

Following the MTI, a leading Anti-corruption Collective Action Initiative

An interview with the four firms who have brought the metals industry a successful anti-corruption initiative. By **Zahra Awan**, Editorial Assistant, Aluminium International Today

Back in October 2021, the Metals Technology Initiative (MTI) announced the launch of its new website (metalscollectiveaction.org) which is where good practice guidance documents developed by the group can be found. These guidelines address two key areas for their sector in relation to Gifts and Hospitality and Third-party due diligence. MTI is an anti-corruption and fair

competition Collective Action Initiative which brings together four leading firms in the industry: Danieli, SMS group, Primetals Technologies and Tenova. Zahra Awan spoke to the companies to discuss the role of MTI in the industry.

Gemma Aiolfi, Head of Compliance, Cooperate Governance and Collective Action at the Basel Institute on Governance, and who is the facilitator of

the MTI introduced me to the individuals who are behind the MTI. **Giorgio Melega**, Chief Legal officer Tenova, **Meinhard Remberg**, Executive Vice President and Head of Compliance and Internal Auditing SMS GmbH, Dr. **Regina Hoermanseder**, Global Compliance Officer, Primetals Technologies and **Mr Fabio Londero**, General Counsel, Danieli. As the representatives of the initiative,



(Left to Right) Meinhard Remberg, Regina Hoermanseder, Fabio Londero, Giorgio Melega

they discussed the reasons behind the collaboration and what it means for their companies and the wider industry.

Could you briefly describe what the Metals Technology Initiative is?

Meinhard Remberg (MR):

I am one of the first who joined the initiative. The initiative started about 10 years ago with a meeting under supervision and control of the Basel Institute with just three companies: Siemens (now Primetals), SMS group and Danieli. And since then, Tenova has joined. Each company has its own unique compliance management system. The MTI is an additional multi-lateral instrument which aims to further strengthen the compliance programs of the member companies. It is complementary and fosters the identification of good practices for all of us.

Giorgio Melega (GM):

My way of defining the initiative is “the good cartel”. The term “cartel” is, of course, typically associated with a negative purpose. In this case, we are competitors and fully aware of the need to abide by competition rules and have a neutral facilitator managing our meetings and the MTI. So, we focus on anti-corruption compliance issues and encourage the major players in the industry to exchange best practices with regards to anti-corruption compliance. Our aim is to create a good effect on the market and ensure everyone competes in the right way.

Fabio Londero (FL)

My point of view is that the group is a great challenge that brings together competitors around the same table which, with strict rules, discuss and report on their best practices on important compliance topics such as integrity in doing business and anti-corruption practices. No one has the best solution in their pocket but, by sharing their experiences, they can identify guidelines that can become best practices. These can also become best practices for other companies operating in our sector, and can also distinguish our companies from other competitors.

What was the driver for this organisation, and why did the four firms decide to come together?

Regina Hoermanseder (RH):

The initiative was suggested by Siemens. Siemens is a former shareholder of Primetals Technologies, and this initiative was based on a Siemens Global Collective Action Program to jointly fight corruption

and promote integrity in business transactions.

The goal is to establish fair and sustainable market conditions in collaboration with other companies, governments, and non-governmental organizations for the benefit of all market participants.

MR:

I would also like to add that when we started the initiative, we all saw the value of a collective action. As I mentioned earlier, each company has its own compliance program, but what was missing was the collective action to reach a level playing field, which we will come back to. It is difficult to meet as competitors because of the applicable antitrust laws, therefore it is vital to have an institute like Basel Institute who facilitates, supervises, and controls our initiative in compliance with those regulations. Without Basel Institute, this initiative would not be possible. We have been together for more than 10 years with the Basel Institute's help.

FL:

As Giorgio said, it is not easy – if only because of antitrust regulations - for competitors to sit at the same table and share best practices. However, I have always believed that the topics identified in our Memorandum of Understanding can offer the possibility to think about topics that, if managed by an independent organization such as the Basel Institute, can actively contribute to promoting a robust compliance culture.

Anti-corruption is a broad topic, could you describe what it means for the metals industry?

MR:

My understanding of corruption in the metals industry is as follows: The metals industry and all the companies involved in the industry are delivering their products and services across the world as international companies. Some of the countries in which we do business have a poor ranking in the Corruption Perceptions Index of Transparency International. And just as it is for many industries, corruption is a higher risk when we conduct business in these countries. We therefore performed a risk analysis to look at where corruption arises, and where we could be faced with demands for bribes or other forms of corruption. An example is the risk that arises when an intermediary appears that tries to get in-between a company and a customer. Sometimes these intermediaries claim they can offer advice or support, but they also carry a risk as vehicles for bribe payments. We therefore implemented

tools and policies to ensure compliance and to reduce the risks of bribery and corruption.

GM:

It is quite customary in our market segment to arrange complex, multi-layer contracts where the bidder acts as the leading offeror, integrating many sub-suppliers. In this context, it's not surprising to have a customer who requests that a specific supplier is included in the contract. This occurs both legitimately, in relation to a required technology, but also it can raise suspicions, with regard to additional commercial support. Bribery could be concealed under these sorts of intangible services, and services that are sometimes hardly justifiable. We therefore need to know our customers and other third parties and conduct due diligence and train our staff to understand the risks.

RH:

The metals industry faces the same risks as other industries such as operating in high-risk corruption countries and/or involving intermediaries. To mitigate these risks, it is essential to have an appropriate Compliance Management System in place, which is built on a risk-based approach.

FL:

It is a matter of culture and ethical behaviour that sometimes can be different from one country to another. We have the objective to promote, using a simplified language what is not acceptable based on Danieli Group's ethical principles and the law. Anti-corruption is not only a question of bribery, it's also a question of a more general approach to the business including all the companies in our Group and beyond. We want to conduct training activities and promote clear messages to all third parties with whom we deal with and throughout the Group.

Compliance risks are to be found in every industry. Could you give us an insight into the specific risks faced by the metals industry?

MR:

I will begin with a short introduction: Corruption was for a very long time the main risk. I have a tax advisory background, and until 1999, bribes were deductible for tax purposes in Germany. The topic of bribery was not so famous until the law changed, and now in this current century, all eyes are on it.

Today our society still deals with corruption. The problem will not disappear but the perpetrators will probably hide it better. We also deal with new issues in this century that were perhaps not as prevalent



From left to right, back row: Martin Petrovic (SMS), front row: Federica Bassi (Primetals), Meinhard Remberg (SMS), Cristian Battistello (Danieli), Regina Hoermanseder (Primetals), Gianluca Buoro (Danieli), Gemma Aiolfi (Basel Institute), Giorgio Melega (Tenova), Simone Ciminago (Tenova), Fabio Londero (Danieli).

or that have come about as times have changed. For example, antitrust is a risk that was not a major concern 20 years ago. A list of current compliance issues we are now dealing with includes prevention of corruption, antitrust, export controls, data protection, anti-money laundering, fraud and also human rights in the supply chain.

FL:

Three topics come to mind: First is the impact of geopolitics on trade and the need for groups like ours to follow events that impact the risk of sanctions. We are living in a historical phase in which the competitiveness of companies in global markets also depends on the creation of a shared culture of compliance, in an international context in which protectionism, restrictions and controls, new forms of regulation and real economic wars are increasing. The second is the reputation of our companies on the market that is strictly linked to a good knowledge of our counterparties. The third is an effective environmental and safety culture inside and outside our companies.

Are there compliance risks that are perhaps overlooked but really must be considered? How should they be targeted?

RH:

In general, compliance risks that are sometimes overlooked by organisations which are just now in the process of implementing a Compliance Management Systems. Tools and controls are not always fully implemented in the branches, operating sites, and representative offices abroad. Risks arising from financial operations also need robust controls such as bank account opening and closing, cash management, segregation of duties, these all help to mitigate financial risks and shouldn't be overlooked.

MR:

Are we overlooking risks? Hopefully not! But I believe that discrimination and other human rights in various forms are issues that will occupy compliance departments more in future as we are asked more

questions by different stakeholders every day. The Basel Institute has opened the door to discuss all compliance topics, and also such new developments.

GM:

You can take the concept of ESG and expand on each of the categories contained in the acronym. For example, we have started from the "G" of governance and we are expanding it as we progress with the initiative. Probably the next one we should be considering and moving our focus to is the "S" of social.

FL:

I've nothing more to add other than to say I agree with all of my colleagues here; the workload of compliance won't decrease in the future, but it will change and expand to address the risks that we see in ESG.

With smart technology spreading across the globe and being more accessible, and with the metal industry transitioning to Industry 4.0 technology, what are the new threats that must be considered and what can be done?

RH:

A risk that is based on technology, is the significantly grown cyber crime. To mitigate this risk appropriate countermeasures need to be implemented such as constantly improving and testing IT security systems, regular trainings for all employees to raise the awareness on current cyber risks.

GM:

I agree with Regina Hoermanseder. We are shifting from the traditional business model of equipment supply, into an Internet of Things (IOT) structure, where our equipment is full of sensors that collect data which are saved to servers. Even if the ultimate security standards are set, connected equipment can be remotely attacked by hackers and held to ransom.

RH:

This links to information security systems - proper IT security and having a strategy on this issue is important, including for example restricted access rights and up to date training on this issue.

MR:

Our business is changing, and we in the compliance department and in other administrative departments must understand the digital part of our roles. Everything has a digital aspect. Knowledge on the digital aspects is important, but prevention of corruption, data protection, fraud, and antitrust must not be forgotten. The more traditional risks are still threats.

FL:

Cyber-attacks and know-how theft are quite sensitive topics that do not only relate to Information Technology but also human behaviour. Once again, training, clear message and a compliance culture can support our organization in the prevention and management of these kinds of risks.

GM:

I would like to go back to the concept of a level playing field. This initiative goes back to the basic economics of competition. Purely on technology, price, quality etc. establishing this initiative was not just to align the concepts of anti-corruption and compliance, but also nudge our business partners to have no excuses but to compete on a level playing field.

MR:

The key term is 'level playing field'. We aim to eliminate unfair corruption so that the best company can have a fair chance. This is ultimately what the customers and companies want.

RH:

By working together in the MTI we can contribute to a fairer marketplace while still learning from each other and developing towards best practices.

Are other companies in the industry welcome to join MTI?

MR:

We are not a closed club. Any company related to our sector willing to abide by the principles we believe in relating to fair competition, compliance and integrity would qualify and we would be very happy to have companies join. We have internet pages advertising what we do. What we

offer is a rare example of a successful working collective action. Potential new member companies will have to contact the Basel Institute to join.

Can you outline why these due diligence guidelines are needed?

RH:

The guidance documents address the specific compliance risks faced by companies working in the global metals

technologies industry. All MTI member companies have committed to follow the guidance in their own organisation.

Other firms operating in the metals technology industry or from other industry sectors facing similar compliance risks are welcome to adopt the guidance for their own anti-corruption compliance programs.

MR:

I can name three reasons why we need

and want these compliance guidelines: First to avoid penalties and fines, secondly to protect the good reputation of our companies and thirdly to level the playing field so we compete on products and services and not win business through improper behaviour.

The MTI's work focuses on all these aspects and helps the member companies to deal with the compliance challenges. ■

MTI Metals Technology Initiative Collective Action

Being introduced to the representatives of the Metals Technology Initiative, an understanding of the threats to the industry was unveiled. It is clear that with each year and every new development, solutions emerge, but new risks are also emerging. With this being said, new collaborative approaches are created

that tackle long-standing threats such as bribery, and provide a clear path forward for the wider metals industry.

The cooperation across the MTI, demonstrated in the interview, proved that with transparency, discussions and collaboration, in a safe environment

such as that provided by the Basel Institute, the threats of corruption could be reduced. As an open club; if you are interested in the MTI and would like more information on the institute's activities, visit: www.baselgovernance.org

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