



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: How Do Corporate Investors Address Markets' Corruption Risk?

Date & Time: Thursday, 08.12.2022, 3:30 pm - 5:00 pm GMT -5

Report prepared by: Gabrielle Cervone, Program Associate, Center for International Private Enterprise (CIPE)

Moderated by: Andrew Wilson, Executive Director, Center for International Private Enterprise (CIPE)

Panellists:

- Tim Robinson- Chief Compliance Office, BHP
- Dan Bryant- Senior Vice President Global Public Policy and Government Affairs at Walmart
- Mauricio Alarcon Salvador- Executive Director, Fundación Ciudadanía y Desarrollo (FCD)

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

The focus of the session is to explore how to identify points that overlap between NGOs and businesses on the issue of practically mitigating corruption risk and determining how corruption plays a part in making business decisions, and how policymakers identify these issues. BHP focused on discussing how they use a complex formula to feed into financial models- include country risk factor like a "discount factor", which includes political instability, human rights, etc., as well as the use of investment models critical decision-making tool. Walmart looked at it from the angle of the 'trust crisis', and detailed how companies need to align the incentives among different sectors to succeed, specifically E-transparency and E-transparency reforms. The NGO piece, detailed by FCD, looked at the lack of trust between civil society and private sector and how to solve that. He explains the importance of dialogue between the private sector and civil society. If it doesn't exist, we

must create. If it exists, we must strengthen it.

The private sector must do what other sectors can't do. For example, the private sector needs to accept more critiques from civil society.

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

Tim Robinson- Chief Compliance Office, BHP

- facilitate energy transition; sustainable agriculture
- Minerals- result of corruption, many located in countries in transition. Minerals extracted ethically could lift millions out of poverty
- Critical moment; Transparency Initiative as an example of collaboration between civil societies and business; revenue disclosure.
- How do we assess corruption risk?
 - Opportunities to mitigate that risk. Not necessarily focusing on how much risk.
 - Tier 1 opportunities- multimillion \$ investments
- Signed on to statement to support BOT and their own BO
- Complex formula to feed into financial models- include country risk factor like a "discount factor"
 - Includes political instability, human rights, etc.
 - Investment models critical decision-making tool
- On AC public-private collaboration: *"more than ever before, I've seen it, heard it, felt it before [...] I'm really optimistic to move it forward."*
- *"Civil society is an honest friend [and]...a source of ideas for [anti-corruption] reforms. The private sector can bring the ability and commercial leverage to make those things happen."*

Dan Bryant- Senior Vice President Global Public Policy and Government Affairs at Walmart

- *"Trust crisis is real, and it can be measured in a lot of different ways"*
- Walmart wants to do something about this trust crisis and be part of it to figure out how better to work together. Walmart is in 'learning mode'
- Partnering across the sector is the key.
- Digital tools for rule of law in resilient recovery
- Learning a lot from working with suppliers and customers
- It requires going beyond focusing on compliance
- Culture of anti-corruption. We need to align the incentives among different sectors to succeed.
- E-transparency and E-transparency reforms – covid opened the door to show the importance of it.
- Growing pressure in government/ societies/ business to build more inclusive, economic growth.
- So what does govt want Walmart to do?
 - Create jobs where there isn't, currently.
 - More transparent systems. It's hard for suppliers to sustain the high standards when the rule of law is weak. It starts with licenses, permits, and tax compliance.
- *"How better to work together to leverage our various competencies [...] we (Walmart) come to this as learners"*
 - Tough experiences that have shaped Walmart's learning
- Strengthen informal norms
- Procurement is still an area of great priority but licensing and permitting is crucial for

growth.

- Growing pressure on governments, societies, businesses: inclusive growth and local businesses
 - Licenses, permitting, tax compliance- required and all sectors need to be involved to design best systems
- E-transparency needs to be bolstered
- Andrew Wilson: We need to make sure we are creating systems that are transparent and accessible for people. Trust and transparency of relationships is essential.

Mauricio Alarcon Salvador- Executive Director, Fundación Ciudadanía y Desarrollo (FCD)

- Perspective from the local level.
- Hard relationship between civil society and private sector
- Equator- very corrupt practices in the two biggest supermarket chains. “It’s the private sector’s fault.”
- UNCAC: Abuse of public power for private gain- covers a wide range of corruption
- “we actively promote open government [...] at the national and local levels”
- Public sector corruption- abuses government resources
- But private sector- abuses resources
- Open government theme in the country with the help of organization such as CIPE
- Civil society must engage in relationships with private sector: “if it exists, it must be strengthened and kept alive”
- The most difficult part: involve the private sector in this fight
- Lack of trust between civil society and private sector. So how to solve that?
 - Dialogue is necessary. If it doesn’t exist, we must create. If it exists, we must strengthen it.
 - Teamwork. The private sector must do what other sectors can’t do. For example, the private sector needs to accept more critiques from civil society.
 1. Keep bringing together actors from civil society, private together, etc. To work together in transparency.
 2. Open and keep open the communication channel with the government and the authorities. Thinking above money. This collaboration is vital in achieving results.
 3. Do not only focus on the national level in order to achieve corruption. It affects other local governments as well. “Our efforts must go down to local governments”

Moderator Guided Q&A

- Dialogue/ communication/ discussion- recurring theme
- Take to heart we play a part in strengthening democracy
- “Finding the wins”- identifying the early and quick wins

Q: What can the private sector offer in the ways of incentives on your model of engagement with civil society?

AW to Dan

- Civil society is an “honest friend”- identify where you’re going wrong
- Corporate/ private sector can bring the influence to make these things happen.
- “Send a clear signal to supply chain that we are expecting transparency.” = Ownership transparency

Q: What are the hurdles to effective collaboration?

AW to Mauricio

- Many factors that have cost that has led to this hard situation between NGOs and the private sector. First of all, identify the corruption problem inside the private sector as well.
- “Need to go back to basics” - full democracies are essential to open transparency, the private sector, citizens, etc.
- Challenges to democracy can come from the business sector
- Private sector are actors, not just victims
- Budgeting for bribery is ethically reprehensible
- There still is the ability to work together though, but private sector must come forward
- “If you believe in rule of law, you must respect the law”
- ‘We must pay bribes if we want to keep our business alive’ but this type of statement creates mistrust. So it’s not easy to learn how to trust again in business.
- The human rights movement plays a big role in transparency and government, and civic participation.
- Rule of law- you got to respect it regardless of liking it or not.
- Great opportunity to show our work- you have to show results.
 - Show results no matter how small
 - Working together can achieve big results

Main outcomes of session (include quotes/highlights and interesting questions from the floor)

There needs to be a focus on concrete trainings for the private sector to identify corruption.

Failure on the part of businesses to identify the corruption problem in the private sector is the root cause of the mistrust between the private sector and NGOs.

Challenges to democracy can come from the business sector

There is a unique opportunity for the private sector and NGOs to come together to advance the rule of

Open Q&A

Wishlist- IACA: What do you use when decision-making and what tools do u need?

- Tim: What direction are things moving in, is there space for civil society, do they present opportunities to improve corruption
- Dan: Use law firms in countries where we operate

World Justice Program: ESG environment: does the business community support or oppose ESG?

- Dan: Walmart believes in supporting those down the supply chain and lasting impact, continued success of business is based on convergence of interests. Promises made are consistent with licenses to operate
- Less pushback against more poorly founded ESG principles
- Tim: some ESG can push forward AC advances
 - doing the right thing vs. Ticking the box

University of Salamanca, Spain: How do you deal with gray corruption, facilitation payments? What if there is a divergence between public and private sector interests?

- Tim: Facilitation payments banned internally based on view of corrupt structures- corruption escalates along corruption
- Dan: complies to FCPA
- Tim: build trust in cases of divergence, opt for the more improved systems rather than the quick and easy options

Key recommendations for the future and concrete follow-up actions

BHP

- Civil society is an “honest friend” - identify where you’re going wrong
- Corporate/ private sector can bring the influence to make these things happen.
- “Send a clear signal to supply chain that we are expecting transparency.” = Ownership transparency

Walmart

- Focus on concrete training and credentialing in a best practices sort of way
- Early and quick wins are applicable at the small business level (procuring services from them)
- Small business, where much of the income comes from.
- Work together in a conspicuous way- example of collaborating the right way
- *“Our process needs to be transparent and inclusive”*
- How the public and private communicate needs to be above board

FCD

- *“Need to go back to basics”* - full democracies are essential to open transparency, the private sector, citizens, etc.
- Challenges to democracy can come from the business sector
- Private sector are actors, not just victims
- Budgeting for bribery is ethically reprehensible
- There still is the ability to work together though, but private sector must come forward

What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?

Concrete collaboration between the private sector and civil society that focuses on identifying solutions that have a holistic approach and yield benefits for all relevant stakeholders.

Rapporteur’s name and date submitted

Gabrielle Cervone, 12.12.2022