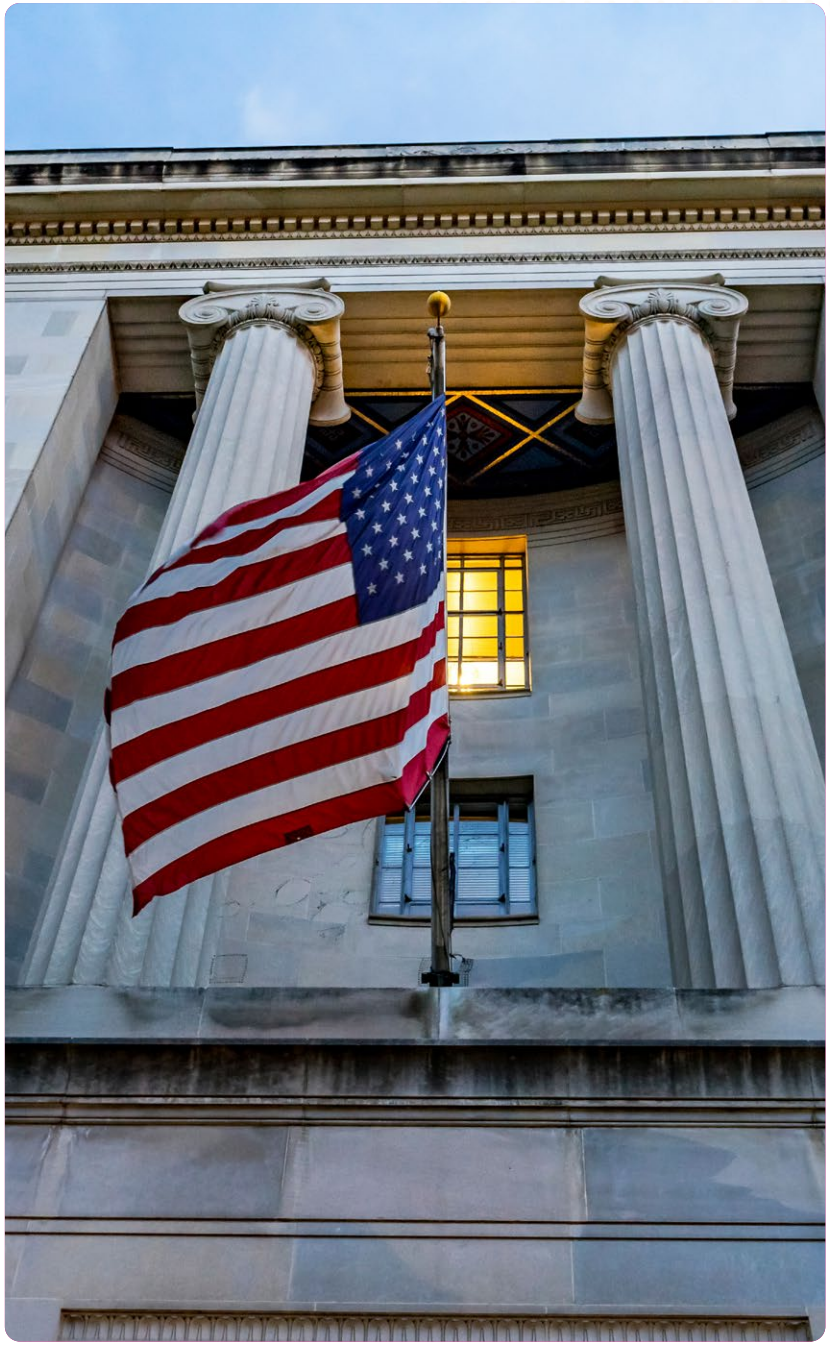

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Market Intelligence

ANTI-CORRUPTION 2023

Global interview panel lead by John E Davis of Miller & Chevalier

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Australia

Dennis Miralis is a leading Australian defence lawyer at Nyman Gibson Miralis who specialises in international criminal law, with a focus on complex multi-jurisdictional regulatory investigations and criminal prosecutions. His areas of expertise include bribery and corruption, global tax investigations, anti-money laundering, Interpol and extradition, and mutual legal assistance law.

Dennis advises individuals and companies under investigation for suspected breaches of anti-bribery and corruption law both locally and internationally. He has extensive experience in dealing with international and local enforcement agencies, including the Federal Bureau of Investigation, the Securities and Exchange Commission, the Internal Revenue Service, the Serious Fraud Office, the Australian Federal Police and the Commonwealth Director of Public Prosecutions. Locally, he has extensive experience in advising and acting in Independent Commission Against Corruption matters.

QUESTIONS

1 What are the key developments related to anti-corruption regulation and investigations in the past year in your jurisdiction, and what lessons can compliance professionals learn from them?

Over the past year, there have been some significant developments in Australia's anti-corruption landscape. One example is the *Terracom* case. In March 2023, Australia's corporate regulator, the Australian Securities and Investments Commission (ASIC), launched a case against Terracom for contraventions to the Corporations Act, including breaching anti-victimisation provisions under Part 9.4AAA of the Act. These provisions were implemented as part of major reforms to the Act in 2019 designed to strengthen whistle-blower protections. The *Terracom* case is the first major test of the anti-victimisation provisions, and should it proceed to trial, will sent an important precedent for how whistle-blower protections will play out in Australia.

Perhaps the most significant development in Australia's anti-corruption landscape is the commencement of the National Anti-Corruption Commission (NACC) in June 2023. The issue of a federal anti-corruption body has been subject to heated public debate in Australia, especially over the past decade. Proponents have long decried the lack of a federal counterpart to well-established state and territory anti-corruption bodies, while opponents have raised concerns about the risk of it being used for little more than political point-scoring. In late 2018, former Prime Minister Scott Morrison and former Attorney General Christian Porter's model for a Commonwealth Integrity Commission was widely criticised by experts as being too weak and secretive. This was due to its limited powers, lack of public hearings, and inability to investigate past instances of corruption and misconduct in public office. The plan quietly disappeared from public discourse over time.

Dennis Miralis

The NACC was a core election promise of the current government and began its work after its establishing legislation passed parliament in late 2022. The scope of its powers and the direction its investigations will take is yet to be seen.

Compliance professionals can learn a number of lessons from these developments. First, that it is a shifting landscape and it is important to be aware of the latest anti-corruption laws and regulations. Second, it is important to have a robust compliance programme in place to prevent and detect corruption. Third, it is important to be aware of the whistleblowing protections available to employees. Finally, it is important to be proactive in managing corruption risks.

Some additional lessons are:

- The importance of transparency and accountability: The NACC's establishment signals the Australian government's commitment

> "The reforms signal a shift in onus with a increased need for companies to adopt a proactive, risk-based approach to compliance."

to transparency and accountability. Compliance professionals should ensure that their organisations are transparent and accountable in their dealings with government.

- The importance of a strong ethical culture: a strong ethical culture is essential for preventing corruption. Compliance professionals should work to create a culture of ethics and compliance in their organisations.
- The importance of training and education: compliance professionals must be trained on the latest anti-corruption laws and regulations. They must also be trained on how to prevent and detect corruption.

2 What are the key areas of anti-corruption compliance risk on which companies operating in your jurisdiction should focus?

Given the shifting legislative and investigative landscape, there are a number of risks or 'red flags' that companies would be well advised to be aware of in regard to foreign bribery and corruption. The reforms signal a shift in onus with an increased need for companies to adopt a proactive, risk-based approach to compliance. Failure to do so can expose companies to criminal charges in the event a company associate engages in foreign bribery, even in circumstances unknown to the corporation.

In its 2021 white paper, TRACE International (a US-based corporate transparency non-profit) identified situations that may signal a heightened risk of foreign bribery. These include:

- whether a company uses intermediaries;
- the control a company has over its subsidiaries, including foreign subsidiaries;
- whether a company is operating in multiple jurisdictions; and
- the prevalence of corruption in jurisdictions that the company operates in.

The report emphasises the need to conduct due diligence when dealing with third-party intermediaries, even after internal safeguards have been established.

Transparency International's Corruption Perceptions Index (CPI), which is a measure of a country's level of public sector corruption, provides a useful guide to assess risk and ultimately avoid corruption when conducting business in high-risk jurisdictions.

Australian anti-bribery and corruption laws present a complex management challenge for Australian companies operating in multiple jurisdictions within the global marketplace. Foreign bribery offences apply extraterritorially and can result in serious penalties including imprisonment. Dealing with third-party intermediaries is rife with corruption risk, and companies are best advised to acknowledge and take appropriate action in response to warning signs, including:

- the intermediary having government links or links with politically exposed persons;
- a history of criminal convictions or a criminal record held by employees of an intermediary;
- evidence that the intermediary has inadequate controls or a lack of effective anti-bribery policies in place;
- suspicious circumstances, including a lack of clear expertise in the relevant industry or unusual payment or compensation practices;
- a lack of transparency relating to true ownership or complex structures that appear to obscure beneficial ownership; and
- any other evidence of falsification or forgery on the part of the intermediate.

In addition to checks relating to external parties, companies and compliance, professionals should respond proactively by way of increased diligence and appropriate internal policy reforms. Anti-bribery risk assessments should be performed for all company associates. These should, in turn, be documented to create a clear audit trail in the event of incident or investigation. It is expected that future investigations will place increased emphasis on examining whether companies have facilitated a culture of compliance hostile to bribery or comparable corrupt practices.

An additional risk factor are facilitation payments, which are still legally permissible but difficult to distinguish from bribery. The Australian Attorney General strongly discourages companies from making these payments and thereby risking falling foul of foreign bribery laws both in Australia and overseas jurisdictions.

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QUESTIONS

3 Do you expect the enforcement policies or priorities of anti-corruption authorities in your jurisdiction to change in the near future? If so, how do you think that might affect compliance efforts by companies or impact their business?

When considering the likely changes in law enforcement policy and procedure that may result from these changes, guidance can be taken from the United States and United Kingdom where established deferred prosecution agreement (DPA) schemes are currently operating. Judicial consideration in these jurisdictions suggests that Australian corporations will need to not only have relevant anti-bribery policies and procedures in existence, but demonstrate that these procedures have been sufficiently implemented, communicated and embraced by key stakeholders. Once implemented, these compliance procedures must be made subject to continued monitoring, training and review.

"Overall, implementing a DPA scheme in Australia has been difficult. The bill proved controversial. There were concerns that large companies, or the wider public, would view the proposed DPA scheme as a means for companies to buy their way out of criminal wrongdoing."

Australia currently does not have a DPA scheme, though the pros and cons of introducing DPAs has previously been considered by the Attorney-General's Department. A DPA scheme was first introduced under the Crimes Legislation (Combatting Corporate Crime) Bill 2019. In the Second Reading of the bill, it was noted that a DPA will not be appropriate in every case. The Australian government has stated that DPAs will not be a substitute for prosecution if prosecution is found to be in the public interest and consistent with the Prosecution Policy of the Commonwealth Department of Public Prosecutions (CDPP).

The proposed scheme was intended to be reserved for 'serious corporate crime', including fraud, bribery and money laundering. In exchange for deferral of prosecution, the CDPP would be able to invite corporations suspected of serious corporate crime to negotiate an agreement to comply with a range of specified conditions, such as:

- full cooperation with any ongoing investigation;
- the admission of agreed facts;
- the implementation of an internal programme to promote and ensure future legal compliance;
- the payment of a fine or penalty; or
- any further terms as appropriate, such as the removal of the profits of the corporation's misconduct or paying compensation to victims.

Under the proposed scheme, prosecutions could be reopened if the terms of the DPA were breached.

Overall, implementing a DPA scheme in Australia has been difficult. The bill proved controversial. There were concerns that large companies, or the wider public, would view the proposed DPA scheme as a means for companies to buy their way out of criminal wrongdoing. This proved to be the case, and whether justified or not, there were concerns that the scheme would create a 'two-tiered' justice system enabling corporate offenders to negotiate their own

punishments. Adding extra complexity, the Australian Constitution dictates that only Australian courts can exercise judicial powers. Courts must make an independent determination as to the appropriate course and cannot simply 'sign-off' on penalties agreed between the parties. As such, Australian DPAs would need to be characterised more in the manner of interim settlement agreements as opposed to final orders.

The bill ultimately lapsed at the end of July 2022 and did not progress to further parliamentary debate. A successor bill, the Crimes Legislation Amendment (Combatting Foreign Bribery) Bill, introduced in June 2023, proposed a raft of reforms, but was conspicuously missing a DPA scheme. It is unclear whether this will be reintroduced in future.

The previously proposed DPA model in the bill only encompassed corporate entities. In my opinion, should a DPA scheme be revived, its intended deterrent effect would be best achieved by permitting individuals to participate, otherwise people who may have some personal liability and involvement would be disincentivised from reporting corporate misconduct. This would be contrary to the intention or the implemented whistle-blower reforms noted above.

Further guidance on compliance and interaction with the day-to-day running or business can be taken from the joint guidelines released by the AFP and CDPP. The guideline was prepared specifically in relation to self-reporting for foreign bribery and other related offences. They provide a useful insight into the factors the CDPP will consider in deciding whether to commence a prosecution against a company who self-reports wrongdoing involving bribery or corruption. These include:

- The act of self-reporting itself, its quality and timeliness of (with the burden being on the corporation to demonstrate timeliness).

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- The extent to which the corporation is willing to, and does, cooperate with any investigation of the conduct by the AFP and any subsequent prosecution by the CDPP against others in relation to the conduct.
- Whether the corporation or related bodies corporate have a history of similar misconduct, including any prior criminal, civil and regulatory enforcement action or warning by law enforcement or regulatory bodies.
- Whether the corporation had an appropriate governance framework in place to mitigate the risk of bribery including specific anti-corruption policies and processes) and the extent to which there was a culture of compliance with that framework.
- Whether the alleged offending involved, or was expressly, tacitly or impliedly authorised or permitted by, any members of the board or other high managerial agents of the corporation, and if so, how many.

QUESTIONS

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- Whether the corporation has taken steps to avoid a recurrence of the alleged offending; for example, by dismissing culpable individuals and improving governance processes.
- If the corporation has taken steps to redress any harm caused by the offending; for example, by compensating victims; and the fact of that action.
- Whether the corporation has self-reported related offending in another jurisdiction and complied with any penalties or orders imposed by that jurisdiction and the nature of those penalties or orders.
- Whether the collateral consequences of any court-imposed penalty are likely to be disproportionate to the gravamen of the alleged offending by the corporation.

Penalties for bribery and corruption offences can be severe. The offence of foreign bribery, when committed by a body corporate carries a fine of up to A$22.2 million. Alternatively, if the court can determine the value of the benefit that the company obtained and that benefit is reasonably attributable to the offending conduct, the company can be fined three times the value of that benefit. If the value of the benefit cannot be determined, a penalty of 10 per cent of the annual turnover of the company can alternatively be imposed. Given the potential for these significant penalties to be enforced, ensuring anti-corruption compliance is not just ethically appropriate for companies but also fiscally responsible.

4 Have you seen evidence of continuing or increasing cooperation by the enforcement authorities in your jurisdiction with authorities in other countries? If so, how has that affected the implementation or outcomes of their investigations?

There has undoubtedly been a significant increase in recent years in law enforcement cooperation at both a national and international

"Penalties for bribery and corruption offences can be severe. The offence of foreign bribery, when committed by a body corporate, carries a fine of up to A$22.2 million . . . the company can be fined three times the value of that benefit."

level. Globalisation has caused a complete reinvention of the means that law enforcement agencies tackle serious offences, including bribery and corruption. Evidence is gathered internationally by law enforcement bodies for domestic use on a far greater scale. This is just in Australian investigations; there is an observable encroachment by foreign agencies that investigate persons residing in Australia.

Australian agencies are increasingly involved in cross-border investigations targeting corporations and individuals engaged in transnational commerce, including e-commerce. The strategic shift from 'as necessary' international collaborative operations towards proactive inter-agency action groups is consistent with the position set out in the 2017 Australian Foreign Policy White Paper (the White Paper). The White Paper recognises the increased extraterritorial dimension of contemporary criminal practice and the fact that globalisation and technology impact not only legitimate business practice but also how criminal syndicates and enterprises operate.

Australian law enforcement agencies operate within formalised and specialised international task forces. In addition to our UN and OECD obligations, Australia is a member of the International Foreign Bribery Task Force, the G20 Anti-Corruption Working Group and the Asia-Pacific Economic Cooperation Anti- Corruption and Transparency Experts Taskforce.

Many memoranda of understanding (MOU) exist between Australia and foreign partner agencies. For example, there is a current MOU between the AFP and Federal Bureau of Investigation on combatting terrorism, illicit drugs, money laundering, illegal firearms trafficking, identity crime, cybercrime and transnational economic crime by exchanging intelligence, resources and technical, and forensic capabilities.

In addition to informal agreements and MOUs, Australia's mutual legal assistance scheme (MLA) with foreign states provides an

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express diplomatic channel by which international partner agencies may request assistance from Australian law enforcement agencies. MLAs are generally bilateral; Australian authorities can request comparable assistance from foreign law enforcement counterparts. Assistance can search and seizure and the taking of evidence (oral evidence written). MLA must be in accordance with domestic laws; contracting member states can refuse requests for assistance. When perpetrators of bribery or corruption offences attempt to abscond or evade prosecution by leaving the jurisdiction, Australian law enforcement agencies collaborate with global law partners such as Interpol to locate and detain wanted persons. Wanted persons may be extradited to Australia at the request of Australian law enforcement agencies.

Extradition requests represent a means by which Australian law enforcement can compel the return to the jurisdiction of fugitives wanted in relation to Commonwealth corruption and bribery offences. Such tools have had an observable impact on the investigation and prosecution of corruption offences. Investigations and prosecutions

> "The most important matter companies must be aware of is that they can be liable for the actions of their employees."

in this area are increasing and this trend will likely continue in the foreseeable future.

5 Have you seen any recent changes in how the enforcement authorities handle the potential culpability of individuals versus the treatment of corporate entities? How has this affected your advice to compliance professionals managing corruption risks?

The most important matter companies must be aware of is that they can be liable for the actions of their employees and any other individual or entity deemed to be acting as their agent. The Crimes Act 1914, which applies nationally, allows for the criminal prosecution and sentencing of corporate entities, similar to individuals.

Australia's corporate liability regime is likely to change in the near future. Legislative changes will place an increased investigative emphasis on examining whether companies have facilitated a 'culture of compliance' hostile to bribery or comparable corrupt practices.

Corporate practice in the area of anti-corruption and bribery will be placed under greater scrutiny than ever before. As such, my advice is twofold. First, compliance professionals must ensure that comprehensive and robust anti-corruption and bribery policies and procedures are introduced, maintained and reviewed at regular intervals. Second, such internal controls should be implemented without exception in relation to not just a company's direct employees but also to contractors, intermediaries, agents and business partners operating in Australia or overseas.

As previously noted, Australia has implemented some of the recommendations from the OECD working group report, particularly on self-reporting and mechanisms for reporting foreign bribery. However, Australia has had just one active prosecution despite several allegations of foreign bribery.

This may be partially due to a common practice where authorities initially prosecute companies before pursuing individuals, as corporate bodies tend to be more cooperative, driven by financial motivations to protect their reputation and minimise penalties. Cooperation from target corporations can provide investigative advantages to enforcement agencies, enabling further prosecutions of individuals within the company and eliminating the need for certain investigative tools. Companies may facilitate employee interviews, address inquiries about internal practices, and even waive privilege to grant access to otherwise restricted documents for the investigating body.

In early 2020, the Australia Law Reform Commission (ALRC) published a report reviewing existing statutory provisions and other mechanisms for attributing criminal liability to companies in Australia. It made the following recommendations:

- Under current legislation, authorisation of the commission of an offence can be established by proving that a 'high managerial

agent of the body corporate' authorised the offence. The ALRC recommended that this be changed to ' officer, employee or agent of the body corporate'.

- Under current legislation, it is a defence if the body corporate proves that it exercised due diligence to prevent the criminal conduct or its authorisation. The ALRC recommended amending this defence to one where the body corporate must prove it took 'reasonable precautions'.

While the ALRC report was tabled to parliament in August 2020, implementation of its recommendations has stalled in the senate and it has yet to be enacted into law.

6 Has there been any new guidance from enforcement authorities in your jurisdiction regarding how they assess the effectiveness of corporate anti-corruption compliance programmes?

The Attorney General's public consultation paper, relating to the proposed amendments to the foreign bribery offence provision, proposed that the relevant government minister would be required to publish guidance on the practical steps companies are expected to take to prevent its employees, agents and contractors from engaging in foreign bribery and comparable corrupt practices. As we await the introduction of this legislation, the Australian Trade and Investments Commission (Austrade) has published the 'Anti-Bribery & Corruption (ABC): A Guide for Australians Doing Business Offshore'. This framework represents the most comprehensive governmental compliance guideline presently available.

The 12 steps to anti-bribery and corruption compliance detailed in the guideline document are: commitment from the top; design a programme; oversee the programme; draft your ABC policy; develop detailed policies and processes; apply your programme to business partners; have internal controls and keep records; communication and training; incentivise ethical behaviour; seek guidance, detect and report; address violations; and review.

Austrade has also published a guide relating to the assessment of programme effectiveness titled Austrade Guide to the Meaning of Adequate Procedures. Drawing heavily on prior judicial consideration of the meaning of adequate compliance procedures in the United States and United Kingdom, the report identifies the following factors relevant to the determination as to whether a company has taken sufficient steps to prevent the commission of a bribery offence. These factors are listed as follow: a 'culture of compliance' and genuine engagement with anti-bribery obligations; quality of policies and training; dedicating a role to focus on compliance with anti-bribery obligations; record-keeping; recognition of higher risks in some jurisdictions; monitoring of subsidiaries; and independent evaluations.

The NSW Independent Commission Against Corruption (ICAC) published a report titled 'Corruption and integrity in the NSW public sector: an assessment of current trends and events'. This report included a section on assessment of corporate anti-corruption compliance programmes, which outlined the following factors that ICAC will consider when assessing the effectiveness of these programmes:

- the existence of a clear and comprehensive anti-corruption policy;
- the establishment of a dedicated compliance function;
- the implementation of effective risk assessment and management processes;
- the provision of adequate training and education to staff;
- the establishment of clear whistle-blowing procedures; and
- the implementation of effective monitoring and review processes.

7 How have developments in laws governing data privacy in your jurisdiction affected companies' abilities to investigate and deter potential corrupt activities or cooperate with government inquiries?

In Australia, unauthorised access to computer systems is deemed a criminal offence under both state and federal legislation, although access to employee work systems is commonly stipulated by employment contracts. Similarly, when a company is subject to a government agency inquiry, it generally can direct its employees to cooperate with the investigation. Nevertheless, all officers and employees should seek independent legal advice on potential personal criminal or civil liability. While a company cannot compel an employee to cooperate in an external investigation, failure on the part of an employee to cooperate, including providing access to work-related data, may constitute a breach of their employment contract in certain circumstances.

The Workplace Surveillance Act 2005 (NSW) (and uniform legislation in all other Australian states and territories) restricts the use of both overt and covert surveillance methods by employers and members of the public when monitoring employees. Surveillance can include computer surveillance in instances where corruption-orientated offences are suspected. Significant penalties are imposed for breaches of the act, including imprisonment.

Conversely, the Australian Securities and Investments Commission, the Australian Competition and Consumer Commission and the Australian Taxation Office all have, in different shape or form, compulsory powers that can compel individuals and companies to produce documents and information. Upon the valid issuance of a notice to produce by an empowered agency, there is no privilege against self-incrimination and failure to comply with the terms of the notice may constitute an offence in itself. While the AFP does not possess comparable powers of compulsory production, it often collaborates with aforementioned bodies as part of joint-agency investigations.

Powers to compel production of documents are not limited or eroded by Australian data protection or privacy laws, although requesting agencies have the obligation to protect personal and confidential information upon receipt. A number of well-established legal investigatory powers are deployed by law enforcement authorities during anti-bribery and corruption investigations. These powers can include the issuing of search warrants and the seizure of IT equipment for forensic analysis and decryption.

Furthermore, section 3LA of the Crimes Act 1914 (Cth) provides law enforcement authorities a mechanism by which a person must provide information or assistance that is reasonable and necessary to allow a constable to access data held in, or accessible from, a computer or data storage device that is on warrant premises or that has been moved to a place for examination. In the event that material produced is later relied upon in court, redactions can be sought to protect the release of certain personal information.

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QUESTIONS

The Inside Track

What are the critical abilities or experience for an adviser in the anti-corruption area in your jurisdiction?

Advisers and legal representatives must be aware of the evolving and dynamic law enforcement landscape in which the individual or target company operates. It is becoming increasingly vital to possess specific knowledge and experience dealing with mutual legal assistance requests, Interpol notices and compulsory examinations. An in-depth understanding of traditional investigative practices is indispensable for safe-guarding the interests of individuals and corporations subject to investigation.

What issues in your jurisdiction make advising on anti-corruption compliance challenging or unique?

Many jurisdictions in the Asia-Pacific region face significant anti-corruption vulnerabilities. These vulnerabilities were evident in the 'Note Printing and Securency International Prosecutions'. Australia is presently dedicating unprecedented resources and implementing significant law reforms to address both domestic and neighbouring jurisdictions' susceptibility to corruption.

Additionally, the Australian government is considering introducing a deferred prosecution agreement scheme, which would enable companies to avoid criminal prosecution if they cooperate with the authorities and implement an effective compliance programme. The use of unprecedented coercive powers by Australian law enforcement bodies in investigation of serious offences, and the subsequent flow-on effects relevant to a suspect's right to silence in criminal proceedings, is also an ever-expanding issue in corporate investigations.

What have been the most interesting or challenging anti-corruption matters you have handled recently?

Recently, our firm advised in a matter where our client was under investigation for potential allegations of bribery and corruption leading to a serious criminal offence in a state in the Asia-Pacific region. In this case, the relevant regulatory regime is the Criminal Code 1995 (Cth) and the Proceeds of Crime Act 2002. We have also taken into account the possible involvement of the Combatting Foreign Bribery Bill 2023, which aims to enliven the responsibilities of companies to prevent foreign bribery conducted by associated entities through adequate governance and procedures policies. These cases are extremely challenging as they raise complex questions of local criminal law as well as cross-border assets recoveries.

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