

REALITY CHECK - THE HIGH COST OF BRIBERY

GRAEBEL REDUCES THE RISK FOR GLOBALLY ACTIVE CLIENTS – GRAEBEL UNIVERSITY



International relocations are stressful situations – for both the transferee and the relocation decision-maker. The individuals accepting transfers have one goal in mind, and that’s getting settled in their new home and helping their family adapt to their new country as quickly as possible. For the decision-maker, ensuring transferees settle in quickly is also crucial as any delays will cost the employer time, money, and productivity.

Relocation decision-makers understand the sooner an employee is on the ground and performing duties, the higher the likelihood the employee will assimilate and remain on assignment. A bad start to the relocation may mean the employee returns sooner than originally planned, thus increasing the already high costs of international relocation.

If household goods are detained in customs, stress levels for all parties involved rise and patience is often lost. These delays could result in additional costs for hotel stays, rentals, and special services. Temptation may arise to do whatever it takes to decrease stress levels and keep relocation costs on budget.

A GIFT IN EXCHANGE FOR A SPECIAL FAVOR

While possibly tempting, offering and accepting money or favors in return for a special action by a person in a position of trust is bribery – and it is not just unethical, it is also illegal.

Following Watergate and a number of investigations that exposed widespread bribery by U.S. companies, the U.S. Congress enacted the Foreign Corrupt Practices Act (FCPA) in 1977.¹ The act was intended to help put an end to bribery and restore confidence in American businesses.² However, as many countries view payments differently, determining what is and what is not considered a bribe can be difficult. To combat this gray area, the FCPA defined the definition of bribery and “what is or is not acceptable behavior at home and in other countries.”³

THE MANY FORMS OF BRIBERY

The FCPA broadly defines a bribe as “anything of value.”⁴ With this in mind, bribery may take the following forms:

- > Charitable contributions – Any contribution made to a charity or philanthropic organization with the express intent of obtaining an unlawful business advantage.
- > Facilitating payment – A payment made to expedite performance of a routine governmental action (e.g., obtaining permits, delivering mail, unloading cargo, processing governmental permits, and scheduling inspections). These payments are also known as grease or expediting payments.
- > Gifts, hospitality and entertainment – Any gift or entertainment and hospitality expense that affects the outcome of a business transaction or is considered an unreasonable expenditure.
- > Kickbacks – Returning a portion of a transaction or benefit to the person or organization that helped grant the benefit.
- > Political contributions – Any contribution made to a political party, candidate for office, or party official with the intent of obtaining an unlawful business advantage.
- > Traditional bribe – Payment made to acquire or retain a business advantage.

¹ Ethics Resource Center. “Facilitation Payments: Whether Consider Custom or Bribery, They Put Companies in a Precarious Position.”

² U.S. Department of Justice. “Lay-Person’s Guide to FCPA.”

³ Teresa Beed, Maureen Fleming, and Nader Shootshtari. “Bribery and the U.S. Foreign Corrupt Practices Act: Do They Hinder Global Competition?”

⁴ Alexandra A. Wrangé and C. David Morris. “Bribes, Borders and Bottom Lines: Why a Strong Antibribery Policy is Essential.” ACC Docket, September 2006.

According to the U.S. Department of Justice (DOJ), the FCPA prohibits U.S. companies from paying, offering, or promising money or anything of value either directly or through commercial intermediaries to foreign officials (i.e., any person acting in an official capacity) for the purpose of obtaining or retaining business.

Enforced by the DOJ and the U.S. Securities and Exchange Commission (SEC), the FCPA applies to a company and to any of its employees, directors, and third-party intermediaries that violate the anti-bribery provisions. In essence, any individual who participates in an act of bribery is taking a risk of severe criminal and civil penalties.

A GROWING INTERNATIONAL ISSUE

For a number of years, the U.S. was the only country with an established anti-bribery convention.⁵ Increased global trade and more attention on this issue have forced other nations to enact similar laws.

In 1997, 34 countries, including the U.S. and many of its major trading partners, signed the anti-bribery agreement established by the Organization for Economic Cooperation and Development.

Additional international anti-bribery conventions in effect today include:

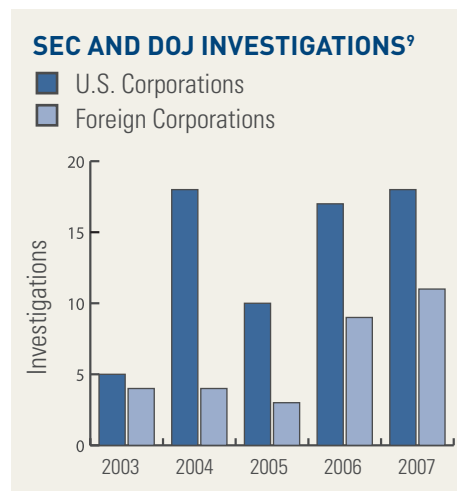
- > The United Nations “Convention against Corruption” – Passed in 2003 and signed by 140 countries, the convention attempts to strengthen international efforts to fight corruption by establishing preventive measures, guidelines for law enforcement, asset-recovery mechanisms, and international cooperation.
- > The Inter-American Convention Against Corruption – Adopted in 1996 by members of the Organization of American States and Cuba, the convention established actions to prevent, detect, and punish corruption.

- > The Group of States against Corruption (GRECO) – An arm of the Council of Europe, GRECO monitors members’ compliance with the Council of Europe’s anti-corruption standards.

These multiple conventions have created a “spider web of regulations that vary across borders, subjecting multinational companies to conflicting standards and possible multiple prosecutions for the same acts.”⁶ To ensure compliance, companies must develop and enforce strict internal anti-corruption standards and policies or risk expensive and damaging outcomes.

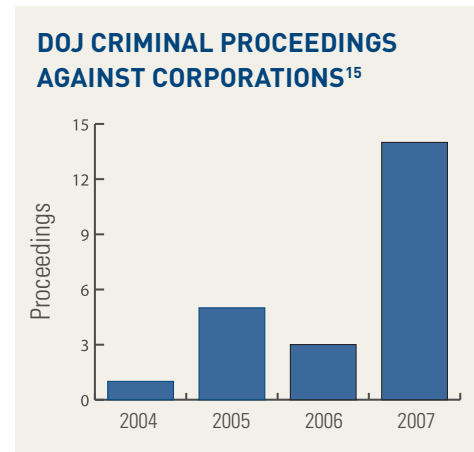
FACING THE CONSEQUENCES

Governments are increasing the punishment for companies and individuals caught participating in bribery and corruption. In 2007, the U.S. Federal Bureau of Investigation formed a special team to focus on FCPA cases.⁷ In just two years, the number of enforcement actions brought by the DOJ and SEC has skyrocketed from a mere handful per year to a combined 55 in 2006 and 2007.⁸



Allegations of corruption and bribery are damaging to a company’s reputation and can be a major drain on a company’s finances. According to the DOJ, businesses are subject to a \$2 million

fine per allegation; however, the actual fine may be equal to twice the benefit the company sought to obtain through the bribe. In 2007, Baker Hughes received the largest FCPA penalty to-date, a fine of \$44 million for bribery.¹⁰ In addition, bid-rigging proved an expensive activity for Allied Freight Forwarders, which was ordered to pay \$1.043 million in 2006.¹¹



The U.S. is not the only nation imposing heavy fines on businesses. Early this year, the European Commission leveled fines totaling EUR 32.8 million on 10 international moving companies for creating pricing agreements, submitting false quotations to customers, and manipulating tendering procedures.¹²

Along with heavy fines, violations of the FCPA can have a negative effect on a company’s ability to conduct future business. According to the DOJ, violators may be barred from working with the federal government and may be ruled ineligible to receive export licenses.

To add weight to this effort, the DOJ has recently shown enthusiasm for pursuing “enforcement actions against individuals, some of whom are offered up as part of the company’s settlement negotiations,”¹³ meaning the company is no longer shouldering 100-percent of the risk.

⁵ Ethics Resource Center. “Facilitation Payments: Whether Consider Custom or Bribery, They Put Companies in a Precarious Position.”
⁶ Alexandra A. Wrangle and C. David Morris. “Bribes, Borders and Bottom Lines: Why a Strong Antibribery Policy is Essential.” ACC Docket, September 2006.
⁷ Alexandra A. Wrangle. “Today, No Bribe Is Too Small.” Legal Times, March 24, 2008.
⁸ Ibid.
⁹ Shearman & Sterling LLP. “Recent Trends and Patterns in FCPA Enforcement.” February 13, 2008.
¹⁰ Alexandra A. Wrangle. “Today, No Bribe Is Too Small.” Legal Times, March 24, 2008.

¹¹ Department of Justice (February 24, 2006). “Allied Freight Forwarding Inc. Agrees to Plead Guilty to Participating in Two Bid-rigging Conspiracies.”
¹² “Fine for price fixing among international movers.” Expatica News, March 26, 2008.
¹³ Alexandra A. Wrangle. “Today, No Bribe Is Too Small.” Legal Times, March 24, 2008.
¹⁴ “International Bribery Risks: FCPA and OECD Do Bite – Have Teeth!” The Metropolitan Corporate Counsel, January 2008.
¹⁵ Shearman & Sterling LLP. “Recent Trends and Patterns in FCPA Enforcement.” February 13, 2008.

Accusations of wrongdoing can destroy careers and the financial well-being of employees.¹⁴ According to the DOJ, officers, directors, employees and agents found guilty of violating the FCPA are subject to fines up to \$100,000 and five years imprisonment. Additionally, fines leveled on individuals are the sole responsibility of the at-fault individual and may not be paid by their employer or principal.

ACTING ON A COMPANY'S BEHALF

Often companies believe that responsibility for the actions of third-party agents and commercial intermediaries rest with that party; however, that assumption is incorrect. In many cases prosecuted in the U.S., the improper payments were made through intermediaries.¹⁶

The FCPA identifies a bribe as any payment to a foreign official made directly or indirectly. Therefore, if a company's management knew or should have known that intermediary was likely to make an inappropriate payment, that company is liable for the corrupt or improper actions.

By performing due diligence on potential and current intermediaries, a business can identify and address potential red flags, thereby protecting itself from risk. In the Lay-Person's Guide to FCPA, the DOJ identifies potential red flags as:

- > Unusual payment patterns or financial arrangements
- > Unusually high commissions
- > A lack of transparency in accounting records
- > A history of corruption in the country
- > A refusal by the intermediary to provide certification that it will not act in a way that would cause the company to be in violation of the FCPA
- > The intermediary's apparent lack of qualifications
- > The recommendation of an intermediary by an official of the governmental customer

"Companies' reputations may suffer if their commercial partners are known for their lapses of integrity."¹⁷

- International Business Attitudes to Corruption

ESTABLISHING A CULTURE FREE OF CORRUPTION

To effectively eliminate corrupt practices, a company must commit the time to develop and enforce a clear, written anti-corruption policy. In doing so, the company is communicating to its employees, intermediaries, partners, and customers that bribery and other improper actions will not be tolerated.

An anti-corruption policy should be extensive, endorsed by the highest level of management, and thoroughly enforced. "If a program is robust, backed by management, and rigorously enforced, it will send the message to employees – and would-be bribe-takers – that it is no longer business as usual, even in the most challenging markets."¹⁸

In the international relocation marketplace, Graebel Movers International has taken steps to ensure its employees and supplier network operate with honesty and integrity. With a comprehensive Code of Conduct that encompasses anti-bribery policies, record-keeping, and other issues, Graebel sends a clear message that non-compliance is completely unacceptable.

Every Graebel employee receives extensive education on the company's anti-corruption policy, as well as the internal and external ramifications for violations. By educating employees on what constitutes a prohibited payment, how to react when placed in a questionable situation, and how

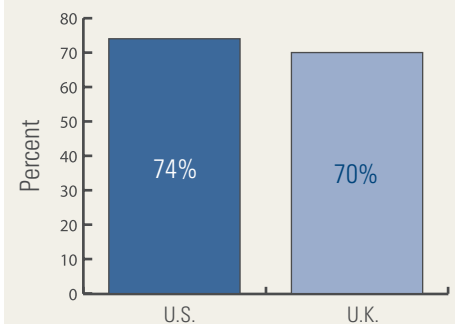
to report red flags, Graebel ensures every employee can identify and avoid improper or illegal situations, thus protecting its customers and itself from risk.

MINIMIZING THE RISK OF THIRD-PARTY ACTIVITIES

With the number of companies held accountable for third-party activities increasing, making intermediaries aware of the company's anti-corruption policy and penalties for violation is crucial.

As a best practice, companies should enter into contracts with their intermediaries to govern the relationship and prohibit illegal activities. By continuously monitoring an intermediary's activities, after securing a contract, a company can ensure that no laws have been breached and that the company's compliance policy is being followed. If a violation has occurred, the company should take proper action immediately.

COMPANIES CONTROLLING INTERMEDIARIES' CONDUCT



Based on a survey of 350 international companies in seven jurisdictions, the U.S. and U.K. were most likely to contractually forbid their intermediaries from paying bribes on their behalf.¹⁹

To ensure customers who are relocating internationally receive the same service integrity as in domestic relocations, Graebel established in 2000 an invitation-only alliance of world-class, financially stable relocation leaders throughout the world.

¹⁶ Control Risks and Simmons & Simmons. "International Business Attitudes to Corruption – Survey 2006."

¹⁷ Ibid.

¹⁸ Alexandra A. Wrangle and C. David Morris. "Bribes, Borders and Bottom Lines: Why a Strong Antibribery Policy is Essential." ACC Docket, September 2006.

¹⁹ Control Risks and Simmons & Simmons. "International Business Attitudes to Corruption – Survey 2006."

To be a member of the Graebel Relocation Alliance, each company must comply with a stringent global supply management process. Requirements are dynamic, and compliance will include:

- > The Graebel anti-corruption policy
- > TRACE International's anti-bribery best practices
- > U.S. Department of Homeland Security protection policies (C-TPAT)
- > Environmental conservation (ISO 14001)
- > Identity protection (ISO 27001)
- > Quality processes (FAIM and ISO 9001)

Every Graebel Relocation Alliance member participates in training and best practice sharing. Through these processes, Graebel and its Alliance members deliver worldwide policy compliance through a reliable, experienced, and dynamic relocation network.

For nearly a decade, Graebel and its Alliance members have set new industry standards and delivered consistent, ethical, and quality services to their customers on a global basis.

DEMONSTRATING COMMITMENT TO ETHICAL BUSINESS PRACTICES

As emphasis on anti-bribery law enforcement increases, multinational companies will need to take a closer look at the business practices of their intermediaries. One organization that is assisting companies commit to the highest standards of transparency is TRACE International.²⁰

A non-profit membership association, TRACE was founded to establish anti-bribery compliance through due diligence reviews and anti-bribery training for business intermediaries. Multinational companies and their commercial intermediaries count on TRACE to help shape anti-corruption policies throughout the world and provide greater clarity on areas of uncertainty.

Graebel sought to become a commercial intermediary member to ensure that its employees and intermediaries understand what is and is not permissible under national and international anti-bribery laws and conventions. Graebel's membership in TRACE demonstrates the company's commitment to its customers and its anti-bribery message.

To become a TRACE commercial intermediary member, companies must:²¹

- > Participate in an extensive background review
- > Commit to participate in annual anti-bribery training
- > Adopt and implement effective written policies addressing bribery, extortion, and kickbacks
- > Pay an annual membership fee

"Indirect bribery – by or through commercial intermediaries – exposes the reputation and value of an entire company to incredible risk," explained Graebel International Managing Director, Jim Petzel. "Graebel clients are respected, globally active Fortune 100 firms, and they expect and deserve the highest quality, dependable relocation services. That is why Graebel commits to a high level of transparency in its commercial multinational businesses."

Unique to the relocation industry, Graebel fully discloses its pricing for services performed by all Graebel divisions, including Graebel Movers International.

"Graebel has a zero tolerance policy for bribery, and will not accept or tolerate any payment whatsoever."

- Bill Graebel, CEO, Graebel Companies, Inc.



In addition to Graebel's strictly followed standards for engagement with foreign-based relocation providers, including Graebel Relocation Alliance members, Graebel customers can receive TRACE intermediary due diligence reports. These detailed and comprehensive reports save customers the time and expense of collecting information such as:

- > Detailed information on Graebel
- > Business and technical qualifications
- > Biographies of ownership, management, and key employees
- > Descriptions of government relationships
- > Financial information, including bankruptcy and litigation inquiries
- > Three business references

Graebel's TRACE membership helps ensure that the right questions have been asked, that a single rigorous standard has been applied, and that Graebel's own high standards have been communicated throughout its service chain – and that's Peace of Mind. Worldwide.SM

²⁰ Alexandra Wrangle. "Business Ethics Gone without TRACE." Policy Innovations, February 29, 2008.

²¹ TRACE International



ABOUT TRACE INTERNATIONAL²²

By serving multinational companies and their commercial intermediaries (i.e., sales agents, distributors, suppliers, and consultants), TRACE trains members on the financial, legal, and reputational risks associated with bribery.

The organization's goal is to have a significant impact on the supply-side of bribery through:

- > Information sharing
- > The exchange of best practices
- > An emissary for speaking with corrupt officials
- > Anti-bribery training and workshops
- > An extensive online resource center containing information on laws and regulations for more than 70 countries
- > Country-specific guidelines for gifts and hospitality

To learn more about TRACE, visit www.traceinternational.org

PRACTICE WHAT IS PREACHED

Anti-corruption policies that are not firmly and consistently enforced can cause more damage than no policy at all.²³ Therefore, management's full support of the policy is crucial to its overall success.

Graebel receives this critical buy-in by requiring senior company officers and executives to sign disclosure and confidentiality statements each year. In doing so, these members of management confirm that they have abided by anti-corruption laws and reported potential problem areas.

This policy demonstrates to employees and intermediaries that Graebel is serious about its anti-corruption policy and will enforce it throughout the organization.

ZERO TOLERANCE FOR BRIBERY

While the FCPA does not consider facilitating payments as bribery, many companies – including Graebel – are prohibiting these payments in their anti-corruption policies.

Viewed as a slippery slope, facilitating payments sends the message to employees and intermediaries that some bribes may be allowed. By definition, facilitating payments are compensation made to foreign government officials for expediting or facilitating a task they are legally required to perform.²⁴ However, problems arise when employees mischaracterize the payment, which is against the FCPA, or make payments for non-routine service in an effort to avoid costly project delays.²⁵

In a recent article, the president of TRACE, Alexandra Wrangle, explained that by making facilitating payments, companies are jeopardizing their reputations within the business community. Confidence is lost, Wrangle explains, "when your company is believed to buy its way past the administrative obstacles that local citizens and companies must endure."²⁶

Graebel believes that making facilitating payments invites greater and more demands; therefore, the company has instigated a zero tolerance policy for bribes of any kind or size. This policy not only reduces the stress imposed on employees or customers when faced with demands for bribes, but it also helps mitigate risk, enhance reputations, and ensure business is always conducted legally and ethically.

RELOCATE EMPLOYEES ETHICALLY WITH GRAEBEL

The challenges facing international relocations today – high stress and tight budgets – can take their toll both on employees and employers. By trusting Graebel for international relocations, companies will experience reduced stress for everyone involved and receive protection from the risk of corruption. By taking the proper actions, Graebel will safely, efficiently, and legally move transferees' household goods. Extensive global supply chain management experience, a global alliance of suppliers, international certifications, and volume tonnage credentials²⁷ make Graebel the logical source for successful, stress-free, and ethical international relocations.

TO LEARN MORE ABOUT GRAEBEL OR INCLUDE GRAEBEL IN YOUR NEXT RFP, CONTACT:

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²² Alexandra Wrangle. "Business Ethics Gone without TRACE." Policy Innovations, February 29, 2008.

²³ Alexandra A. Wrangle and C. David Morris. "Bribes, Borders and Bottom Lines: Why a Strong Antibribery Policy is Essential." ACC Docket, September 2006.

²⁴ Alexandra Wrangle. "Bribery's Broken Windows." Ethisphere, Quarter One 2008.

²⁵ Alexandra Wrangle and Matthew Vega. "Small Bribes Buy Big." ACC Docket, September 2007.

²⁶ Ibid.

²⁷ Since 1992, Graebel Movers International has forwarded more tonnage to and from the United States than any other Overseas Moving Network International (OMNI) member.