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Ethics in agribusiness: a valuable asset

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Topics

Compliance, Investigations and Regulatory Enforcement

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With the adoption of the Anticorruption Law (Law 12.846/2013), which made legal entities (and not just individuals) punishable for corrupt acts, the English word compliance became common in Brazilian business and legal circles to refer to systems for preventing, monitoring and responding to the risks associated with violation of the Law.

In recent years, many agribusiness companies have found that high levels of compliance and transparency generate more solid and long-lasting relationships with their stakeholders – farmers, farm businesses, cooperatives, customers, investors and collaborators.

As a result, implementation of compliance programs has multiplied, and compliance departments have taken on an increasingly strategic role within companies, actively participating in decision-making processes.

Compliance programs should not be seen as a mechanism that hampers a company's processes. To be effective, the program has to be structured according to the risks and realities of the particular business. There is no "one size fits all" compliance program, and all programs should be tailored to the particularities of their industry and reviewed frequently to take into account any new risks that may have appeared.

Compliance programs help to detect and prevent fraud, improve internal controls, and establish a culture of integrity in the corporate environment. Doing business without a compliance program leaves a company's assets and reputation exposed.

Where violations of the law generate doubts about a company's business model, its commitment to complying with the law inspires confidence in investors, business partners, clients and consumers who value organizations that operate in an ethical manner. The economic impact of reputational damage – especially when the impact is magnified by media coverage – is not only financial losses but also lost business opportunities. In contrast, well-structured compliance programs make companies more attractive, both to business partners and to employees.

The "Selo Pró-Ética" (Pro Ethics Seal) certification by Brazil's federal Comptroller-General's Office, along with the ISO 37001 and ISO 19600 certifications, are initiatives that encourage companies from all economic sectors to develop a culture of compliance. In December 2019, the Ministry of Agriculture and Supply (MAPA – *Ministério de Agricultura, Pecuária e Abastecimento*) launched its "Selo Mais Integridade" (Integrity Plus Seal) with a view to promoting, recognizing and rewarding agribusiness companies and cooperatives that adopt compliance practices that support social responsibility, sustainability, ethics, transparency and risk management.

Another recent initiative by MAPA directed to the agricultural sector is the "Cadastro Agroíntegro" (Ag Integrity Register), which is designed to recognize effective first steps by agricultural companies and businesses in implementing compliance, ethics and transparency practices, even though they are still at the initial stages.

A good compliance program does more than reduce the risk of penalties and reputational damage: it gives companies greater credibility with their business partners, and can be one of their most valuable assets.

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