront of efforts to tackle tax evasion and other harmful tax practices.

The Domiciliation Unit also provides advice on the acceptability of individual Bank projects where clients invest via jurisdictions outside the country in which the EBRD project takes place. In 2018, nearly 200 projects were referred to the Domiciliation Unit for guidance and review as part of the domiciliation due diligence process.

1.1.2. Project Integrity

The Project Integrity team is responsible for providing advice on Integrity Due Diligence (IDD) with regard to prospective EBRD projects. The team works with partners across the Bank to ensure that operations have an acceptable integrity profile and provides expert independent advice on managing integrity risks.

In 2018, 609 potential projects were referred to the team for guidance as part of the IDD process – an extraordinarily high number compared with the 470 referred in 2017. In 2018, the team played a leading role in OCCO’s efforts to promote a culture of integrity and compliance among EBRD clients and within the EBRD regions. During the year, OCCO helped to implement 21 client-specific anti-corruption or compliance action plans, through which EBRD clients agreed to improve their internal controls as a condition of Bank financing. These action plans have a significant impact on the integrity profile of the companies concerned, which include major state-owned entities, and create a positive demonstration effect in the market. Indeed, in recognition of the importance that this work plays in supporting transition to sustainable, open-market economies, the EBRD has integrated anti-corruption and compliance work into the assessment of the Bank’s transition impact.
1.1.3. Training

The year 2018 saw a focus on bespoke and localised training.

Through a course entitled Integrity Matters!, OCCO provided classroom-based training on the EBRD’s ethical principles to 361 members of staff, 5 members of senior management (Managing Director level or above) and 19 Board Officials. In addition, OCCO launched a regional training strategy for the same course, to facilitate training for staff in ROs. Consequently, 43 staff members received training at one of the three regional sessions (Kyiv, Astana and Cairo) delivered during 2018. In recognition of the unique challenges that small firms face, OCCO designed a new course for the national programme managers (NPMs) of the Advice for Small Businesses (ASB) team. NPMs working in the Western Balkans region received this training in October.

In order to help EBRD staff identify integrity risks in their projects, three new courses were developed:

- A specialised training session on capital markets compliance.
- Two new IDD courses to hone core skills and identify integrity issues during the project-monitoring phase.

In addition, OCCO provides training to third parties outside of the EBRD, and, in so doing, contributed to good governance and continued to engage with the Bank’s wider capacity-building efforts. Highlights of this work included 12 targeted training sessions, begun or completed in 2018, that focused on controls for anti-money laundering (AML) and on countering the financing of terrorism (CFT). These training sessions supported financial institutions as they adapted to the evolving requirements of AML, CFT and sanctions. The work included analyses of the institutions’ controls and recommendations for reforms, thereby helping these entities to avoid the threat of being de-risked by international correspondent banks.3

1.1.4. Investigations

OCCO received and investigated 43 new complaints of suspected staff misconduct, carrying forward an additional 2 matters received late in 2017. Of these 45 matters, 40 were resolved, with 5 remaining under investigation in 2019.

In addition, 2018 saw the continuation of the Resident Office inspections programme. This initiative, undertaken jointly with the EBRD’s Banking Vice Presidency, deters misconduct and identifies areas of vulnerability in RO controls. In 2018, inspections took place in the Baku and Casablanca ROs.

As regards investigations of fraud and corruption in relation to Bank-financed activities, OCCO continued to concentrate on using, where appropriate, proactive and remedial measures.

In 2018, the department entered into three formal agreements with entities to address internal deficiencies and to resolve previous instances of fraud and corruption. The agreements enabled OCCO to impose on these entities specific conditions requiring them to improve their internal governance and anti-corruption controls. The actions required typically include the relevant entity having to devise and implement an anti-corruption action plan detailing the steps that must be completed. Moreover, following referrals from OCCO, the EBRD’s Enforcement Commissioner debarred two entities and one individual from becoming EBRD counterparties, following a determination that these entities and this individual had engaged in fraud or corruption on the EBRD project.

1.1.5. International cooperation

During 2018, OCCO continued to engage actively with international partners, whether as part of intergovernmental initiatives or in cooperation with multilateral development banks. Section 6 of the Integrity and Anti-Corruption Report 2018 provides further details of this work.

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3 De-risking describes a situation in which international banks reduce their activities in countries where they perceive that the risks relating to AML, CFT and international sanctions are too great.
2. Standards and policies

The EBRD upholds the highest standards of integrity in all areas of its activity. OCCO is responsible for the development and maintenance of integrity and anti-corruption standards at the Bank. It helps to identify, assess and monitor integrity risks arising from any failure to comply with these standards and policies. This chapter outlines the main OCCO policies and procedures that are specifically and directly concerned with integrity and anti-corruption at the EBRD, and highlights any updates or amendments to such policies and procedures.

2.1. Integrity Risks Policy

The EBRD’s *Integrity Risks Policy* is the primary articulation of the Bank’s corporate values and principles with regard to the management of its integrity risks.

The *Integrity Risks Policy* identifies and defines the main types of integrity risk with which the Bank is concerned and summarises responsibilities within the EBRD for integrity and ethics. The Policy also includes the Terms of Reference (TORs) for OCCO. The most recent substantive revision of the *Integrity Risks Policy* and OCCO TORs took place in 2014. This Policy was further amended in 2016 to reflect structural changes within the EBRD.

The 2016 amendments to the *Integrity Risks Policy* and TORs of OCCO gave the Vice President of Risk and Compliance administrative oversight of OCCO, except in relation to the Project Complaint Mechanism (PCM), where administrative oversight remains with the President. The Chief Compliance Officer (CCO) continues to report functionally to the President on all matters and to have full and free access to the Chair of the Audit Committee.

As part of the review cycle of the Bank’s three good governance policies (PCM, Public Information Policy and Environmental and Social Policy), OCCO worked to create a standalone PCM department that is expected to come into effect in early 2020. When the new PCM department is operational, it will be necessary to introduce further changes to the *Integrity Risks Policy*.

2.2. Codes of Conduct

The EBRD’s *Code of Conduct for Officials of the Board of Directors of the EBRD* (the “Board Code of Conduct”) and *Code of Conduct for EBRD Personnel* (the “Staff Code of Conduct” and, together with the Board Code, known as the “Codes”) are approved by the Bank’s Board of Governors. These Codes articulate the values, duties, obligations and ethical standards that the EBRD expects of its Board Officials and staff members. Together with the *Conduct and Disciplinary Rules and Procedures* (CDRPs), which apply to staff members only, the Codes set out the types of act or omission that may be considered to be misconduct and the procedures to be followed when investigating and, where appropriate, penalising unethical behaviour. Each Code provides for its own review no later than five years from the date on which the relevant Code became effective. In keeping with this cycle, OCCO reviewed and substantially amended the Codes during the course of 2018. The changes took into account feedback from management, the Staff Council, the Bank’s experience with the Codes over the past five years and a comprehensive benchmarking exercise conducted in relation to the codes of conduct (and related instruments, notably guidance notes) that other MDBs use. OCCO also created new guidance notes and amended existing ones to help explain the Code provisions to staff members. The Bank’s Board of Governors approved the revised EBRD Codes, which came into effect on 23 May 2018. The main changes include the clarification of rules regarding:

- outside activities, for which a new guidance note for staff members was created
- post-employment, particularly the application of the cooling-off period and requests for authorisation for any derogation of the post-employment rule

[Integrity Risks Policy]
Case study 1. Starting work at the EBRD

Ms A was a prospective employee of the EBRD. During her pre-employment discussions with the Bank, she indicated her interest in continuing her pre-existing activity as an adviser and consultant to ABC, an entity that was a prospective client of the Bank.

Under Rule 4(a) of the Staff Code of Conduct, staff members must seek appropriate authorisation prior to conducting outside activities, including self-employment or the rendering of services to any outside entity.

The same Rule provides that “such authorisation will normally be given for outside activities so long as they are not incompatible with the full and proper performance of the Bank Personnel’s official duties and do not give rise to a Conflict of Interest.” A “Conflict of Interest” is defined under Rule 3(a) of the Code of Conduct as “a situation or circumstances in which private interests of Bank Personnel influence or may influence the objective and impartial performance of their official duties. In this regard, private interests include any advantage for themselves, their families or personal acquaintances.”

In assessing Ms A’s request, OCCO was advised that the EBRD was in fact considering a number of projects with ABC, each of them at a different stage of preparation.

Consequently, OCCO reached the view that the continuation of Ms A’s consultancy arrangements with ABC would be likely to give rise to a potential conflict of interest (or at least to a perception thereof).

OCCO advised Ms A to disassociate herself from her consulting activities with ABC and, consistent with Rule 6(a) of the Staff Code of Conduct, further recommended that she recuse herself for a period of three years from any EBRD matter involving ABC.

This approach helped to protect the Bank’s reputation. It also helped to avoid conflicts – actual and perceived – and allowed Ms A to focus on her EBRD role without any danger of breaching her obligations under the Code.

- gifts, hospitality, honours and awards
- financial interests, including a specific requirement for pre-clearance by OCCO for any dealings that involve listed investments
- the duty to report suspected misconduct and/or Prohibited Practices

Post-approval, as part of the communication strategy for the revised Codes, OCCO organised a presentation for all EBRD employees in June 2018 on the key changes to the Staff Code of Conduct and revised guidance notes. OCCO now organises training sessions for staff members and Board Officials with regard to the new Codes.

Throughout 2018, the department continued to provide extensive advice on the Codes and policy to staff and Board Officials, responding to more than 329 compliance enquiries, issuing advice in over 283 cases and providing 46 authorisations under the Codes. In comparison, 2017 saw 290 compliance enquiries, 235 advice issuances and 47 authorisations.

In 2018, with the increased global focus on sexual exploitation, abuse and harassment (SEAH), OCCO worked with Corporate Strategy and the Office of the General Counsel to clearly articulate the Bank’s policies and practices in this area and to make further commitments to other IFIs to preventing SEAH.


2.3. Enforcement Policy and Procedures

The Enforcement Policy and Procedures (EPPs) set out the EBRD’s policy and procedures for investigating and processing allegations of Prohibited Practices in relation to any Bank assets and any activities and projects that the Bank has financed, or intends to finance, from any of its resources.

In 2015, OCCO substantially revised the EPPs to strengthen the due-process rights of participants and to make the enforcement process more efficient. The experience of using the EPPs since 2015 showed that a number of minor revisions were required in order to promote the fair and efficient operation of the Bank’s enforcement process. The Board approved these minor revisions to the EPPs in 2017.

In light of these amendments, in 2018 OCCO published an updated practice note on the EBRD’s enforcement processes.

2.4. Whistleblower protection

The EBRD has long recognised that whistleblowing is a fundamental aspect of the Bank’s accountability framework and a critical aspect of good governance. The Bank’s present Codes and CDRPs make it clear that:

- EBRD staff members and Board Officials have an obligation to report suspected misconduct within the Bank and suspected Prohibited Practices in relation to the Bank’s projects
- retaliation or reprisal against a person by reason of that person’s good-faith compliance with this obligation (or because of that person’s participation in the Bank’s internal dispute-resolution regime) is prohibited and may amount to misconduct.

The Bank’s current regime contains all the key elements of a typical whistleblowing system, but they are contained within different EBRD instruments. In 2018, OCCO therefore developed an internal guidance note summarising the Bank’s whistleblowing regime, and published it on the department’s intranet page.

In 2019, OCCO aims to enhance the whistleblower protection regime by creating a standalone policy. In anticipation of this development, OCCO is benchmarking its own regime against the relevant policies and practices of comparator MDBs, relevant international organisations and other important players in this area.

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**Case study 2. Post-employment activities**

Mr B was a staff member who had retired from the Bank. After leaving the EBRD, he wished to pursue a teaching career with a university that had an ongoing relationship with the Bank, and which he had been instrumental in developing.

The EBRD and the university were partners in a technical cooperation project, under which the university developed and provided training—recommended by the EBRD—to a number of beneficiaries.

Under Rule 6(d) of the Staff Code of Conduct Mr B would have been precluded from his prospective engagement as a teacher at the university.

However, Rule 6(f) of the Staff Code of Conduct allows for derogation from this Rule through an authorisation by the CCO.

When approached by Mr B, OCCO assessed the potential for any conflicts of interest and determined that he could be authorised to proceed with his university teaching career after leaving the EBRD. The determination was based on a number of factors: the interests of the EBRD and the university were aligned in the context of the technical cooperation project; the project had been ongoing for a number of years; and the university remained a credible partner.
2.5. Conduct and Disciplinary Rules and Procedures

Allegations of staff misconduct are investigated under the CDRPs. Within the CDRPs there is a clear division of responsibility between the CCO as fact-finder with regard to complaints of misconduct and the Managing Director of Human Resources and Organisational Design (MD HROD) as decision-maker with regard to any disciplinary action.

The CDRPs, together with the Harassment-Free and Respectful Workplace Procedures (RWPs), which set out processes for dealing with improper interpersonal behaviour, are due for revision in 2019-20. This work will further strengthen the Bank’s phased reporting mechanism, under which allegations of improper interpersonal behaviour are managed.

In 2018, OCCO accepted 43 new complaints of suspected misconduct, carrying forward a further 2 matters from 2017. This is a significant increase from 2017, when 25 new complaints of misconduct were reported. Of these 45 complaints, 37 were received under the CDRPs, 5 under the two Codes, and 3 matters were referred by the MD HROD under the RWPs.

2.6. Nominee Director Rules and Procedures

In looking to advance the transition impact of its investments, as well as to add value to the investee company’s business, the EBRD appoints Nominee Directors (NDs) on a case-by-case basis. The NDs are experts in their fields, with a particular skillset that is relevant to the Bank’s investment. The nomination process is regulated by the Rules and Procedures Relating to the Selection and Appointment of EBRD Nominee Directors and Members of Equity Fund Committees (the “Nominee Director Rules”), which set out the procedures relating to the nomination, selection and approval of NDs (including the requirement for background checks for certain external candidates) and members of equity fund committees (committee members), and any follow-up actions required.

OCCO continues to provide training and guidance on the Nominee Director Rules and the role of NDs more generally.

In the course of 2018, the EBRD’s equity investments gave rise to 36 new board seats on various entities. These seats included replacements for outgoing Bank-appointed Nominee Directors and brought the total number of board seats held by the EBRD to 149. The 36 new positions entailed the appointment of 19 men (11 internal and 8 external appointees) and 12 women (6 internal and 6 external NDs) – a total of 31 new appointees, reflecting the fact that 5 of these individuals each took up 2 new roles during the year.

In addition, 16 new appointments were made to committees of equity funds in 2018. Of the 8 committee members who took up these new positions in 2018, 5 appointees were internal and 3 were external.

OCCO continues to provide advisory support to Nominee Directors in circumstances where conflicts arise between the interests of different investors and/or other stakeholders, and where Nominee Directors are required to mediate between different interest groups.

Case study 3. Nominee Directorship

The Bank’s investee company asked one of its external Nominee Directors to perform consultancy services for the company on whose board he was serving as ND.

The Nominee Director Rules provide that an external ND may not accept any consultancy assignment with the investee company on whose Board the ND serves, without prior approval of the CCO. Such approval will be granted only on an exceptional basis, provided that in the circumstances there are no potential conflicts between the ND’s consultancy assignment and the ND’s ongoing duties as director of the investee company (including with respect to the ND’s broader obligations to the EBRD, investee company and/or its shareholders).

The Nominee Director Rules also state that a Nominee Director “is not in an executive role and should not look to displace management.”

OCCO discussed the investee company’s proposal with the relevant Banking team. Subsequently, the team obtained confirmation that the proposed role consisted of participation in a strategy steering committee. Hence, the role was consistent with the non-executive role of the ND and did not risk displacing the management function.

Moreover, it was agreed that the additional work required fell within the scope of the Nominee Director contract, although additional remuneration would be payable by the company to reflect the increased time commitment required.

On that basis, OCCO approved this request.
2.7. Information barriers and capital markets compliance

In response to the EBRD’s increased focus on listed investments and on the development of capital markets, in 2018 OCCO worked extensively on developing its capital markets compliance function. The department further enhanced the process that must be followed whenever the Bank invests in or divests from listed securities, including the launch in January 2018 of a pilot process in relation to publicly traded equity. This new pilot process complemented the one already in place with regard to publicly traded bonds, and provided a formal framework for the established practice whereby investments in and divestments from publicly traded equity followed the approach adopted for bonds.

Together, these procedures aim to ensure that the EBRD does not invest in or divest from publicly traded securities while in possession of material non-public information. OCCO has also been involved in identifying improvements to further strengthen the information barrier between the public side of the EBRD’s Treasury function and the rest of the Bank.

OCCO has also been carrying out an extensive review of the EBRD’s procedures for identifying potential conflicts of interest between various Bank projects or activities, including, but not limited to, conflicts arising as a result of the Bank’s listed investments.

With this in mind, in 2018, the department created information barriers and/or provided capital markets compliance advice on more than 125 projects, in order to mitigate potential conflicts of interest between various Bank projects or activities and to ensure the correct handling of material non-public information. OCCO’s advice was sought to ensure that the Bank was not investing or divesting while in possession of material non-public information and was managing issues about the flow of information relating to such listed securities. OCCO has also handled 27 different wall-crossing requests in 2018.

Furthermore, in the course of 2018, the capital markets compliance function also worked with their Project Integrity and Investigations colleagues on a number of projects to help identify potential weaknesses or issues in clients’ handling of material non-public information and/or institutional conflicts of interest. This is expected to remain part of the role of the capital markets compliance function as and when the need arises.

Case study 4.A. Infrastructure financing

The EBRD was considering providing equity financing to a bidder for an infrastructure asset. The bidder initially requested that the EBRD team be ringfenced from involvement with any other potential party in relation to the project, including with regard to any potential debt financing of the same project by the EBRD.

After discussion with the EBRD’s Banking management, it was agreed that the relevant EBRD personnel would need to be able to consider both the equity and debt financing together and, as such, the proposed ringfencing of the equity financing team would not be commercially viable.

The Banking team and OCCO explained this to the client, who agreed with the approach. However, it was noted that an information barrier would need to be put in place should the Bank in the future consider providing financing to any competing bidder in relation to this asset, to ensure that information specific to a bidder was not inappropriately shared with the team supporting a rival bidder.

Case study 4.B. Infrastructure financing

The EBRD was considering providing equity financing to two different bidders for an infrastructure asset in the context of a public auction process.

Initially, it was established that neither team would receive any commercially sensitive information in relation to either bid, and that both bidders were being offered the same financing terms.

However, as the transaction developed, it became clear that the pricing offered for each financing package might differ. It also became clear that additional information with the potential to be commercially sensitive might be received in relation to each bid.

Accordingly, in light of the potential conflicts of interest that could arise due to the Bank’s involvement with the two potential clients, an information barrier was put in place between the teams working with the respective bidders. This enabled OCCO to mitigate the risk of prejudicing the interests of either bidder and to maintain the integrity of the auction process.
2.8. Domiciliation

Since 1 January 2018, OCCO’s remit has expanded to include responsibility for the EBRD’s approach to client domiciliation (the selection of a particular country for the establishment of a client entity). Consequently, a dedicated Domiciliation Unit, which when fully established will consist of four professionals with tax experience, has been set up within OCCO’s Policy and Ethics team to handle this new responsibility.

As an international financial institution with a mandate to promote transition towards well-functioning market economies in its regions, the EBRD supports global efforts to discourage tax evasion and other harmful tax practices.

In that context, the Domiciliation Policy sets out the conditions under which the EBRD may finance a project when the borrower, the investee or a controlling entity is domiciled in a jurisdiction other than the country where the project is located (a “third jurisdiction”). The EBRD currently relies on the compliance ratings of the Global Forum on Transparency and Exchange of Information for Tax Purposes in order to determine whether a third jurisdiction is acceptable. If it is acceptable, the EBRD then conducts project-by-project due diligence to determine whether there are sound business reasons to use a third jurisdiction in a given project.

The Domiciliation Policy was last reviewed in late 2013. At the start of 2018, OCCO began a formal review of the Policy in response to developments in international tax policy. The revised Policy was approved in January 2019 and will enter into force in July 2019. It relies on internationally accepted tax standards – including recent OECD standards on the automatic exchange of information and on BEPS (base erosion and profit shifting) – to determine whether jurisdictions used in cross-border ownership structures are acceptable. The revised Policy has also enhanced project-by-project due diligence, which in addition to identifying sound business reasons for the use of third jurisdictions will ensure that individual projects meet new global standards on BEPS (for example, to avoid abuse of tax treaties) and give due consideration to other relevant standards. Additional changes clarify the scope of the Policy and of exemptions, and improve reporting.

Furthermore, OCCO started to provide advice on client domiciliation in individual projects. In 2018, nearly 200 projects were referred to the Domiciliation Unit for guidance and review as part of the due diligence process on domiciliation.

6 Policy on Domiciliation of EBRD Clients
3. Training

To support the policies and standards detailed in section 2 of this report, OCCO provides extensive training to EBRD staff members, Board Officials, NDs and third parties in the economies where the Bank invests. This chapter describes the courses that OCCO provided during 2018.

3.1. Ethics, integrity and Nominee Director training

Since 2017, OCCO has continued to strengthen its training strategy and has provided its core ethics course, Integrity Matters! within the EBRD to maintain the high quality and consistency of ethical behaviour by staff and Board Officials. The course deals with the application of the Codes and the ethical standards and principles of the Bank. During 2018, OCCO delivered classroom training of this course to 318 staff members and to 19 Board Officials at the EBRD’s Headquarters. Given the responsibilities, and hence the additional ethical obligations, of senior managers, OCCO designed and delivered a bespoke Integrity Matters! course to 5 senior managers (Vice Presidents and Managing Directors) in early 2018. Moreover, OCCO launched a regional strategy for Integrity Matters! to facilitate training for staff in ROs. As a result, 43 staff members were trained at one of three regional sessions (in Kyiv, Astana and Cairo) delivered by OCCO staff in 2018.

During the year, the department also designed a new bespoke course for ASB NPMs to allow them to identify and respond to specific ethical challenges in their field. The training was given to NPMs working in the Western Balkans region in October 2018; OCCO intends to deliver the course in other EBRD regions in 2019 and 2020.

During 2019, OCCO will develop an online refresher course on the Staff Code of Conduct to ensure that staff members who have completed the initial mandatory course are reminded periodically of their ethical obligations.

The department participates in the delivery of the EBRD’s training programme for Nominee Directors. It provides a course for new and prospective NDs on their role and responsibilities under the Nominee Director Rules, their reporting obligations (including with regard to suspected Prohibited Practices) and how they should identify and manage any potential conflicts of interest (including any conflict between their obligations to the investee company and their obligations to the Bank in their role as nominee). During 2018, this specialist training was provided to 22 Nominee Directors.

Table 1 summarises the courses provided in 2018.

3.2. Training for staff on Integrity Due Diligence, anti-corruption and capital markets compliance

In addition to the mandatory Integrity Matters! training for new joiners, OCCO provides all project-facing staff members with a suite of compulsory training programmes on Integrity Due Diligence (IDD) and anti-corruption. These programmes include mandatory training when joining the Bank and mandatory refresher courses on IDD at three-year intervals thereafter. OCCO also provides additional, optional training to boost the effectiveness and skills of staff members. To date, the department has designed and delivered 12 distinct courses on IDD. OCCO staff members deliver all such internal courses, thus improving the consistency, relevance and usefulness of the training.

Moreover, while on business trips to ROs, OCCO staff members took the opportunity to provide any training required, with a specific emphasis on IDD refresher courses.

During 2018, OCCO delivered IDD and anti-corruption training through 75 sessions at the EBRD’s Headquarters and ROs, for 1,081 Bank staff members, compared with 683 in 2017. To put this into context, the EBRD had 2,484 employees on 31 December 2018. In addition, OCCO substantially improved and revised its training programmes, and developed two new IDD courses:
As part of the programme on IDD, which is mandatory for all new project-facing staff, OCCO also provided training in capital markets compliance. This training was also provided separately to staff in 11 front-office departments as well as to staff in the Warsaw and Bucharest ROs, to ensure awareness of the Bank’s requirements for handling material non-public information in projects that involve publicly listed securities. In addition, in 2018 OCCO began to deliver an update on capital markets compliance as part of the IDD refresher courses.

Table 2 summarises the courses provided in 2018.
<table>
<thead>
<tr>
<th>Course description</th>
<th>Attendees in 2017</th>
<th>Attendees in 2018</th>
<th>Number of courses held in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity Due Diligence and Anti-Corruption Training</td>
<td>211</td>
<td>353</td>
<td>12</td>
</tr>
<tr>
<td>A mandatory three-hour course to educate all new project-facing staff on AML, CFT and IDD, including a 45-minute session on capital markets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrity Due Diligence Refresher Course</td>
<td>164</td>
<td>307</td>
<td>27</td>
</tr>
<tr>
<td>A mandatory three-hour course designed to update project-facing staff who received IDD training more than three years ago.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrity Due Diligence Second Refresher Workshop</td>
<td>106</td>
<td>106</td>
<td>10</td>
</tr>
<tr>
<td>A 90-minute workshop for project-facing staff who attended the IDD refresher course more than three years ago.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Integrity Due Diligence</td>
<td>38</td>
<td>28</td>
<td>3</td>
</tr>
<tr>
<td>A three-hour course on business Integrity Due Diligence that helps project-facing staff at all levels to hone their questioning and intelligence-gathering skills, enabling them to obtain as accurate a picture as possible of the integrity status of projects at the pre-approval stage.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking Academy</td>
<td>110</td>
<td>65</td>
<td>4</td>
</tr>
<tr>
<td>A 75-minute IDD course provided to prospective Operation Leaders (OLs). The programme includes case-study presentations, thus giving prospective OLs valuable exposure to real-life scenarios.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Essentials of Integrity Due Diligence</td>
<td>69</td>
<td>126</td>
<td>9</td>
</tr>
<tr>
<td>A 90-minute course for all professional staff involved in Bank projects. The training provides an introduction to the Bank's Integrity Due Diligence procedures and guides bankers through effective strategies for conducting IDD.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliant or Complacent?</td>
<td>90</td>
<td>45</td>
<td>5</td>
</tr>
<tr>
<td>A 90-minute interactive course for all professional staff involved in Bank projects. The training equips bankers with additional skills to assess a client's anti-corruption measures and other internal controls, including compliance with AML, CFT and sanctions.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio Operation Leader Training</td>
<td>69</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>A 90-minute training session for all prospective portfolio OLs. The programme includes a 1.5-hour session on how to monitor the integrity of Bank projects and what to do if fraud and/or corruption are suspected. The course includes real-life case studies and a practical, interactive exercise.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessing the Integrity of Co-Financiers in Banking Operations</td>
<td>n/a*</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>A 90-minute training session for the Loan Syndications team, providing an overview of OCCO's approach to assessing the integrity of Bank counterparties participating in A/B and parallel loans. The course is discussion-led, includes real-life case studies and elaborates on the relevant guidance note on this topic from OCCO.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clients with Poor Integrity – Handling Difficult Communications</td>
<td>n/a*</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>A 90-minute interactive course for all professional staff involved in Bank projects. It offers strategies for handling discussions with potential clients who have been found to be unacceptable under the EBRD's Integrity Due Diligence Guidelines.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>857</td>
<td>1,081</td>
<td>75</td>
</tr>
</tbody>
</table>

* Not applicable.
3.3. International Anti-Corruption Day 2018

In recognition of International Anti-Corruption Day on 9 December, OCCO hosted a talk by Harvard Business School Associate Professor Eugene F. Soltes on what drives wealthy and powerful people to commit white-collar crime. The talk was based on his book, *Why They Do It: Inside the Mind of the White-Collar Criminal*. Lisa Rosen, EBRD Chief Compliance Officer, welcomed the event’s audience – Bank staff plus members of the public – and moderated the event. A captivating question-and-answer session followed the talk, and EBRD Vice President Pierre Heilbronn provided closing remarks.

Soltes drew on his extensive personal correspondence with nearly 50 former executives, as well as on the latest research in psychology, criminology and economics, to understand how once-celebrated executives became white-collar criminals. He found that most executives who committed crimes made decisions the way we all do, on the basis of intuition and gut feeling. The distance between their actions and the individuals they impacted also factored into these decisions – a sense that there were no obvious or immediate victims, there were no direct adverse consequences and, ultimately, that the act did not feel harmful. Of course, this was not the case, and white-collar crime causes serious harm to companies, their employees, investors, consumers, the economy, and to society more broadly.

There was a greater need for “uncomfortable dissonance”, Soltes noted – in other words, an external opinion that makes you question your own intuition. While typical training in ethics often gives executives confidence that they can respond appropriately to difficult dilemmas, when certain influences, pressures or lack of time affect them they might respond differently – even irrationally. He highlighted the case of a prominent venture capitalist who had avoided jail time not just because of his ethical values, but because he was humble enough to seek the counsel of a dissenting voice. Reflecting on the situation, the person in question stated: “The only thing that kept me out of jail was some good luck… and the right organisational design”. There was no better message to end OCCO’s annual event marking International Anti-Corruption Day than the re-affirmation of how important ethics and integrity are in our work.
4. Project integrity

The EBRD believes that identifying and resolving issues at the project assessment and approval stages is the most effective way to protect the integrity of Bank transactions. OCCO plays a key role in these protective efforts, and also helps to monitor projects post-investment. This chapter describes OCCO’s approach to Integrity Due Diligence, as well as its contribution to the Bank’s transition mandate by strengthening the governance of clients and by promoting integrity and compliance in the EBRD regions.

4.1. Ex-ante Integrity Due Diligence

OCCO takes a robust approach to assessing prospective projects. Integrity Due Diligence includes, but is not limited to, examining and assessing integrity risks and issues, such as:

- the ownership structure and the identity of ultimate beneficial owners
- the origins of a company and the source of wealth of key figures
- business practices and associations with counterparties
- the presence of politically exposed persons
- the quality of AML and CFT controls
- government-issued licences and permits
- the use of offshore jurisdictions
- links to countries or individuals subject to international sanctions.

Although responsibility for the integrity of EBRD projects lies with the Banking teams as the first line of defence, where the IDD process identifies significant integrity concerns or where a potential project meets certain criteria, these issues must be referred to OCCO. The Project Integrity team, acting as the second line of defence, provides independent advice to the Operations Committee (OpsCom) or Small Business Investment Committee as to whether the potential risk is acceptable to the EBRD. OpsCom, consisting of representatives of most of the Bank’s Vice Presidencies and advised by OCCO, decides on the acceptability of potential integrity risks before submitting the project for approval by the Board of Directors.

In 2018, 609 potential projects were referred to the Project Integrity team for guidance, compared with 470 in 2017. In a number of cases, the team’s advice included integrity conditions, such as the requirement to complete an anti-corruption action plan, which the client must agree in order to secure the EBRD financing. In other cases, OCCO may simply object to a project on integrity or reputational grounds. While it is not possible to determine the precise number of projects that do not go forward due to integrity risks alone, OCCO specifically rejected 23 potential projects in 2018, as compared with 40 in 2017. This number does not include other early-stage prospects that Banking teams may have rejected for integrity reasons, without requiring OCCO’s input.

The number of requests for integrity advice on new projects has increased steadily since 2013, rising by 30 per cent in 2018 alone. This increase is due to the EBRD’s expansion into new regions, the growing complexity of integrity issues, and the fact that OCCO has provided more training to project-facing staff about which projects they must refer to the department. In order to meet this rising volume, the Project Integrity team has grown to 12 staff members (as at 31 December 2018) from 11 (31 December 2017). During 2018, two team members were seconded to other parts of the EBRD in order to broaden their experience and skillsets, and colleagues recruited externally covered their roles. The Project Integrity team also welcomed an intern for a period of several months.
4.2. Enhancing OCCO’s project integrity work

During 2018, the Project Integrity team deepened its programme of regional specialisation and greater engagement with regional offices. Through this work it aimed to provide more nuanced integrity advice and to increase OCCO’s visibility and engagement in the economies where the Bank invests. As part of this specialisation, each member of the Project Integrity team focuses on a set number of economies and travels regularly to these places in order to build relationships and gain a deeper understanding of integrity issues from a local perspective.

In 2018, members of the team travelled to 20 ROs to provide training, and to meet Bank staff and local partners. This regional focus allowed team members to develop greater familiarity with the issues facing a particular market.

In 2018, OCCO was involved in the ex-ante IDD review of all projects in Lebanon and in the West Bank and Gaza, in line with the commitment made to the Board in 2017. During the first year of EBRD activities in these economies, OCCO supported the EBRD in building up a thorough understanding of the integrity and reputational challenges in the region. OCCO will remain involved in projects in Lebanon and the West Bank and Gaza, as the Bank seeks a deeper understanding of these regional challenges.

OCCO regularly reviews and updates the IDD Guidelines, IDD Procedures and integrity checklists to ensure that the EBRD’s integrity approach responds to evolving integrity risks, the increasing complexity of integrity requirements and the ever-changing global context with regard to integrity. Examples of this work include the amendment of our Red Flags checklist to identify whether projects are in sectors rated as being high risk for forced labour and to enhance the assessment of corporate governance. As part of its commitment to continuous improvement, OCCO has been working with the Bank’s Operational Efficiency and Effectiveness programme to identify enhancements to the Integrity Due Diligence Procedures. In 2018, OCCO finalised the design of an integrated and seamless process for undertaking Integrity Due Diligence which is expected to improve the quality of the data obtained, avoid the duplication of data entry and reduce the time needed to complete the Bank’s integrity process. The enhanced approach is due to be rolled out on a new IT platform in 2019-20.
4.3. Capacity-building

Integrity and compliance are central to the Bank’s efforts to promote transition in the EBRD regions.

In recent years, OCCO has expanded the support it offers to clients, promoting compliance and anti-corruption efforts, as well as norms of compliance and integrity beyond the EBRD’s projects. These efforts have included supporting the development and implementation of anti-corruption action plans, as well as organising seminars and targeted training sessions on AML, CFT and sanctions compliance.

In 2018, OCCO enhanced its internal process framework for client-focused anti-corruption work. Under this new framework, clients can benefit from a focused anti-corruption action plan, where the Bank supports the client in creating, implementing or strengthening specific aspects of their anti-corruption compliance. Alternatively, the client can benefit from a comprehensive anti-corruption action plan, which supports them in establishing an effective compliance function from the ground up. The framework also simplifies the process of using donor funds for projects with state-owned and other public enterprises.

Anti-corruption action plans may be appropriate where a client lacks policies or procedures, or the ones it already has in place are inadequate relative to the risks of the client’s operations, and where the client has demonstrated a capacity and willingness to reform. Anti-corruption action plans involve a client working with OCCO to commission an external consultant, who identifies the client’s needs. The consultant then formulates specific, practical steps that the client must take to establish new compliance measures, or to enhance existing measures, all of which are supervised by OCCO. The consultant reviews the client’s compliance policies and procedures, recommends improvements where necessary, and helps to implement and monitor these improvements. Progress required by the focused or comprehensive anti-corruption action plans is generally included in the project’s legal documentation. This ensures that the necessary progress has been made before the disbursement of funds, thereby mitigating integrity risks for the client and the EBRD. These action plans significantly increase the transparency of firms and set the tone for other industry players in the relevant country or sector. Positive demonstration effects of this kind help to advance economic transition, and specifically, good governance.

In 2018, OCCO implemented or made substantial progress on focused or comprehensive anti-corruption action plans with 21 different clients. Among these were large state-owned enterprises, conglomerates and companies working in the transport, agribusiness and natural resource sectors. In 2017, the same number of plans was implemented or advanced substantially. Several clients indicated that the compliance improvements they achieved through an action plan gave their business a competitive advantage and enabled them to attract a larger share of foreign direct investment.

Case study 5. Project proceeded

The Bank was considering a new investment in a financial institution. During due diligence it emerged that the investee company had been under investigation for material deficiencies with regard to AML, CFT or “know your customer” measures. OCCO worked with the relevant Banking team to commission an external report in order to gather additional information and gain a better understanding of the deficiencies. The analysis gave grounds to conclude that the financial institution in question had in fact taken a series of appropriate measures to address the issue. Among these were significant improvements to its AML and CFT policies, procedures and effectiveness, and the replacement of the institution’s key management. During the EBRD’s own enquiries, the feedback provided strong comfort that – from a reputational perspective – it was acceptable for the Bank to engage with this entity. In light of these factors the project proceeded.
Following joint work between OCCO and the EBRD’s Economics, Policy and Governance Department to include focused and/or comprehensive anti-corruption action plans in the assessment of whether a project is “well governed” (one of the EBRD’s six “transition qualities”), such plans were added to the transition ratings of three projects in 2018.

The capacity-building work of the Project Integrity team is not only relevant to client-specific initiatives; OCCO remains active in coordination with the EBRD’s Vice Presidency, Policy and Partnerships, and with Banking teams, in international efforts to address the threats posed by de-risking. De-risking describes a situation in which international banks may reduce their activities in countries where they perceive that the risks related to AML, CFT and international sanctions are too great. The resulting withdrawal from jurisdictions that are perceived to be excessively risky limits financial access. It may also threaten financial stability where de-risking results in the concentration of large business volumes among a small number of financial institutions.

On this front, OCCO continued its close cooperation with the EBRD’s Trade Facilitation Programme. This work included launching a technical assistance programme to support the banking sector – in all economies where the EBRD invests – with the issue of de-risking and the promotion of international practices in compliance, thereby supporting the wider governance and resilience of financial institutions.

Since 2015, OCCO has been committed to providing training initiatives for financial institutions through seminars and targeted training. The principal aim of these events is to help key personnel from financial institutions to better understand their obligations and how to be effective with limited resources. Targeted training is implemented at selected financial institutions and involves commissioning consultants to assist these institutions in enhancing their AML and CFT controls.

In 2018, OCCO supported 12 such training events in financial institutions (FIs) in Albania, Armenia, Tajikistan and Tunisia, in coordination with the Banking teams. This compares with 2 such training events delivered in 2017. OCCO also provided 2 seminars in Azerbaijan and Uzbekistan in 2018, on sector-wide AML and CFT, and on sanctions, respectively.

### Case study 6. Project did not proceed

The EBRD assessed a bank as a potential equity investment. The bank was professionally managed and enjoyed a good reputation locally. However, the EBRD identified a minority shareholder who had reportedly been involved in a major international corruption scandal. In-depth due diligence confirmed that the shareholder’s reputation had been adversely affected by his past conduct and he remained involved in highly questionable business practices. While these practices did not involve the bank, the risks of being associated – even in a minority capacity – with an individual with this profile was deemed to present an unacceptable reputational risk. The project did not proceed.

### Case study 7. Project proceeded

The EBRD considered new financing for a company that was a former client of the Bank, and one of whose representatives had made facilitation payments to a local authority. The Bank commenced an investigation under the EPPs and ultimately entered into a Settlement Agreement, including a three-year period of conditional non-debarment with an anti-corruption action plan and independent anti-corruption monitor. The company undertook reforms and over several years implemented an effective anti-corruption control framework. Following sufficient progress on implementation, the EBRD re-engaged with this entity, being able to rely on the high integrity standards that had been imposed under the Settlement Agreement.
All of these initiatives were well received. They also yielded recommendations on reforms that the FIs subsequently implemented. All of the initiatives were funded by the EBRD Shareholder Special Fund, the Ukraine Stabilisation and Sustainable Growth Multi-Donor Account, and by the governments of Luxembourg and the United Kingdom (UK).

Lastly, throughout 2018 OCCO continued to engage with the private sector to increase awareness of anti-bribery and corruption compliance, AML and CFT. Among other initiatives – and in cooperation with the Banking teams – OCCO organised an AML, CFT and compliance seminar for the Lebanese banking sector, in partnership with the Central Bank of Lebanon; arranged an “Integrity Week” event in Mongolia, working on compliance topics with 20 local clients from several industries; and inaugurated Egypt’s first community initiative on compliance, bringing together compliance professionals from private and public sector firms.

See section 6.1 of this report for details of OCCO’s thematic capacity-building work in 2018.

4.4. Monitoring support

In addition to providing advice at the pre-investment stage, OCCO’s Project Integrity team advises and supports Banking and other teams where necessary during investment monitoring and equity exits. On a quarterly basis, the Project Integrity team also reviews the information that the Banking teams provide for all projects that have passed final review by OpsCom, in order to monitor compliance with IDD procedures. Of these projects, 20 per cent are then selected for comprehensive assessment to confirm the overall adequacy of the IDD conducted by the relevant Banking teams, including the adequacy of the disclosure of integrity issues to decision-making committees and the Board. Monitoring carried out for each period in 2018 produced satisfactory results for the projects monitored. Of the 26 projects that were subject to comprehensive assessment during this period, 4 were found to have deficiencies, although in no case would these issues have affected the outcome of the project. The concerns were brought to the attention of the relevant Banking team and, where warranted, to the attention of EBRD senior management.

Case study 8. Project proceeded

The EBRD was considering financing an energy company for the construction of a power plant. There were media allegations that the group had received preferential treatment in business and won several privatisation tenders owing to the political links of its owner and to the use of inside information. Following additional due diligence, the allegations were found to be unsubstantiated and the owner’s source of wealth unrelated to his political links. Moreover, the owner no longer had meaningful political links in the country where the investment would take place. The project proceeded.

Case study 9. Project proceeded

The Bank was considering refinancing a loan to a major state-owned enterprise (SOE), which lacked a robust framework of corporate governance and anti-corruption compliance and fell short of meeting international good practice. This exposed the SOE to considerable risk. The EBRD therefore required that a comprehensive corporate governance and anti-corruption compliance reform programme be covenanted in the loan agreement. This included, among other measures, the establishment of a formal compliance function with appropriate reporting lines, in addition to the robust framework mentioned above. The project proceeded.
5. Investigations and sanctions

The Agreement Establishing the EBRD expressly states that the Bank must take all necessary measures to ensure that the proceeds of its financing are used for the purposes for which such financing was granted. In addition, the Bank’s Integrity Risks Policy mandates that the EBRD take all necessary steps to ensure that in the performance of their responsibilities, Bank staff and Board Officials comply with the highest standards of integrity so as to avoid or minimise risks arising out of or in connection with the Bank’s activities.

Under the EBRD’s Integrity Risks Policy and the Terms of Reference for OCCO, the department is responsible for investigating allegations of fraud and corruption in the Bank’s projects as well as for investigating allegations of non-observance of the Bank’s rules and standards of ethical behaviour and integrity on the part of Bank staff. Consequently, OCCO’s Investigations team conducts two distinct types of investigation: investigations of fraud and corruption in relation to Bank-financed activities under the Enforcement Policy and Procedures, and investigations of allegations of staff misconduct under the Conduct and Disciplinary Rules and Procedures or the Staff Code of Conduct.

This chapter describes the work of OCCO’s investigations team throughout 2018.

5.1. Investigations under the Enforcement Policy and Procedures

The EBRD’s Enforcement Policy and Procedures are the policy and procedures that concern the investigation and, if appropriate, sanctioning of parties that are alleged to have engaged in Prohibited Practices in relation to Bank assets or a Bank project and sanctioning of parties on whom a Third Party Finding (as defined under the EPPs) has been imposed.

The EPPs define Prohibited Practices as comprising Coercive Practice, Collusive Practice, Corrupt Practice, Fraudulent Practice, Misuse of EBRD Resources or EBRD Assets, Obstructive Practice and Theft.

Settlements under the EPPs

In 2015, the EPPs were revised to permit, among other measures, the settlement of cases, including allegations of Prohibited Practices. The introduction of settlements has enabled the Investigations team to use the function to contribute to transition by focusing on remediation, rather than on debarment alone. Settlement Agreements are both an efficient method of resolving matters and a means of achieving durable and meaningful improvements to companies’ anti-corruption efforts through the imposition of robust anti-corruption action plans as a condition of settlement. Since the 2015 amendments to the EPPs, OCCO has entered into eight formal Settlement Agreements, including three in 2018. In 2018, the first cases under the new Prohibited Practice of Misuse of EBRD Resources or EBRD Assets were concluded through a Settlement Agreement approved by the Bank’s Enforcement Commissioner.

In 2018, the department continued to monitor the implementation of the five anti-corruption action plans that are required under Settlement Agreements concluded in previous years. One of the anti-corruption plans was successfully concluded, with the relevant corporate group developing and implementing a comprehensive Code of Business Conduct supported by a Compliance Officer and a network of responsible managers.

In January 2018, OCCO updated its practice note on Settlement Agreements and on how these fit within the Bank’s enforcement regime. The revised note is available at:

Note on the EBRD’s Enforcement Processes, including Settlement Agreements.
Investigations under the EPPs

OCCO classifies EPP complaints as either relating to EBRD public sector projects or the Bank’s private sector operations.

During 2018, OCCO accepted 35 new complaints alleging the occurrence of a Prohibited Practice in either the EBRD’s public sector procurement or private sector operations, and carried forward 13 complaints that had been received during the preceding reporting periods. Of the 48 matters that the Investigations team worked on in 2018, in 23 cases the matter did not proceed beyond preliminary assessment and in 5 cases the matter was closed following a formal investigation (see Table 3).

Public sector investigations

In 2018, OCCO registered 19 new complaints of a Prohibited Practice in public sector procurement exercises. Complaints of this kind typically allege malfeasance in connection with public tenders, including corruption, fraud or collusion. More than half of these matters were referred directly by the EBRD staff members who were responsible for monitoring these tenders (10 matters), while 9 were referred by external parties, including 1 that was received anonymously via the compliance reporting mailbox (compliance@ebrd.com). In addition to these new complaints, OCCO carried forward 9 matters from previous periods where it had not yet completed its investigative action.

Of the 28 public sector matters worked on in 2018, 13 were closed after a preliminary assessment, 3 were closed after a formal investigation, 3 were referred to the Bank’s Enforcement Commissioner for enforcement action; 1 resulted in agreed remedial action by the Bank’s client; and 8 are subject to ongoing investigations by OCCO.

Private sector investigations

In 2018, OCCO registered 16 new complaints of a Prohibited Practice in the EBRD’s private sector operations. Complaints like these typically involve allegations of misuse of EBRD funds, often through unauthorised related-party transactions or an EBRD client engaging in illegal activities.

Seven of these matters were reported directly to OCCO by external parties, five of which were received through the Bank’s compliance mailbox. Nine matters were referred to OCCO directly by Bank staff members, including two matters that were referred from the team that manages the Bank’s Project Complaint Mechanism. Along with these new complaints, OCCO carried forward four matters from previous periods where it had not yet completed its investigative action.

Of these 20 private sector matters actioned, 10 were closed following a preliminary assessment and a further 2 were closed following a formal investigation; 3 matters were referred to the Bank’s Enforcement Commissioner for enforcement action; 1 was referred to another international financial institution for review and action; and 4 are subject to ongoing investigations by OCCO.

Figure 2. EPP cases
5.1.1. Enforcement Commissioner matters

In 2018, OCCO referred three matters to the Bank’s Enforcement Commissioner following public sector investigations and three matters following private sector investigations.

Of the six matters referred in total, four have been concluded and two are yet to be determined by the Bank’s Enforcement Commissioner. The Enforcement Commissioner issued the following determinations after OCCO investigations.

- In June 2018, the Enforcement Commissioner issued a decision to debar one entity and one individual for a period of three years, following an OCCO investigation that resulted in allegations that this entity and this individual had engaged in a fraudulent practice by submitting false documents in order to try to win a public sector tender. The Enforcement Commissioner imposed this sanction, effective from June 2018 to June 2021, which has now been disclosed on the EBRD website. In addition, the Bank issued a Notice under the Agreement for the Mutual Enforcement of Debarment Decisions (AMEDD) requesting the cross-debarment of this entity and individual. Both the entity and the individual were subsequently cross-debarred.

- Following an OCCO investigation, six entities entered into a Settlement Agreement in which they agreed that they had misused the EBRD’s name and logo. The Enforcement Commissioner accepted this Agreement and each of the six entities were issued with a reprimand.

- In July 2018 an entity entered into a Settlement Agreement to resolve an allegation that it had fraudulently represented several reference projects in a tender that it had submitted for an EBRD project. The Enforcement Commissioner accepted this Agreement and the entity was debarred for one year. The Enforcement Commissioner imposed this sanction, effective from July 2018 to July 2019, and it has now been disclosed on the EBRD website.

- Following the completion of a formal investigation, OCCO entered into a Settlement Agreement with a private sector client to resolve an allegation that the client had misused EBRD funds. The Enforcement Commissioner accepted this settlement, which also specified that the entity be subject to conditional non-debarment. As part of the Settlement Agreement the client agreed to implement an anti-corruption action plan and to strengthen its internal controls.

In 2018 OCCO submitted a further two matters to the Enforcement Commissioner. These are currently under his deliberation. In the first matter, OCCO requested that the Enforcement Commissioner apply the decision of a national court, which found that two individuals had engaged in fraud in transactions associated with a Bank project. In the second matter, OCCO requested that the Enforcement Commissioner debar an entity for engaging in corruption in an EBRD project. The Enforcement Commissioner will make his decision on these matters in 2019.

Table 3. Complaints about Prohibited Practices

<table>
<thead>
<tr>
<th>Complaints</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New complaints reported to OCCO</td>
<td>41</td>
<td>35</td>
</tr>
<tr>
<td>Complaints carried forward from previous periods</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Complaints closed at preliminary assessment or formal investigation</td>
<td>36</td>
<td>28</td>
</tr>
<tr>
<td>Complaints forwarded to the EBRD’s Enforcement Commissioner</td>
<td>3</td>
<td>6*</td>
</tr>
<tr>
<td>Complaints resulting in other remedial action (for example, referrals to national authorities, cease-and-desist undertakings)</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Complaints carried forward to a new period</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Number of individuals and entities subject to enforcement action by the EBRD’s Enforcement Commissioner</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>OCCO personnel assigned to investigate fraud and corruption complaints</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

* This includes two cases against one entity and two individuals that, at the end of 2018, the Enforcement Commissioner was considering. The Commissioner will make a decision on these matters in 2019.
5.1.2. Cross-debarments

In 2018, OCCO received 120 separate Notices of Debarment Decisions from the co-signatories of the AMEDD, namely the African Development Bank Group, the Asian Development Bank, the Inter-American Development Bank and the World Bank Group. (A copy of the AMEDD is available at www.ebrd.com/downloads/integrity/Debar.pdf). The Bank applied these debarments and consequently cross-debarred 66 individuals and 387 entities following debarment decisions by the referring institutions.

The EBRD issued one notice under the AMEDD, requesting the cross-debarment of one entity and one individual. This entity and individual have subsequently been cross-debarred.

The list of all debarred entities and individuals is available at: https://www.ebrd.com/ineligible-entities.html

5.1.3. Update on other investigations

Details and updates for a selection of other investigations are outlined below.

- In December 2018, criminal proceedings against three individuals and a UK company resulted in a conviction for corruption-related offences under the UK Prevention of Corruption Act 1906. The individuals conspired to pay bribes to national officials involved in an EBRD project in order to win two contracts worth €240 million. They also falsified records to avoid checks that were in place to prevent bribery. More than €5 million in bribes were paid to secure the contracts. Following the conviction, the UK company was ordered to pay a total of £18,038,000 and the three individuals were sentenced to terms of imprisonment. The prosecutor noted explicitly that the result had been substantially facilitated by work carried out by OCCO and the EBRD’s Procurement Department. This work included the review of a large volume of documents, the drafting of an extensive statement from an expert witness and the provision of expert testimony during the criminal trials.

Case study 10. First applications of the Prohibited Practice of Misuse of EBRD Resources or EBRD Assets

On 4 October 2017, the Bank revised its definition of Prohibited Practices to include Misuse of EBRD Resources or EBRD Assets. In 2018, for the first time, OCCO took action in this area, against a Bank client that was alleged to have engaged in this new Prohibited Practice and, in a separate matter, against an entity that was alleged to have misused the EBRD’s name and logo.

Case 10.A. Misuse of EBRD funds

In December 2018, the EBRD entered into a Settlement Agreement with a firm (“Company A”) to resolve allegations that Company A had facilitated the misuse of EBRD financing by helping a company official to engage and make payments to a consultant for illegitimate services. Company A agreed to a three-year term of conditional non-debarment, with requirements that the company implement corporate governance and anti-corruption enhancements, including developing effective corporate governance and anti-corruption programmes that are subject to regular audits and are monitored by an independent compliance consultant.

Case 10.B. Misuse of the EBRD name and logo

A mid-sized manufacturing company (“Company B”) published the EBRD name and logo on its website and in a brochure in an attempt to induce its potential clients to believe that Company B was a trusted EBRD counterparty. The EBRD had never entered into any contractual relationship with Company B, nor had the Bank granted the firm permission to use the EBRD name and logo.

The EBRD notified Company B that by using the Bank’s name and logo without consent, it had engaged in the Prohibited Practice of Misuse of EBRD Resources or EBRD Assets. The EBRD demanded that the company cease representing the Bank as a partner of Company B and to remove all references to the EBRD from its website and from any Company B materials.

Company B apologised and complied with the Bank’s demands. The EBRD settled the matter with Company B and issued the firm with a letter of reprimand.
Case study 11. Public sector procurements

The EBRD’s public-sector clients are generally required to undertake their EBRD-funded projects in full compliance with the Bank’s rules on public-sector procurement. The aim of these rules is to ensure a fair procurement exercise, with robust controls that result in the supply of goods, services or works that best meet the project’s needs. In order to be eligible to tender, prospective tenderers must usually reference similar projects that they have previously completed as proof that they have the ability to deliver. In 2018, OCCO completed two investigations involving companies that, in tenders, had fraudulently stated that they had the prerequisite experience.

Case 11.A. Fraud in public sector procurement

Following an investigation, the EBRD found that an entity involved in a construction business had engaged in a fraudulent practice by submitting false information in a bid, representing that it met the qualification requirements for the award of a Bank-funded public sector contract to construct a road.

After the EBRD’s Enforcement Commissioner issued an Enforcement Notice to the entity in 2018, the entity responded by accepting responsibility for the fraudulent practice. It conducted an internal investigation into the matter, took action against the responsible parties, and applied corrective measures to avoid a recurrence of the same conduct and to strengthen its internal systems and controls.

The EBRD reached a settlement with the entity. As the entity provided sufficient evidence that mitigating circumstances applied, the EBRD imposed a debarment of 12 months. The Bank has therefore not requested a cross-debarment of the entity under the Agreement for the Mutual Enforcement of Debarment Decisions, which only applies where a debarment exceeds 12 months.

Case 11.B. Fraud in public sector procurement

In June 2018, the EBRD imposed a three-year term of debarment on a company (“Company C”) and an individual following an investigation into allegations that Company C had submitted false documents in connection with public procurement in an infrastructure project. The investigation found that Company C made the submission in an attempt to mislead the tender evaluation committee as to its eligibility. The debarred individual was a high-ranking employee of Company C and was directly responsible for the company’s tender submission.
5.2. Investigations under the Conduct and Disciplinary Rules and Procedures and the Codes of Conduct

Reports of suspected misconduct may be received from any source, internal or external to the EBRD, including anonymous sources. OCCO also receives complaints from the EBRD’s MD HROD, referred under the Bank’s RWPs.

Allegations of misconduct are investigated in accordance with the Conduct and Disciplinary Rules and Procedures. The CDRPs clearly distinguish the role of the Chief Compliance Officer as fact-finder with regard to complaints of misconduct and the role of the MD HROD as decision-maker, in relation to any disciplinary action. Further action, such as referral to law enforcement agencies, may be taken on a case-by-case basis, as appropriate.

Reports of suspected misconduct against the President, or any of the Vice Presidents, are dealt with under, and in accordance with, the Code of Conduct for EBRD Personnel. Similarly, an allegation of suspected misconduct by a Board Official is dealt with under, and in accordance with, the Code of Conduct for Officials of the Board of Directors of the EBRD.

All complaints received under the CDRPs are subject to an initial inquiry, during which OCCO undertakes a number of investigative steps including, but not limited to, obtaining additional information from the complainant; gathering evidence, including data from the Bank’s IT systems; and interviewing possible witnesses, or others who may be in a position to provide relevant information.

Following an initial inquiry, if a complaint is considered to be sufficiently reliable and grave, further investigation is warranted and the matter will proceed to a formal investigation, in order to allow the individual(s), the subject(s) of the complaint, to respond to the allegation(s).

In 2018, OCCO accepted 43 new complaints of suspected misconduct, carrying forward a further 2 matters from 2017. Of these 45 complaints, 36 were received under the CDRPs, 5 under the two Codes and 3 matters were referred by the MD HROD under the RWPs.

The location of the subjects of the complaints was split fairly evenly between the EBRD’s Headquarters and its ROs. The complaints covered a wide range of alleged misconduct.

Section 5.2.1. summarises the outcome of matters received by OCCO under the CDRPs in 2018.

Figure 3. **Staff misconduct cases**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of new complaints accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>20</td>
</tr>
<tr>
<td>2015</td>
<td>25</td>
</tr>
<tr>
<td>2016</td>
<td>30</td>
</tr>
<tr>
<td>2017</td>
<td>15</td>
</tr>
<tr>
<td>2018</td>
<td>40</td>
</tr>
</tbody>
</table>
5.2.1. Summary of investigations into allegations of staff misconduct

Of the 43 new matters that OCCO accepted in 2018 and the 2 matters that were carried forward from 2017, 11 complaints advanced to a formal investigation, with 29 matters being closed following an initial inquiry and 5 matters remaining open at the end of the reporting period (see Table 4). The 40 matters that were completed in 2018 had the following outcomes.

- Three formal investigations into allegations of fraudulent conduct on the part of staff members. Two of the investigations resulted in recommendations to the MD HROD for disciplinary action under Part III of the CDRPs. One investigation was closed, with no further action being taken against the staff member concerned.

- Two formal investigations, into breaches of Rule 3 (Conflicts of interest) during a recruitment process, resulted in one recommendation for disciplinary action under Part III of the CDRPs; one recommendation for a non-disciplinary written warning to be issued to the staff member concerned.

- A further formal investigation, into a breach of Rule 3 (Conflicts of interest) within an EBRD-financed project, resulted in recommendations for a non-disciplinary written warning to be issued to the staff member concerned; and no disciplinary action in the remaining three matters.

- Six additional and separate initial inquiries, into allegations of breaches of Rule 3 (Conflicts of Interest), were found not to amount to misconduct.

- Four initial inquiries into allegations of breaches of Rule 2(d) (Harassment and bullying) were closed, with no further action being taken, as it was determined that the allegations were not sufficiently reliable to warrant further investigation.

- OCCO conducted eleven separate initial inquiries into breaches of Rule 10 of the Staff Code of Conduct (Confidentiality). Four matters were closed, as the staff members in question had left the Bank. In six further matters, the allegations were determined not to be sufficiently reliable to warrant further investigation under the CDRPs. One matter, although both reliable and serious, did not progress to a formal investigation as it was impossible to identify the person responsible for the breach.

- Eight separate inquiries, conducted into allegations of breaches of Rules 1 (General standard of conduct), and 2 (Harassment and bullying) of the Staff Code of Conduct were found not to be sufficiently reliable to warrant further action.

Table 4. Complaints received in 2018, by type of misconduct

<table>
<thead>
<tr>
<th>Type of misconduct*</th>
<th>Headquarters</th>
<th>Resident Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule 1. General standard of conduct</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Rule 2(d). Harassment and bullying</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Rule 3. Conflicts of interest</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Rule 4. Outside activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rule 5. Political activities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rule 6. Employment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rule 7. Gifts and hospitality</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rule 8. Financial interests</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rule 9. Disclosure of financial interests</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rule 10. Confidentiality</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Rule 11. Misuse of EBRD assets</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Rule 12. Retaliation</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong>*</td>
<td><strong>23</strong>*</td>
</tr>
</tbody>
</table>

* In seven matters the investigation involved two categories of misconduct.
5.2.2. Trends in misconduct investigations

Conflicts of interest

OCCO noted a significant increase in the number of complaints from RO staff members regarding conflicts of interest. This increase is likely to be the result of a marked increase in the outreach and training that OCCO provides to RO staff, particularly with regard to their obligations under the Staff Code of Conduct. OCCO has noted that many of the complaints that it received in 2018 occurred shortly after a session of compliance training in the relevant office.

Confidentiality

A sharp increase in breaches of confidentiality, including unattributed leaks of information in 2018, led OCCO to make a number of recommendations regarding weaknesses in IT controls. These flaws were identified as part of the investigation process.

Fraud

In September 2017, following an increase in allegations of expenses fraud under the Bank’s medical plan, the CCO issued a joint communication with the MD HROD, reminding all staff of their obligations under the Staff Code of Conduct, while informing them that all reports of fraud brought to OCCO’s attention would be thoroughly investigated and acted on. There were no reports of fraud under the medical plan during 2018.

5.2.3. Complaints of retaliatory conduct

In 2018, OCCO received one complaint of retaliatory acts against an individual who had carried out protected activities (in other words, related to whistleblowing). Following a review of the matter, OCCO determined that the purported retaliatory action was not an act of “retaliation” as defined in the CDRPs.

5.2.4. Resident Office inspections

The RO inspection programme was established in 2017, following two large-scale investigations into the administration and financial management of two separate ROs. Inspections are conducted by OCCO twice a year and in close cooperation with the EBRD’s Vice President of Banking, in order to review and assess compliance with the EBRD’s internal control procedures.

In 2018, OCCO conducted unannounced inspections in the Baku and Casablanca ROs, responding appropriately where weaknesses in internal control procedures were identified. As a result of these inspections two separate instances of suspected fraud by EBRD employees were detected and led to the termination by the MD HROD of an EBRD staff member’s employment.

The EBRD intends to undertake two further Inspections in 2019. In the meantime, OCCO continues to work with Banking teams, the Operational Risk Management team and Internal Audit team to ensure that the findings from the four inspections conducted to date are shared appropriately and addressed, and effective action is taken.

Table 5. Misconduct complaints 2017-18 – a comparative analysis

<table>
<thead>
<tr>
<th>Misconduct complaints</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New complaints of staff misconduct reported to OCCO</td>
<td>25</td>
<td>45*</td>
</tr>
<tr>
<td>RWP referrals from the MD HROD</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Complaints closed with no finding of misconduct</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>Staff who left the Bank during the course of an investigation</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Referred to the MD HROD for written warning</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Referred to the MD HROD for disciplinary action</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>OCCO personnel assigned to assist with staff misconduct matters</td>
<td>1.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

* Includes two matters carried over from 2017.
5.2.5. Staff misconduct case studies

The EBRD rightly expects that, in the course of the performance of their duties, its employees observe the highest standards of integrity and honesty, consistent with the policies and practices that govern their employment relationship with the Bank, as contained within the EBRD Staff Handbook, which includes, among other elements, the Staff Code of Conduct and the CDRPs.

Case studies 12 and 13 outline the actions of Bank employees, both current and former, who, aware of the provisions of the Staff Code of Conduct, acted in breach of those provisions.

**Case study 12. Conflicts of interest**

OCCO was notified of concerns that an employee of the EBRD, Mr A, may have attempted to solicit corrupt payments from Bank clients and other external parties for his own benefit.

During a formal OCCO investigation, Mr A denied soliciting corrupt payments but accepted that as a non-remunerated, senior, national representative of a professional association, he had made legitimate approaches to a number of EBRD clients and external parties, with a view to obtaining funding through sponsorship.

The formal investigation found no evidence of corruption on the part of Mr A, who had not engaged in an actual conflict of interest. However, there was found to be the appearance of a conflict of interest, which Mr A had failed to recognise or declare.

The investigation resulted in a recommendation to the MD HROD that Mr A receive a non-disciplinary written warning for a breach of Rule 3 of the Staff Code of Conduct.

This particular case highlights how important it is for staff not only to understand the provisions of the Staff Code of Conduct, but also to recognise how certain circumstances may be perceived differently by various stakeholders. It also illustrates the importance of preventing a perceived conflict of interest.

**Case study 13. Confidentiality**

As an employee of the EBRD, Mr B was subject to the application of the provisions of Rule 10 of the Staff Code of Conduct, pertaining to confidential Bank information. Rule 10 further provides that an employee’s obligations under this Rule continue after separation from the EBRD.

In 2018, in the same month that Mr B left the Bank, the IT Department conducted a routine analysis of the data flow to and from the Bank’s servers. IT staff noted that immediately prior to his separation, Mr B had downloaded an unusually high amount of data to a removable storage device. The matter was reported to OCCO as a suspected breach of Rule 10 of the Staff Code of Conduct.

As part of its initial inquiry, OCCO established that the vast majority of the data Mr B had downloaded was sensitive, confidential and proprietary in nature. Furthermore, it had been downloaded without appropriate authorisation.

OCCO interviewed Mr B, who accepted that he had downloaded the data, stating that it was for his reference alone and not for wider distribution outside of the Bank. He subsequently returned the removable storage device to the Bank, providing a signed undertaking that the data had not been copied or distributed and confirming his compliance with the indefinite obligations under Rule 10 of the Staff Code of Conduct.

In 2018, OCCO conducted three similar inquiries, each with an identical outcome to that described above. OCCO actively pursues all reports of breaches of the Staff Code of Conduct and it is important to note that, where former staff members fail or refuse to comply with their ongoing obligations, OCCO will ensure that such breaches are acted on and formally recorded. Such action not only protects the integrity and reputation of the EBRD but may also be referred to should a former staff member seek re-employment with the Bank.
6. International cooperation

This chapter describes OCCO’s international cooperation throughout 2018.

OCCO engages in international cooperation on integrity and anti-corruption issues in order to:

• keep up to date with and support the efforts of relevant international and industry organisations
• participate in the development and dissemination of best practice
• work effectively with other international institutions in the collective fight against corruption in emerging and transition economies.

Sections 6.1. to 6.3. of this report summarise the key activities of 2018 with regard to international cooperation.

6.1. Intergovernmental initiatives

During 2018, OCCO continued to engage with key intergovernmental initiatives, including those that specifically focus on AML or CFT initiatives, such as the Financial Action Task Force (FATF), the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Council of Europe’s anti-money laundering body (MONEYVAL) and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG).

The EBRD has observer status in each of these bodies and, as such, a representative of OCCO regularly attended their meetings. In line with the EBRD’s focus on the southern and eastern Mediterranean region, and to ensure that the Bank’s activities in that region adequately respond to any AML/CFT threat, the Bank applied for observer status at the Middle East and North Africa Financial Action Task Force, FATF’s regional body. A decision on this application is pending.

The EBRD’s engagement with the FATF and associated bodies is critical to the Bank’s assessment of integrity risk in the regions that these organisations monitor.

Where the FATF has identified a jurisdiction as having strategic deficiencies in AML and/or CFT, the EBRD undertakes enhanced due diligence on all proposed counterparties within that jurisdiction, in order to satisfy itself that those counterparties have appropriate AML and CFT procedures to mitigate these deficiencies.

In 2018, this was particularly relevant to the Bank’s operations in Serbia and in Tunisia. In addition, a member of OCCO’s Project Integrity team participated as an assessor in the comprehensive evaluation of Albania’s AML/CFT system and its level of compliance with the FATF recommendations. The expert contribution focused on the way that FIs apply AML and CFT controls, and the effectiveness of these systems. The report was published in December 2018 by MONEYVAL.

To underscore the importance of anti-corruption reforms in the EBRD regions and support its efforts to build capacity, OCCO is active in the annual OECD Integrity Week and is a member of the OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN). OCCO was also part of the delegation tasked with preparing the country report on Ukraine, in the context of the ACN’s fourth-round monitoring report on anti-corruption reform efforts. In 2018, together with the Bank’s Vice-Presidency for Policy and Partnerships, the OECD, the United Nations Development Programme and the Council of Europe, OCCO organised and presented at business integrity seminars in Georgia, Bosnia and Herzegovina and the Kyrgyz Republic. These seminars contributed to the Bank’s goal of promoting business integrity and compliance in the wider EBRD regions.

6.2. Cooperation with multilateral development banks

In the field of anti-corruption, OCCO maintains close bilateral and multilateral relationships with other MDBs. Alongside the World Bank Group, European Investment Bank, African Development Bank, Asian Development Bank and Inter-American Development Bank, OCCO is active in the meetings of the MDB Heads of Integrity.

This forum was initially established as a task force in 2006 to harmonise the MDB approach to Prohibited Practices. Since then, it has evolved into an active forum
that encourages consistency among the MDBs in the investigation and enforcement of Prohibited Practices, including through the use of the Agreement for the Mutual Enforcement of Debarment Decisions, to which the Bank is a signatory. The forum also raises awareness of the MDBs’ anti-corruption efforts.

In 2018, the two meetings of the MDB Heads of Integrity focused on more effective sharing of information, cooperation in investigations arising in co-financed projects and areas for further harmonisation of Prohibited Practices, as well as investigative procedures, including the process for referring matters to national authorities. A particular achievement in 2018 was the creation of a cloud-based platform where MDBs can share information and documents.

In March 2018, representatives from OCCO attended the MDB meeting hosted by the African Development Bank in Abidjan on private sector integrity. This meeting was an opportunity to share effective practices in evolving areas of concern including, in particular, tax avoidance and evasion. On the margins of this meeting, OCCO participated in a two-day Heads of Integrity Due Diligence (HIDD) meeting. At this annual event the Heads of Integrity Due Diligence from each MDB meet to discuss common themes. The HIDD group was established in 2016 and OCCO retains a lead role in the efforts to harmonise and, where possible, make due diligence practices more efficient, as well as facilitate the effective sharing of information. During 2018, OCCO led the integrity element of the discussions to explore ways of harmonising approaches to due diligence. The goal is to lessen any burden and reduce the cost and resource requirements that due diligence generate, without lowering the quality of the due diligence itself.

Lastly, in 2018, with the increased global focus on issues related to sexual exploitation, abuse and harassment (SEAH), OCCO worked closely with the Bank’s Corporate Strategy department and the Office of the General Counsel to clearly articulate the Bank’s policies and practices in this area and make public commitments relating to SEAH prevention with other IFIs.

6.3. Other international cooperation activities

As in previous years, the EBRD supported the setting of standards by working closely with governments, civil society representatives and the private sector.

OCCO representatives participated in the EBRD delegation at the International Anti-Corruption Conference, a biennial event organised by Transparency International. Alongside colleagues from the EBRD Vice Presidency for Policy and Partnerships, OCCO represented the EBRD at the “high-level segment” of this conference, where about 40 ministers, leaders of international organisations and private companies came together to discuss strategies for international collaboration on anti-corruption. As part of this event, the EBRD issued an anti-corruption statement, reiterating the Bank’s commitment to tackling corruption in its regions. A copy of this commitment is available at:


In October 2018, OCCO participated in the fourth meeting of the International Corruption Hunters Alliance (ICHA), a biennial event that brings together the people who are working to stop corruption in their countries – heads of anti-corruption agencies and directors of public prosecution or investigations. The fourth ICHA meeting was co-hosted by the World Bank Group and the Ministry of Foreign Affairs of Denmark.

In addition, representatives from OCCO participated in a panel at the 35th annual Cambridge International Symposium on Economic Crime, which looked at the role of institutional investors in promoting good corporate governance and compliance with anti-corruption standards. The panel addressed whether and how institutional investors, including the EBRD, could be agents for improving standards of business integrity in their investee companies. OCCO spoke about the EBRD’s role in assisting clients to implement anti-corruption action plans through its financing, but noted the difficulty that investors have in ensuring that their values and approaches are incorporated by investee companies, especially because investors are often perceived to be “outsiders”.

Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse, and Exploitation

IFI update on the Joint Statement on Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse, and Exploitation
Elsewhere, at the International Bar Association (IBA) International Anti-Corruption Conference in Paris, OCCO participated in a moot-court-style panel along with representatives from the Integrity Vice Presidency and the Sanctions and Debarment Office of the World Bank. The panel pitted private sector attorneys against MDB representatives in a mock sanctions-board appeal hearing to illustrate how a typical MDB sanctions board hearing operates. Afterwards, a discussion with the audience highlighted the rights and obligations of respondents and MDBs in sanctions cases.

Representatives from OCCO and the EBRD’s Governance and Political Affairs team spoke on a panel at the 2018 Balkan Compliance and Ethics Forum hosted by the West-East Forum for Ethics and Compliance and the American Chamber of Commerce. OCCO staff discussed in particular which standards IFIs expect of their clients, how to assess anti-corruption risk, and the basics of an anti-corruption compliance programme that meets international best standards.

Moreover, a representative from OCCO spoke in Sarajevo at a seminar of the Society of Corporate Compliance and Ethics (SCCE) on drafting and implementing codes of conduct. The SCCE seminar was largely attended by private sector entities in the Western Balkans and provided fertile ground for these entities to exchange ideas and learn best practice.

In October 2017, OCCO gained institutional membership for the EBRD at the International Organization for Standardization’s Technical Committee 309 in the Governance of Organizations group. In 2018, in collaboration with other EBRD departments, such as the Legal Transition team, OCCO staff participated in the various technical working groups of the new standard to provide feedback from an IFI perspective. For example, OCCO representatives participated in meetings of the Compliance Management Systems (ISO 19600), Anti-Bribery Management Systems (ISO 37001), Whistleblowing (ISO 37002) and Governance of Organizations (ISO 37000) working groups.

Meanwhile, OCCO continued to participate in the Steering Committee for Transparency International’s Business Principles for Countering Bribery. This resulted in the drafting and publication, with support from OCCO, of the Transparency International 10 Anti-Corruption Principles for State-Owned Enterprises.

In relation to de-risking, OCCO participated in the Wolfsberg Forum, where de-risking has been a consistent theme, and also attended the Financial Stability Board meeting at the International Monetary Fund on AML and CFT in correspondent banking.

Other relevant meetings in 2018 at which representatives of OCCO presented on the theme of anti-corruption and proactive compliance included:

- the OECD Global Forum on Responsible Business Conduct
- the Conference of International Investigators
- the 13th C5 International Conference on Anti-Corruption, held in London
- the Plenary Meeting of the ACN
- the IBA International Anti-Corruption Conference.

Lastly, together with colleagues in the EBRD’s Vice Presidency, Policy and Partnerships, OCCO contributed to the development of the Ukrainian Network of Integrity and Compliance (UNIC) and an OCCO representative now sits on the UNIC Ethics Committee. UNIC is a voluntary initiative of businesses in Ukraine, focusing on anti-corruption certification. It brings together businesses committed to achieving high standards of integrity and ethical behaviour, creating a community of good practice and a positive demonstration effect in the wider market.
7. Outlook for 2019

During 2019, OCCO will continue to focus on the activities summarised in this report. Priorities will include the following.

- **Domiciliation**: Since 1 January 2018, OCCO has assumed responsibility for client domiciliation. Priorities in this area will include completing the set-up of the Domiciliation Unit, embedding the new Domiciliation Policy and upgrading the EBRD procedures and toolkit for domiciliation due diligence.

- **Whistleblower framework**: OCCO will review the current whistleblower framework and develop a standalone policy.

- **Anti-corruption capacity-building**: OCCO will continue its proactive work with clients and potential clients on the development and implementation of anti-corruption and compliance action plans. With a view to enhancing the Bank’s transition impact by promoting good governance, OCCO, in conjunction with other EBRD departments and our international partners, will continue to develop seminars, consultancies and other innovative programmes to advance business integrity across the Bank’s regions.

- **Capital markets and institutional conflicts of interest**: OCCO will further advance its capital markets compliance function, by finalising the existing bond and equity processes, preparing an online module of a training programme on handling material non-public information and by revising the current Chinese Walls procedures.

- **Harassment-free and Respectful Workplace Procedures and the Conduct and Disciplinary Rules and Procedures**: OCCO, Human Resources and the Office of the General Counsel will work together to review both procedures, which were last revised in 2015.

- **Enforcement Policy and Procedures**: These will be updated to incorporate the revised definition of “Obstructive Practice” as agreed by the investigative offices of the EBRD, the European Investment Bank, the Asian Development Bank, the African Development Bank Group and the Inter-American Development Bank.

- **Knowledge management**: OCCO will work to strengthen its knowledge management function, aiming to streamline the integrity due diligence process and create a precedent system. This will improve the quality of the data obtained and enhance the decision-making process, with a focus on the consistency of outcomes.
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AMEDD</td>
<td>Agreement for the Mutual Enforcement of Debarment Decisions</td>
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<tr>
<td>AML</td>
<td>Anti-money laundering</td>
</tr>
<tr>
<td>ASB</td>
<td>Advice for Small Businesses</td>
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<tr>
<td>CCO</td>
<td>Chief Compliance Officer</td>
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<tr>
<td>CDRPs</td>
<td>Conduct and Disciplinary Rules and Procedures</td>
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<tr>
<td>CFT</td>
<td>Countering the financing of terrorism</td>
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<tr>
<td>EAG</td>
<td>Eurasian Group on Combating Money Laundering and Financing of Terrorism</td>
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<tr>
<td>The EBRD, the Bank</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>EIB</td>
<td>European Investment Bank</td>
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<tr>
<td>EPPs</td>
<td>Enforcement Policy and Procedures</td>
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<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
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<tr>
<td>FI</td>
<td>Financial institution</td>
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<tr>
<td>HROD</td>
<td>Human Resources and Organisational Design</td>
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<tr>
<td>IDD</td>
<td>Integrity Due Diligence</td>
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<tr>
<td>MDB</td>
<td>Multilateral development bank</td>
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<tr>
<td>MD HROD</td>
<td>Managing Director of Human Resources and Organisational Design</td>
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<tr>
<td>MONEYVAL</td>
<td>Council of Europe’s anti-money laundering body</td>
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<tr>
<td>ND</td>
<td>Nominee Director</td>
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<tr>
<td>NPM</td>
<td>National programme manager</td>
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<tr>
<td>OCCO</td>
<td>Office of the Chief Compliance Officer</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>OL</td>
<td>Operation Leader</td>
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<td>OpsCom</td>
<td>Operations Committee</td>
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<tr>
<td>PCM</td>
<td>Project Complaint Mechanism</td>
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<tr>
<td>RO</td>
<td>Resident Office</td>
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<tr>
<td>RWPs</td>
<td>Harassment-Free and Respectful Workplace Procedures</td>
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Questions regarding this report should be addressed to:

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Email: compliance@ebrd.com

http://www.ebrd.com/who-we-are/our-values/investigating-fraud-and-corruption.html

How to report fraud, corruption and misconduct to the EBRD

Complaints, including reports of suspected fraud, corruption and misconduct, can be submitted to OCCO by email, telephone or in writing at the above address, or via the online form available at:

http://www.ebrd.com/eform/contact/139058084264
We invest in changing lives

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