

Breaking News:

Corruption. Questions shareholders should be asking at the AGM

News that The Serious Fraud Office (SFO) yesterday managed to win a civil recovery order against the principal investor of a company that had admitted corruption should come as a major wake-up call to investors and shareholders, say business risk experts Interchange – www.interchange-solutions.co.uk

The shareholder is now required to pay back dividends gained as a result of corruption in Iraq bridge-building contracts. The SFO took action in the High Court, which subsequently led to an order for the company, Mabey Engineering (Holdings) Ltd, to pay over £130,000 in recognition of sums it received through share dividends derived from contracts won through unlawful conduct.

“This is a very significant move by the SFO which should finally start to have investors asking searching questions of the companies in which they are investing or have already invested,” says John Burbidge-Kind, CEO of Interchange. “This is the first time that the SFO has attempted to recover the proceeds of crime by targeting dividends paid in the UK. It sets an enormous precedent for investors and is even being reported that such action could hit pension funds if applied to listed businesses.”

“Shareholders and investors in companies are obliged to satisfy themselves with the business practices of the companies they invest in,” said Richard Alderman, Director of the SFO. “The SFO intends to use the civil recovery process to pursue investors who have benefited from illegal activity. Where issues arise, we will be much less sympathetic to institutional investors whose due diligence has clearly been lax in this respect.”

This action by the SFO follows recent reports that the Government plans to make shareholder remuneration votes mandatory in an attempt to curb excessive executive pay. “We may be seeing a very different relationship developing between company boards and their investors,” says John Burbidge-King.

For shareholders now concerned about their investment portfolios, Interchange has collated just a few questions that they might be asking of a company board at this year’s AGM:

- Has the company conducted a formal risk assessment of both the impact of bribery and the Bribery Act 2010, and what measures has it taken to mitigate that risk?
- Is the Audit Committee, or any other appropriate board committee, briefed? And does it understand the nature of the risks? Have members been trained to ask the right questions of the executive directors and management?
- Exactly who in the company has taken on the responsibility for ensuring compliance with the Bribery Act?
- Are you aware of any bribery or corruption that has taken place in the business in the past three years?
- Have any of the directors or agents in the business been involved in bribery in the past?
- Does the company engage with agents overseas, and if so how sure are you that they are not involved in bribery?

- Does the company have adequate procedures in place to prevent bribery as set out in the Ministry of Justice Guidance, and by now if not why not?
- Are there formal policies in areas such as Gifts and Hospitality and proper records kept?
- Is the company prepared for an external investigation by the Serious Fraud Office that will include all financial records including records and authorities for the payment of all agents and those “associated persons” acting on behalf of the company?
- Will the company’s insurers cover the costs of an investigation, and in the worst case the defence?

“The AGM represents a prime opportunity for stakeholders in the business to ask direct, face to face questions of the directors responsible for governing the company,” adds John Burbidge-King. “The act of bribery and corruption itself is damaging enough if found guilty by the authorities, but the worst case scenarios demonstrate that the financial fallout goes a long way beyond direct penalties and will impact on the share price; honest investors dislike dodgy dealings and companies that do not hold up to scrutiny often find their share prices in free fall as a result.”

Canadian-British billionaire Victor Dahdaleh will today appear before a court in connection with fraud allegedly perpetrated against Aluminium Bahrain B.S.C, also known as Alba. The state-owned aluminium smelter claims that Dahdaleh and others bribed senior officials to overpay for millions of tons of raw material.

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About Interchange

[Interchange](#) has former senior business executives with a truly global experience. We understand the sharp end of doing business and implementing effective change in small and large companies. In the fast approaching new era of the Bribery Act Interchange can actively help you to:

- *Work with the right people to succeed*
- *To pick the right opportunities and continue bidding for and winning business*
- *To avoid heavy compliance costs*
- *Better understand the cultural background and risk of doing business in certain countries, through comprehensive due diligence reports*
- *Embed business ethics into your business strategy as a driver for positive change;*
- *Reduce the costs of incorporating “adequate procedures” - Interchange is affordable and delivers business benefit by turning risk into business value.*