

Championing compliance

Emir Calluf Filho, legal and compliance director at J&F Investimentos, and recipient of this year's Compliance Counsel of the Year award, tells LACCA how he took the reins after a major corruption scandal, overhauling compliance practices and rebuilding a reputation piece by piece.

When Emir Calluf Filho, 39, joined Brazilian holding company J&F Investimentos in December last year as legal and compliance director, the company had recently signed a historic leniency agreement worth 10.3 billion reais (US\$3.2 million) with Brazilian prosecutors after a wide-reaching investigation into a bribery scandal involving meat-packing giant, JBS.

Tasked with leading the remediation efforts for the company, Calluf Filho knew he would face the biggest challenge of his career. The scandal was extremely high-profile and was reported worldwide after JBS chairman Joesley Batista admitted to paying bribes of roughly US\$5.8 million to more than 1,800 politicians and public officials across Brazil. "People thought I was crazy for taking the job, but I think it was one of the biggest compliance challenges in the world and that really drove me to do it," says Calluf Filho.

As part of his new role, Calluf Filho was responsible for assisting with ongoing internal investigations, overhauling the holding company's entire compliance framework, from hiring a team to implementing new compliance programmes across all 360 companies owned by J&F, as well as helping to restore the company's flailing reputation. "Broadly speaking, I had to draw a map of the risks across all of the group's companies, to revamp codes of conduct, set up independent hotlines and improve compliance policies," he says. "It was a huge amount of work."

The leniency agreement also came with some additional obligations, meaning J&F have to continue monitoring and reporting their compliance efforts to local authorities and invest a minimum of US\$700 million in Brazilian social projects, which Calluf Filho is also responsible for. "I really had to work out what the scandal meant for the company as a whole. Not only in terms of compliance, but also in terms of obligation," he says. "Compliance was a major area, of course. Then there was the investigation side, because we are continuing with one of the biggest internal investigations ever conducted in a private company in Brazil, then we have the obligations from the biggest leniency agreement in the country's history, part of which we need to invest in social projects."

Starting from scratch

While Calluf Filho was only one of only two employees in the compliance department at the time he was appointed, he was well positioned to draw upon his previous experience of nearly 20 years in legal and compliance positions at major companies including International Flavours and Fragrances, mining services company Enaex Britanite and Philip Morris International. "We started from scratch and began hiring people every month," he says. "I've done this [compliance] all my life, so I told J&F that if they were not committed to doing everything that needed to be done then I wasn't the guy for the job," Calluf Filho explains.

In addition to hiring more resources for the department, which is now 37-strong, Calluf Filho began an investigation of the holding company's entire business portfolio. "We conducted internal investigations in all of the companies of the group in order to understand all of the facts and to see if there was anything else we needed to be aware of," he says. Part of this task involved a review of the potential risk areas for all subsidiary companies as well as what policies were in place to address each one. "That was the biggest chunk of work, understanding where the gaps were and addressing those," says Calluf Filho.

Once a thorough risks analysis had been conducted, Calluf Filho was able to begin implementing new and updated compliance procedures across the group's many businesses. He set up compliance teams in each of J&F's companies and provided each with some guidelines and basic principles from which to adapt the new compliance programmes. "The challenge was huge," says Calluf Filho. "For such a large company with so many businesses, it's very hard to tackle each business with the appropriate approach, so we tried to have a strategy as a whole company that could help give direction or at least provide some basic guidelines on setting up programmes."

One of the key factors in successfully implementing new compliance policies across such a vast array of businesses was making sure that there was good communication between the teams in each company. "With the amount of stakeholders involved, but also with employees, suppliers, independent auditors, authorities, investigators – with all these people in one single environment, you really need to have a the interpersonal skills to connect all of them. You really need to make sure everyone is talking to everyone and that the message is going through."

In addition to ensuring strong lines of communication internally, Calluf Filho also ensured that everything J&F was doing in terms of remediation was in alignment with the recommendations of local authorities. "We are working very closely with the prosecutors that took care of the case. I report to kind of a monitor, a supervising independent committee, through independent lawyers that report to the prosecutor, so it's a whole corporate structure on top of myself. For everything we do, we first have to align with the authorities because we are stepping through very muddy waters," he describes. "But I think we're proving to people that you can clean up a whole business."

Communication and alignment are also key to ensuring transparency in all of the efforts being made by Calluf Filho and his team: "Listening, peer communication, and above all, transparency with shareholders, prosecutors, employees, I think that's key if you want to make a real impact," he says.

Championing an ethical approach

While conducting a thorough review of risks and setting up robust compliance frameworks for each of J&F's businesses was a crucial step in ensuring J&F became a compliance leader in its sector, Calluf Filho suggests that building a culture of ethics from the ground up is what really makes a compliance programme stand out. "I don't want to build something that is just on paper. I think that is very easy to do," Calluf Filho argues. "The real challenge is making people believe in what they are doing and understanding what is right."

Inciting real change means ensuring employees understand that they all have a major part to play towards building an ethical business culture according to Calluf Filho. “I needed to make people understand that what we’re doing really is relevant, and that every single employee needs to be a part of the change, this is really critical,” he explains. “If you don’t get people to work with you, the compliance programme will not work in practice. Communication and showing people that compliance can help bring value and reputation back to a company is crucial.”

For Calluf Filho, working in compliance should be more about prevention, rather than dealing with the fallout and loss of reputation when scandals do occur. However, to obtain a truly preventative approach to compliance, Calluf Filho says there has to be a change in culture within organisations. “It’s much cheaper and much more effective if you stop the scandals from happening before they happen. This means a change of mindset from the local community, as well as business people, understanding that they need to evolve towards a culture grounded in ethics or they just won’t be able to do business anymore,” says Calluf Filho.

A wider impact

In a perfect world, Calluf Filho wants to see more responsibility in the hands of compliance officers and make them a part of leadership teams, not just bringing cases and recommendations to boards, but making decisions. “I would like to imagine compliance not always suggesting, but making decisions. We do already do that on some level, but more effectively being part of actual leadership is key and while I think it is certainly a controversial idea, I think compliance officers need really to get involved in the thick of things,” Calluf Filho points out.

With all the efforts Calluf Filho has spearheaded since December, and J&F’s continued transparency with the authorities, he is confident that JBS’s damaged reputation is being slowly redeemed. He acknowledges, however, that the road to recovery is still a long and arduous one: “It’s work that is done brick by brick, one brick today, one brick tomorrow, to build back a reputation step by step. I think it takes time. It’s not easy.”

In addition to promoting a culture of business ethics within J&F companies, Calluf Filho is also determined to ensure the company plays a big role in helping to improve the business culture across Brazil, utilising the funds set aside for new social responsibility projects as part of the leniency agreement. As part of these social projects, Calluf Filho outlined plans to implement similar measures to those achieved by the Siemens Integrity Initiative, a global initiative that supports anti-corruption bodies and aims to fight bribery and fraud through collective action, education and training. The scheme was enacted in 2008, the same year the German manufacturing giant was also implicated in a bribery scandal going back as far as the 90s. “I get hundreds of calls every day asking whether we can paint the walls of a school, or give money to a certain charity,” says Calluf Filho, “but I don’t want J&F to invest in things just for the sake of them – we have our minds set on stopping corruption. We want to design a way to put money into something in an effective way, that the money really gets everywhere, and spreads over the whole country.”

Looking to the future, Calluf Filho hopes that the standards he has created have not only formed a strong culture of business ethics within a company that has faced so many

challenges, but hopes that J&F can lead the way in terms of standards for the entire industry. “One of the reasons why I accepted this challenge in the first place was because I truly believe that this compliance programme has such a great weight, that it is not only able to change a company, it is capable of changing a whole industry and can certainly help to change the country,” he explained. For him, a change in one company can have a rippling effect across many: “You can affect the whole system and society. I really believe you can.”

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