Session Report

Please know you may design the structure of this report to better suit the session. It’s important to capture the key outcomes and solutions proposed for the future.

Session Title: The Role of Anti-Corruption Amid the ESG Revolution
Date & Time: Wednesday, 07.12.2022, 3:30 pm - 5:00 pm GMT -5
Report prepared by: Houssam Al Wazzan, Community Specialist, Partnering Against Corruption Initiative (PACI), World Economic Forum
Moderated by: Margery Kraus, Founder and Chair, APCO Worldwide
Panellists:
- Anita Ramasastry - Special Representative of the OSCE Chairperson-in-Office on Combating Corruption
- Delia Ferreira Rubio - Chair, Transparency International
- Gabriel Cecchini - Director, ESG Integridad
- Hentie Dirker - Chief ESG & Integrity Officer, SNC-Lavalin
- Klaus Moosmayer - Chief Ethics, Risk & Compliance Officer, Novartis

Share the thematic focus of the session, it’s purpose and corruption risks?

While much of the ESG momentum has focused on environmental performance and certain social indicators, there has been comparatively little emphasis on corporate governance which includes factors such as corporate structure, board composition, business ethics and, crucially, anti-corruption. In addition to being one-third of the ESG equation, the “G” is also foundational to the realization of both the “E” and “S”. Behind each breach of a company’s environmental or social commitments lies ineffective corporate governance, be it inadequate anti-corruption practices, perverse incentive structures, contradictory
lobbing activities, or ill-equipped leadership. This workshop seeks to foster a focused exchange on methods and approaches to leverage the “G” of ESG and an in-depth examination of the role of anti-corruption as an intrinsic component of Good Governance and the business ethics agenda.

**Objective:** Identify innovative collective action methods to leverage anti-corruption as a key enabler of Good Governance and a prerequisite to delivering on the entire ESG framework

**Relevance to corruption:** Corruption heightens financial risk, distorts regulatory enforcement, siphons money and attention away from public priorities, and distracts public- and private-sector actors from building a sustainable and stakeholder-centered economy. Within the ESG framework, corporate corruption is therefore framed as both a vertical and a horizontal concern – directly measurable as a key factor within the “G”, while simultaneously affecting the “S” and “E”. Corruption risks in the private sector must be integrated into reporting and rating frameworks in a coherent, comprehensive and standardized manner. This should include a core, common set of indicators to promote cross-sectoral, cross-framework comparability to reflect the reality that corruption risks are universally relevant. In sum, anti-corruption should be understood as the backbone of ESG and, more broadly, business ethics.

**Summary of panellists’ contributions & discussion points (please be as detailed as possible)**

**Margery Kraus:**
On the notion of ESJ (Justice) instead of ESG – justice has more magnitude over governance as it incorporates more comprehensively values and ethics. Justice also relates to the entire ESG framework, for example: climate justice, racial justice, economic justice, inclusivity, honesty and transparency are all factors within ESG.

**Hentie Dirker:**
SNC-Lavalin has put a lot of efforts in recent years to properly establish good governance practices. It is vital to ensure alignment between different functions in order to deliver on ESG commitments. Companies need to study how to approach ESG by putting the right mechanisms in
place and breaking siloes between various functions such as ethics, risk, compliance, legal, sustainability etc.

**Klaus Moosmayer:**  
Pharma is one of the most regulated industries. The chief ethics, risk and compliance role at Novartis is of utmost importance given how the sector can be subject to ethical dilemmas with the biggest ESG topic being access to medicine. A few best practice examples to share:

- Companies need to be pragmatic, solution-oriented and most importantly have a clearly defined and broad mandate that avoids siloes and ensures a holistic and ethical approach to business.
- Mobilize employees in forming the company’s culture of integrity. Drafting policies and launching trainings is not enough, using behavioural science to shape the culture could be a game changer.

**Delia Ferreira Rubio:**  
It is crucial to emphasize the role of collective action; each stakeholder will not be able to move the needle alone: business, civil society, governments and academia need to collaborate in establishing a culture of integrity. Integrity beyond compliance is key. We are in a moment where we have to restart the conversation about values and purpose. This does not only have to do with the evolvement of the compliance function to an integrity one, but also with the approach we take to anti-corruption.

**Gabriel Cecchini:**  
Integrity is a cross-cutting issue, it should be taken into account in the company’s assessments of the E and the S.

Institutions should establish monitoring structures to enforce and update policies and practices and to minimize instances of tick-boxing or ESG-washing that might endanger institutional integrity.

**Anita Ramasastry:**

1. As we talk about the G, what ned to think big and identify what factors needs to be included. We need more indicators in the G including looking at corruption risks and assessing rule of law
2. Integration: Responsibility of board and senior management in terms of risk in 3 dimensions: Risk to company, risk to people and risk to planet. How can the board tackle these and how does ESG
Main outcomes of session (include quotes/highlights and interesting questions from the floor)

“We need to change and transform cultures. It will take time but if we do not start, we will never get there.”

“Justice is the outcome of good governance.”

How to involve the wider investors universe in this conversation? ESG investment is still not very tangible. However, the interest is there. It is important to do regular touch points with ESG investors > listen to their burning topics. As a company you can be proactive about this > go out to major investors and ask what they want to see more of? Where are the gaps? What is important for them as investors?

Is there a way to have ESG investors use their collective power to say they would invest in certain jurisdictions only if there are proper ESG rules and regulations?

Key recommendations for the future and concrete follow-up actions

- Companies need to be pragmatic, solution-oriented and most
importantly have a clearly defined and broad mandate that avoids siloes and ensures a holistic and ethical approach to business.

- Mobilize employees in forming the company’s culture of integrity. Drafting policies and launching trainings is not enough, using behavioural science to shape the culture could be a game changer.
- We need coherence and consistency. It is great to have policies, rules, trainings and sanctions – but companies need to walk the talk and behave in compliance with their defined values.
- We need more dialogue with the investors community to share views and expectations > cross-over
- Investors need to prioritize corporate integrity through internal commitments, processes, policies and incentives; effectively embed corruption risks into ESG reporting and rating frameworks; and collectively mobilize to place integrity at the heart of ESG.
- Provide input and feedback to the ISSB.
- ESG is not only a reporting mechanism, but also a standard that can be used to have sustainable companies while including the G.
- It is important to go beyond self-reporting and disclosures to assess the company’s ESG performance > we need a 360 view with external data.
- Corporate boards need to have channels of information outside their companies to make sure that they are listening to external stakeholders.
- ESG reporting should be more impact-driven and not only a ticking the box exercise.
- Harmonizing regulations, we need director duties, administrative sanctions and civil liability to keep companies accountable.

**Is there a specific call to action to key stakeholders, such as governments, businesses, funders, civil society, young people, journalists or any other stakeholder that should be noted? Please specify if relevant.**

Collective action is key to achieving impact. Single stakeholders will not be able to move the needle alone, business, civil society, governments and academia need to collaborate to increase the charge against corruption.

The collective action dialogue should start. We need transparency in information sharing. Civil society can help by setting the bar and
indicating what factors should be part of the G for successful delivery on the ESG such as lobbying information, campaign finance, tax disclosures, ESG integration etc.

Rapporteur’s name and date submitted
Houssam Al Wazzan, 08.12.2022