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Good Ethics Makes Good Business Sense

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Abstract

The confidence of stakeholders in corporations has been shaken by a series of corporate wrongdoings. Over the past several years, numerous top executives have been found guilty of improprieties such as illegal accounting methods and violating the Foreign Corrupt Practices Act (FCPA) and other anti-corruption statutes. As a result, government authorities in the U.S. and other countries have been expanding their oversight of the ways organizations manage their businesses and the records they generate. Failing to comply with these standards can have significant consequences with the possibility of fines, other monetary penalties, jail time for executives, adverse share price impact and loss of market share.

Legal compliance is a challenging and essential element of corporate governance. Companies pursuing opportunities in developing economies often face additional hurdles in fashioning an effective compliance program due to unfamiliar geographies, numerous complex local laws, cultural barriers, and political and financial complexities. Improper business conduct in such locations can expose a company to unforeseen risk, reputational damage and civil and criminal penalties. As a result, organizations should work to ensure that their operations meet the highest standards of both ethical behavior and legal compliance. In the current economic, regulatory and social climate, compliance risks have propelled integrity, good corporate governance and effective and efficient compliance management to a top business priority. Baker Hughes Incorporated (BHI) firmly believes that ethics is essential for sustained high business performance.

To ensure that it meets these challenges, BHI has developed a global best-in-class compliance program that can serve as a model for other companies facing formidable global compliance challenges. BHI's compliance program consists of a rigorous, customized system of corporate governance. The program requires all employees to comply with the law, the company's core values—integrity, teamwork, performance and learning—and its business code of conduct. BHI's compliance program has a special focus on legal compliance, financial compliance, and health, safety and environmental compliance, all of which are well defined and articulated through every part of the company.

The compliance culture that has evolved at BHI is based on the critical concepts of prevention, detection and response. In terms of specifics, BHI's compliance program: establishes proper tone at the top; assigns oversight and management responsibility for the compliance program to a vice president and chief compliance officer with active oversight from executive management and the board of directors; establishes clear global compliance standards and procedures; assigns compliance responsibility and accountability to line managers and all employees; provides mandatory, customized training at all levels; provides a robust and easily accessible reporting system for compliance violations to employees and other stakeholders; and manages and investigates all allegations of misconduct and noncompliance in a timely and competent fashion. A key component of the company's compliance program is FCPA compliance. This paper outlines effective processes and procedures that have been employed by BHI, both from a compliance as well as commercial perspective, which can be successfully utilized for managing complex international oil and gas businesses, while fulfilling the obligations of a good corporate citizen.