



Designing and Implementing an Anti-Corruption Compliance Program

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Risk Assessment

- Evaluate cultural, political and regulatory environment of countries where company conducts business
- Consider risk of corruption involving foreign officials in country
- Review TI Index and amount of business done in country
- Review nature of company's business relationships with state-owned enterprises, non-US governments, legislative bodies, political parties and royal families



About McDonald's

- **32,000 restaurants worldwide**
- **Operations in 119 countries**
- **75% franchisee owned and operated**
- **60 lawyers in US**
- **60 lawyers outside US**
- **Various structures**
 - **Joint Ventures**
 - **Developmental Licensees**
 - **Wholly-Owned Subsidiaries**



Developing Anti-Corruption Compliance Program

- Create program designed to prevent and detect improper payments by employees and agents
 - Develop policy and procedures
 - Communicate to employees and third parties
- Tailor program to address company's highest risk areas
- Translate documents into local language
- Update policies and procedures regularly to ensure:
 - Responsiveness to changes inside and outside company
 - Program is living, breathing and dynamic



Management of Anti-Corruption Compliance Program

- Ensure that program and controls have:
 - High level oversight
 - Board oversees program
 - A senior-level executive manages program
 - Full support of executive management and board
 - They understand risks
 - They will stand behind program and hold people accountable for compliance
- Program communications should show ethical tone at the top



Compliance Training and Certification

- Conduct employee training
 - Country-specific
 - Local language
 - Ensure they are aware of expectations and legal requirements
 - Clarify definition of “foreign official” to include all entities that could be within scope of applicable laws
- Require certification of compliance by key employees



Legal, Regulatory and Contract Issues

- Review business licenses, permits, certifications and inspections required for company to conduct business outside US
- Review terms and conditions included in written contracts with related third parties, and how contract compliance is monitored
- Incorporate Anti-Corruption compliance language and representations into third-party contracts
- Obtain written representation that third party has not committed any act that violates or could result in violation of Anti-Corruption laws by company



Internal Controls and Monitoring

- Require transparency in expense and accounting records, both internally and by third-party agents
- Implement accounting controls and controls for books and records
- Review bank accounts, petty cash funds and inventory in non-U.S. locations
- Monitor Anti-Corruption controls within financial and operational processes to identify warning signs
- Audit policies, procedures and controls to assess effectiveness at ensuring compliance at all levels
- Follow up / escalate issues of non-compliance



Payment and Expense Review

- Review gifts, meals and entertainment expenses provided to business partners and government officials
- Review charitable donations or political contributions made by company
- Focus on company's highest risk areas
- Review real estate transactions and leasing arrangements
- Investigate any unusual payments
 - Lump sum payments
 - Invoices lacking detail
 - Payments requested in cash or by check to bearer
 - Payments to offshore accounts
 - Payments to third party not involved in transaction
 - Excessive amounts paid compared to actual services provided



Due Diligence and Warning Signs

- Conduct due diligence on potential business partners and third parties
- Follow up on warning signs:
 - Large or frequent political contributions to government official capable of obtaining or retaining business for the company
 - Lack of qualifications or resources to perform services offered
 - Related to, or recommended by government official
 - Refusal by third party to certify Anti-Corruption compliance
 - Incomplete or inaccurate information in required disclosures
 - Lack of candor or transparency
 - Doing business in countries known to have bribery problems
 - Convoluted payment requests
 - Rumors of improper payments



Reporting, Investigation and Discipline

- Create and maintain reporting channels for individuals to raise concerns or report violations
- Ensure that anonymous reporting is available
- Conduct thorough investigation of all reports
- Ensure there is no retaliation for good faith reports
- Enforce discipline for violations consistently
- Remediate situation where problems have been detected
- Incorporate lessons learned into program to prevent future violations



Benefits of Anti-Corruption Compliance Program

2007 WORLD'S MOST
2008 WORLD'S MOST
2009 WORLD'S MOST
ETHICAL COMPANIES
WWW.ETHISPHERE.COM



BUSINESS ETHICS LEADERSHIP ALLIANCE
WWW.ETHISPHERE.ORG

Dow Jones Sustainability Indexes

Member of
KLD Global Sustainability Index
2008

McDonald's
Standards of Business Conduct
The Pillars of the Golden Arches

2008
ETHICS INSIDE CERTIFIED
ETHISPHERE
GOOD / SMART / BUSINESS / PROFIT