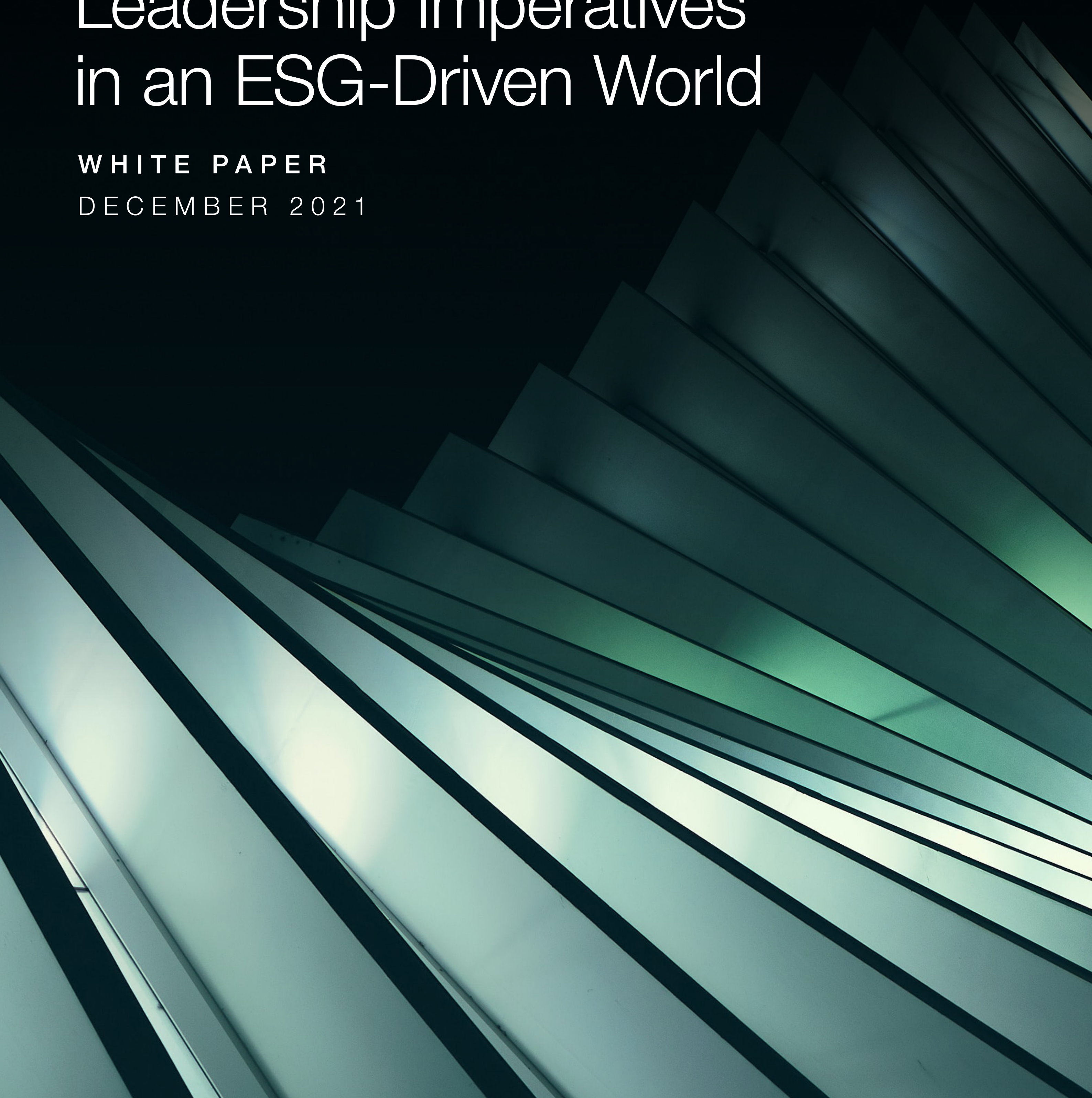
World Economic Forum Partnering Against Corruption Initiative (PACI) and Global Future Council on Transparency and Anti-Corruption

The Rise and Role of the Chief Integrity Officer: Leadership Imperatives in an ESG-Driven World

WHITE PAPER

DECEMBER 2021



Cover: Unsplash/Luca Bravo
Inside: Unsplash/Redd

Contents

Executive summary

Following interviews with leading companies and multilateral development banks (MDBs), this paper explores how organizations are rethinking their structures, culture and engagement to support the ongoing transformation of the role of business. Specifically, it examines the rise of the chief integrity officer (CIO) in companies and other organizations. It provides an overview of trends such as the increasing use of digital technology across all industries, resulting in ethical concerns about issues such as privacy and authenticity; and rising political and employee activism, with popular protest coalescing around themes of corruption, environmental justice, equity and equality. It also offers instances of innovative policies that address shifting generational norms and values, whereby younger employees have radically new expectations of their employers and careers – included is the example of the global pharmaceutical company Novartis, which co-designed its code of conduct with input from thousands of employees.

These developments demonstrate increasing stakeholder expectations, as well as the central role and responsibility of business as a driver of change. The rise of transparency and stakeholder expectations of business (most notably employees) has had a dramatic effect on internal corporate decision-making processes. Companies are moving beyond risk-based approaches – centred solely on corporate imperatives to drive growth and profit – to embrace more systemic approaches to integrity issues. This includes multinationals incorporating perspectives and voluntary standards from multilateral institutions and initiatives. It also includes a far more explicit consideration of the needs of small and medium-sized enterprises (SMEs) – across supply chains and in communities where companies operate.

Over the past few years, there has been a significant global focus and spotlight on the environmental and social aspects of environmental, social and governance (ESG), taking a broad view of the complex and cross-cutting impact of negative corporate externalities on society. Conversely, current discussions on governance are often limited to board diversity and compliance infrastructure, missing the opportunity to focus on building a culture of ethics and integrity that could have a broader positive impact in addressing critical global societal challenges. The long-standing tendency to take a siloed approach to addressing legal and reputational risk is now shifting, as expectations increase that companies will adopt a holistic approach to ethical, responsible business.

BOX 1 **ESG defined**

The term **environmental, social and governance (ESG)** was coined by the United Nations in 2005, in an effort to measure and codify responsible investment approaches. It refers to a collection of corporate performance evaluation criteria that assess the robustness of a company's governance mechanisms and its ability to effectively manage its environmental and social impacts. Institutional investors, stock exchanges and boards increasingly use sustainability and social responsibility disclosure information to explore the relationship between a company's management of ESG risk factors and its business performance.[1]

One consequence of these potentially revolutionary developments is a new intersectionality of legal oversight, ESG and corporate sustainability, and people and culture – most obviously, the company's diversity, equality and inclusion (DEI) efforts. This necessitates a new focus on the "G" in ESG. Corporate governance is of growing importance to any company wishing to establish and execute a coherent integrity agenda that encompasses a company's values, regulatory obligations and voluntary commitments. Solid governance is a critical underlying factor in any strategic determination and execution of environmental and social commitments.

This major shift requires organizations to break down departmental divisions and create more deliberate alignment and collaboration across critical functions, including ESG/sustainability, public affairs, risk, ethics and compliance. Widespread public concern about corporate hypocrisy and "greenwashing" further necessitates a more strategic and coordinated approach to integrity commitments. Companies are pressured as never before to take stands on social and environmental issues, but if rhetoric is not accompanied by concrete, measurable action, allegations of hypocrisy will continue to rise.

1 A multistakeholder approach

In 2020, the Global Future Council on Transparency and Anti-Corruption articulated and launched a new agenda for business integrity.[2] The agenda comprises four pillars of recommended leadership action:

1. Commit to ethics and integrity beyond compliance
2. Strengthen corporate culture and incentives to drive continuous learning and improvement
3. Leverage technologies
4. Support collective action to increase scale and impact

FIGURE 1

World Economic Forum Global Future Council on Transparency and Anticorruption – four key pillars

Source: World Economic Forum, Global Future Council on Transparency and *Anti-Corruption*, *Ethics and Integrity Beyond Compliance, Agenda for Business Integrity:* https://www3.weforum.org/docs/WEF_GFC_on_Transparency_and_AC_pillar1_beyond_compliance_2020.pdf

A number of companies around the world in various industries have been working towards adopting a more strategic approach to their ethical commitments. They have been doing so via the appointment of leaders who oversee a broader set of functions, which include but are not limited to ethics and compliance; these companies integrate functions and initiatives that relate to ethics and integrity wherever they manifest in the organization. Other companies are expanding board capacity on ESG issues, appointing external advisory councils and establishing cross-functional task forces – all with a view to creating a more coordinated and coherent view of ethics, in support of the stakeholder capitalism paradigm. Stakeholder capitalism as defined by the Davos Manifesto 2020 is the capacity of the private sector to harness the innovative, creative power of individuals and teams to generate long-term value for shareholders, for all members of society and for the planet. The World Economic Forum Global Future Council on Transparency and Anti-Corruption, therefore, conducted in-depth research as well as a series of interviews with leaders in ambitious organizations in order to gain a deeper understanding of the key challenges and success factors driving this approach.

Of course, the position of an ethics officer is not new, and companies have been expanding the role of compliance to include other ethical considerations for some time. But there are noticeable regional differences.

In the US, for example, compliance is essentially an outcome of the 1991 US Federal Sentencing Guidelines. As a result, in the US, early efforts to develop an ethical approach to business were eclipsed by an overwhelmingly legalistic approach to these issues, which was greatly aligned with the dominant shareholder-value model. Compliance assumes that all ethical challenges are principal-agent problems and that the primary risk to companies is a "bad apple" or rogue employee. It has become increasingly obvious that this approach is not only ineffective culturally[3] but also fails to address a wider shift in public perception, whereby legal risk is no longer a good proxy for managing ethical issues as a result of the factors listed above.

In other parts of the world, in contrast, a more comprehensive, integrity-based and stakeholder-driven approach has been present for a much longer time. This is especially the case in Western Europe and the Commonwealth.

Regardless of the dominant historical framework, all companies in all regions are under greater pressure to respond to rising stakeholder concerns and frustrations, and there is not yet a clear consensus on the best way to do this.[4]

In order to learn how corporations tackle this challenge in practice, a series of interviews were conducted with senior business leaders in key industries and leaders from multilateral development institutions who work to uphold transparency and ethics standards when it comes to economic development projects around the world.

A number of factors need to be addressed to make a strategic approach to integrity a reality. These include:

– Governance, incentives and performance

– Efforts to drive longer-term organizational strategy and planning

– Explicit consideration of stakeholder interests, perceptions and shifts

– Engagement and collaboration with external partners to drive collective impact and tackle systemic societal and environmental challenges

In many organizations, the most visible manifestation of efforts to tackle these multifaceted challenges has been the emergence of a senior leader with responsibility for overseeing the totality of a company's integrity efforts and commitments. For other organizations, this is not about appointing one individual to direct and lead integrity efforts, but about consciously driving alignment between risk, compliance, governance, sustainability, investor relations, human resources, government affairs and corporate affairs – in internal and external strategic organizational priorities.

Below, the findings are presented in two parts:

1. An analysis of the role that organizational governance and structure play in realizing the goal of stakeholder capitalism

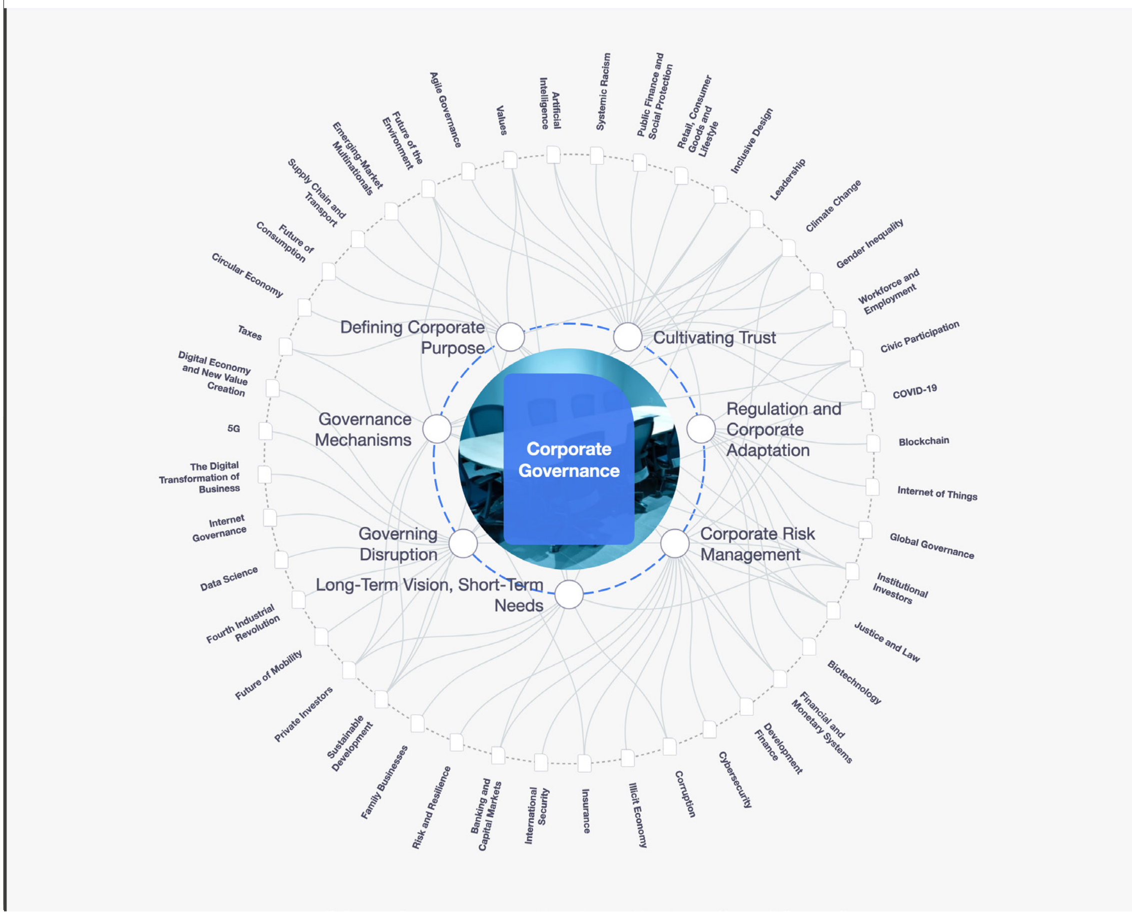
2. An exploration of how organizations can build a culture of integrity by taking different steps to align and integrate with ESG. This discussion includes a number of innovative ideas that have been successfully implemented in practice, as well as discernible trends likely to shape the future of ethics and compliance

Finally, a sampling of relevant websites and publications is presented for those interested in gaining a deeper understanding of the issues, as well as a list of non-governmental organizations (NGOs), networks and other organizations that some of the interviewees found useful in their efforts to increase integrity in their organizations and across the stakeholder spectrum.

2 Governance and structure

There is enormous variety among companies in terms of where integrity and ESG issues are placed functionally. In some companies, they are seen as extensions or elements of risk or found in legal; in others, they are part of marketing or procurement/supply chain management; while in others they are part of human resources or investor relations, depending on the most material ESG risks and challenges that particular company or industry faces. Because there are different models, and “one size does not fit all”, the focus in this paper is on considerations that apply to various governance models.

FIGURE 2 **World Economic Forum, strategic intelligence – corporate governance**



Source: World Economic Forum, “Strategic intelligence – corporate governance”: https://intelligence.weforum.org/topics/a1G0X000005JLTqUAO?tab=publications

2.1 Independence and autonomy

A company's integrity function must be independent from commercial pressures and incentives. It is now generally accepted that, while the compliance function is designed to represent the public interest, the legal department works in the interest of the company.[5] In considering a more strategic approach to integrity, it must be equally clear that any commitments are not made solely based on calculations that they will drive growth and increased profit. While there is a "business case" for ESG and integrity more broadly, this does not mean it will always be possible to quantify the commercial benefits – or return on investment (ROI) – of a particular initiative or decision. Any credible approach will consider trade-offs and make decisions with an understanding that (short-term) commercial benefit should not be the sole criterion.

A direct reporting line to the board – to a board committee that has oversight from the chief executive officer (CEO) – is ideal. Where the integrity function reports to the chief legal officer (CLO), special attention should be paid to ensuring independence on the (relatively rare) occasions where the interests of legal and integrity diverge. Where a single person holds the top legal and integrity roles, they must take great care to separate any diverging interests and consciously and pre-emptively assess priorities – preferably in consultation with senior leaders who can assure objectivity. This can be achieved through the creation of a committee (e.g. a global integrity team or an ESG steering group) that meets regularly and functions as a sounding board or reality check. Some companies also create external advisory boards or stakeholder councils to ensure a critical external perspective on key decisions and formalize stakeholder consultation efforts.

In no case can the top integrity function have profit and loss (P&L) responsibility. The integrity function's autonomy and independence from business pressures must be preserved, and appropriate leadership oversight and commitment must be guaranteed.

2.2 A seat at the table

The integrity function must have a seat at the decision-making table for at least five reasons.

1. The integrity function should have insight into all major business discussions and decisions early on, to inform of any risks related to goals, incentives and ambitions, and nip any problems in the bud

2. As a member of the top leadership team, the integrity function has sufficient seniority and clout to hold the company's management accountable. Thus, at some of the interviewees' organizations, ethics and compliance (E&C) is part of an executive management committee

3. A seat at the table signals to employees that integrity is a priority for the leadership, which enhances the integrity function's standing and hence its stature with employees, whether consciously or subconsciously

4. A direct line to the board is ideal if there are integrity issues with the C-suite. This is crucial because more CEOs are now being replaced due to ethical conduct than financial underperformance[6]

5. The integrity function can steer the board's attention towards issues that are important to the company's overall strategy and lead the discussion on how to respond to stakeholders, as well as considering the trade-offs between their agendas and demands

2.3 Integration over departmental divisions

One of the most obvious and specific drivers behind the rise of a strategic approach to integrity is the new imperative to consider the totality of an organization's regulatory and voluntary commitments and look for synergies between them.

Nowadays, meeting minimal legal commitments is far from sufficient for a company that wishes to be trusted and ethical. Companies are regularly pressed to take a stand on controversial social and political issues, account for ethical violations deep in their supply chains and reduce the social and environmental harms of their business models.

Further, issues that were previously managed according to "soft law" voluntary commitments are rapidly becoming a matter of "hard law". These include issues related to human rights, including trafficking, modern slavery, privacy and surveillance, supply-chain oversight and disclosure of climate and other environmental risks.

Finally, any operationalization of ESG or integrity commitments requires coordinated action across the business. All of these developments necessitate a more strategic approach to integrity and have driven the convergence of compliance and ESG oversight.

Therefore, it does not make sense for integrity issues to be treated as one or more siloes within the company's governance structure. Rather, integrity should be integrated in two ways:

1. A company should consider ESG holistically, with integrity influencing and being central not only to governance, but equally to the "S" (social) and the "E" (environmental) agendas. This will help reduce operational overload from multiple, uncoordinated risk, compliance and sustainability issues, and drive alignment with the commercial operations of the business in order to achieve good oversight

2. Integration should occur through the organizational structure – increasing alignment between functions and issues – all under the broader integrity umbrella. There should be conscious consideration of ethical commitments and imperatives among all functions that have an oversight role, including human rights, risk, ethics, human resources, public affairs and compliance.

These ways of thinking about integrating integrity are crucial to improving communication, consistency, efficiency and effectiveness. They are vital to achieving sustainable success in the effort to create a culture of integrity.

To put these ideas into practice, numerous leaders from the retail, technology, fast-moving consumer goods (FMCG), infrastructure, financial services, pharmaceutical and energy sectors reported that their ethics and compliance team structures *follow the business*, or they employ a "hybrid model", taking regions and sectors into account, ensuring that each business unit/division has an integrity business partner.

The integrity function should also consider aligning with other "support functions", such as human resources (HR), enterprise risk management (ERM), procurement, investor relations, marketing and information technology (IT). Like ESG and compliance, these functions can be limited by being viewed as cost centres/"tick-the box" efforts. By combining forces, they can develop a more effective approach to building a culture of integrity.

Organizations must, however, remember that, while checks and balances are important, too many can lead to "more oversight than implementation". Companies can spend too much time asking questions; they should focus on "influencing behaviour on the ground" rather than spending time reporting to headquarters. Similarly, collaboration is a good thing, but too much of it can be overly time-consuming.

2.4 Critical skills and expertise

While the person in charge of ethics/integrity often has a legal background, that is not a requirement in a larger organization. What is essential, however, is that the integrity lead be supported by a diverse and multidisciplinary team. Ideally, the expertise of the team members should encompass law, behavioural science, organizational psychology, sustainability, human rights, data analytics and data visualization, to name just a few.

In addition, integrity leaders should have high levels of emotional intelligence (EQ); to a great extent, this is a role that needs to be able to navigate organizational coordination and change, so EQ and soft skills are extremely important. Integrity team members must be able to communicate complex issues to colleagues from different backgrounds, including people at all levels of the company hierarchy, as well as to third parties. Integrity team members must be both proactive and reactive, and they must be naturally curious and open to new ideas and learning new skills.

BOX 1

Novartis

In 2020, Novartis introduced a new code of ethics[7] for its employees. The code was developed with the input of thousands of Novartis employees – in other words, it was "crowd-sourced". The code is anchored in behavioural science, and underpinned by four ethical principles: (1) be open-minded; (2) be honest; (3) be bold; and (4) be accountable.

As integrity is not easily defined by broad strokes, Novartis developed "an online, interactive ethical decision-making framework to guide our associates towards better decision-making. The framework guides users through 15 questions, prompting deep reflection as part of the decision-making process, surfacing up to 6 possible biases and suggesting materials and resources for further learning. The framework does not replace conversation and consultation, and does not give a definitive answer about what one should do, but it helps broaden perspectives and encourages better understanding and application of our ethical principles."[8]

3 Building a culture of integrity

Regardless of governance structure, the creation of a culture of integrity is essential to any company's efforts to achieve sustainable success. Corruption, fraud and other ethical dysfunction in organizations can be the result of a number of factors; the development of a culture of integrity must, therefore, be approached holistically and with a realistic view of human behaviour, cognitive biases and social context.

A legalistic approach focused on deterrence and punishment is not sufficient or effective. Instead, employees need help to use their judgement, seek advice and navigate grey areas. It is important to find a workable balance among all of the pressures a business faces; decisions should always be risk-based and informed by common sense.

> **Our Mission is served not by penalizing, but promoting a culture of integrity.**
>
> Lisa Miller, Head of Integrity Compliance Office and Integrity Compliance Officer, The World Bank Group

3.1 Alignment and integration with ESG

On a macro level, the goal is straightforward: to create a robust culture of integrity, an organization must align its values with its ESG priorities – integrating ESG factors into all of its decision-making processes. The implementation of this grand objective is, of course, where the real value lies. In operationalizing ESG integration, organizations should bear in mind that the recommended approach differs fundamentally from a traditional compliance programme, as discussed in documents such as the US Department of Justice's "Evaluation of Corporate Compliance Programs" issued in 2020.[9] While compliance traditionally starts with a risk assessment, ESG implementation ideally begins with a ***materiality*** assessment. Risk and materiality are different concepts – in fact, the whole point of an ESG assessment is to incorporate the ***impact of*** the business (in other words, its externalities), not solely the ***risk to*** the business.[10]

It is important for compliance leads in companies to understand that ESG is not simply about managing legal risk on a series of new "E" and "S" issues. Indeed, a challenge is that most executives still do not fully appreciate the distinction between risk and materiality. Another issue that is currently hotly debated[11] is ***what exactly materiality is***: some see it as no more than an ESG issue with a financial impact; others view the ESG mandate as encompassing impact on stakeholders, regardless of whether this presents a financial or reputational risk to the company.

In the European Union, this debate is close to resolution via a commitment to "double materiality", meaning that companies must report ***both*** on how sustainability issues affect their business ***and*** on their own impact on people and the environment.[12] Companies should, therefore, make every effort to integrate risk and materiality.[13] The graph in Figure 3 depicts an example of how companies can assess ESG materiality in practice.

FIGURE 3 | Materiality matrix in Western Union’s 2020 ESG Report

Our Environmental, Social, and Governance Strategy

Source: Western Union, 2020 *Environmental, Social, and Governance Report* (2021), page 11: https://corporate.westernunion-microsites.com/wp-content/uploads/2021/06/2020-Western-Union-ESG-Report.pdf

Long-term and holistic approach

Because “culture” develops over time, the process is, by definition, bound to be a long-term project, and organizations must approach it with patience. As BlackRock’s Larry Fink famously declared in 2019, “Companies that fulfill their purpose and responsibilities to stakeholders reap rewards over the long term. Companies that ignore them stumble and fail.”[14] Leading companies and multilateral institutions that contributed to this paper agree. In order to enjoy sustainable success, companies must take a long-term approach to all key areas of their operations. A culture of integrity, in particular, requires and benefits from a long-term view. There are no “quick fixes”, and organizations should be prepared to take incremental “baby steps”.

Shareholder value and stakeholder capitalism are often presented as oppositional concepts, but one of the more striking developments of recent years has been increasing shareholder activism and engagement on ESG issues. Whatever your views on this debate, it is clear that short time horizons and quarterly reporting imperatives can drive short-term, limited thinking that deprioritizes consideration of longer-term commitments – such as, for example, fighting climate change, providing good jobs or reducing inequality. For both long-term shareholders (such as pension funds) and many stakeholders, the ability to think long-term about the ethical imperatives of the business and the social licence to operate is an essential success factor.

Companies should be willing to walk away from business and exclude third parties if certain levels of integrity are not met and efforts to work together with the third party on mitigation have failed. They should strive to obtain a social licence to operate by working with local NGOs, contributing to the communities in which they have a significant footprint (from supporting schools to critical infrastructure) and working collectively – with business and cross-sectoral partners – to advocate for a common integrity and transparency agenda.

Developing an integrity programme should not be a “one-off”, and it should not be a paper programme or “check-the-box” exercise. It should be tweaked constantly, with input from internal and external stakeholders, and change with the times to avoid staleness.

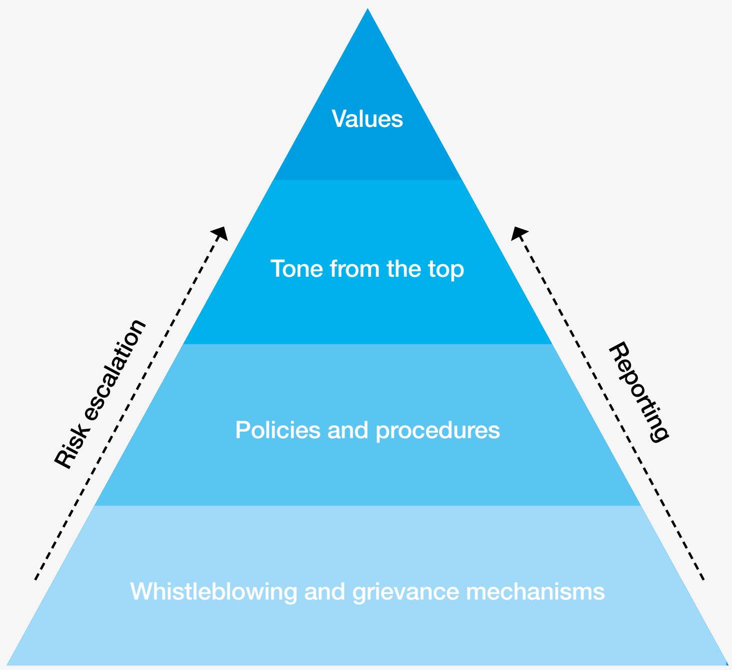
Rules vs. values

We need to create a shift from litigation mindset to inspirational ethics in our organizations.

Nicole Diaz, Global Head of Integrity and Compliance Legal, Snap Inc.

Several interviewees noted that there has been a "mission evolution" from rules enforcement and policing/penalizing to building and promoting a culture of integrity. The focus and mandate of the integrity function has broadened and includes prevention, integrity due diligence and anticipating project vulnerabilities. More and more, integrity functions are expected to prevent misconduct, be proactive and encourage ethical behaviour from company staff and relevant third parties. Their remit also includes the development of principles that are not yet (or only partially) legally mandated on issues such as commitment to human rights or addressing climate change. Indeed, integrity functions need to pay close attention to shifting stakeholder expectations, including anticipating future regulatory developments.

FIGURE 4 **United Nations Global Compact (UNGC) Guide for General Counsel on Corporate Sustainability v.2.0 (2019)**



Source: United Nations Global Compact (UNGC), *Guide for General Counsel on Corporate Sustainability v.2.0* (2019), page 15: https://www.unglobalcompact.org/library/5722

3.2 Rising stakeholder expectations

Rising stakeholder expectations have been one of the more profound trends over the past decade. Employees expect their employers to become active in the fight for social justice, consumers expect companies to respect human rights in their supply chains, and local communities expect manufacturers to avoid polluting the air and water around their facilities. Driven by the rise in social media adoption, they are sharing their expectations widely and openly, mobilizing communities and actors across physical and virtual borders and jurisdictions.

The size of the potential target audience and the speed with which information can be shared have been increased enormously by social media giants. Information is no longer filtered through third parties such as newspapers, magazines and TV news channels; everyone with a smartphone has access to information from all manner of sources, providing news and opinions (and, unfortunately, misinformation). On the flip side, everybody has the potential to be a reporter, a blogger, a vlogger, a podcaster or an influencer. We live in an era of hyper-transparency and any integrity transgressions could become a viral public outrage campaign in minutes.

> **Integrity defines our brand and contributes to our success because it creates trust. We must do the right thing, not just follow the law.**
>
> Caroline Tsai, Chief Legal Officer and Corporate Secretary, Western Union

Today, there are no simple solutions. Human rights issues are complex and respecting the rights of all is essential to promote responsible business conduct. For example, with respect to LGBT+ rights, should a company be transparent and publicly signal its values and virtues anywhere in the world, in any context? In many circumstances, human rights are a government-to-government issue, and undue pressure could, in some cases, exacerbate a geopolitical risk. One way to approach this multifaceted and difficult issue is to use a "when in Rome" approach, but prioritize protecting employees and supply chains from human rights violations.[15] Such an approach should not descend into relativism, but it should display respect for local contexts.

One interviewee stressed that trust and integrity are a must when running an ethical business, and that a lack of robust governance can prevent a company from obtaining new business or critical loans. A number of examples were also given of companies that, after initially losing business for failing to meet certain integrity standards, were given a second chance. Those companies learned their lesson: they made a serious commitment to improving and undertook a complete overhaul of their integrity practices, turning into role models in the process.

3.3 Tone at the top

Tone at the top and leadership buy-in up to the highest levels are essential in creating and maintaining a culture of integrity. Where the CEO and board of directors have made a firm and genuine commitment to turning the integrity goal into reality, the odds of success increase.

Values: genuine, authentic and clear

A company's stated values must be genuine, authentic and clear. Its ESG strategy must be authentic, selected for the right reasons and achievable. It should not be a marketing gimmick. One way to meet this requirement is by focusing on material issues.[16] The CEO must make the company's expectations clear to employees and third parties. And company leadership must live by those values, even when not convenient.

Talk the talk, and walk the walk

Leaders must model good behaviour. Top leadership's actions must be consistent with publicly espoused values, and leaders who violate the rules should be subject to the same disciplinary actions as all employees. There can be no incongruity, no clashing goals and no widespread belief that leaders are subject to different rules and expectations. This includes the allocation of adequate resources and employees with formal responsibility to accomplish ESG goals. It is not enough to spend a lot of money on an integrity programme – the company must use its resources wisely.

Leadership should not approach integrity as a one-off exercise. Rather, constant messaging is essential. One interviewee reported that the company's CEO opens each meeting with a brief reminder that integrity is a core value and that ethical behaviour is expected of each employee. Another noted that "accountability and ethics are front and centre".

3.4 Incentives

Incentives can play a powerful role in an organization's efforts to influence the discretionary behaviour of employees. There are many different types of incentive: formal and informal, short-term and long-term, financial and non-financial. All have benefits and drawbacks, and the challenge lies in selecting the right combination for the circumstances. Companies should also guard against unintended consequences, and examine and adjust their incentive structures frequently.

An unintended consequence of financial incentives could be that executives and other employees take unwise risks to achieve short-term goals – to the detriment of the long-term well-being of the company. This can be the case when, for example, an employee pays a bribe to make a sale that in the short term benefits the company but in the long term might result in a criminal investigation, fines, negative press and decreased share value. Financial incentives should therefore include "clawback" clauses, giving a company the legal right to demand the repayment of bonuses if, months or years later, it is discovered that the employee at issue took unreasonable risks or otherwise damaged the company. The goal of a "clawback" clause is not only to recoup the money paid out in bonuses but also, more importantly, to signal to employees that the company's long-term success is paramount and, thus, motivate employees to avoid unwise risks for short-term gain.

On the other hand, financial incentives can help advance a company's ESG agenda. Inserting ESG metrics into annual employee key performance indicators (KPIs) can serve as a positive incentive and help accountability to corporate ESG targets. In developing an ESG incentive structure, companies should consider a number of components, including the types of targets, tracking and measuring progress, applicable time frames and how to determine success.[17]

When it comes to linking incentives to ESG goals, a company must decide whether it wants to reward good behaviour, or whether integrity should simply be a baseline behaviour intrinsically expected from every employee in every moment of service to the company. Simply put: should an employee be rewarded for doing the right thing?

There is a broader shift from financial incentives to modelling a culture of integrity. Any performance management approach should include:

1. Incentives capped at a certain amount

2. Evolution from rewarding individual performance to rewarding team performance

3. A requirement that classification as an exceptional performer depends on meeting values (integrity)

The European Bank for Reconstruction and Development (EBRD), for example, evaluates employee performance on a 50/50 basis – 50% according to ***what*** an employee does and 50% based on ***how*** the employee does the job. In addition, EBRD regularly celebrates positive behaviour as a positive incentive for employees.

A few years ago, Anheuser-Busch InBev ran a programme based on "compliance champions" while the company was in the process of building its ethics and compliance programme. However, the company realized that it was spending too much time on investigation reports, which it deemed inefficient. Now the organization encourages employees and third parties to look for problems and point them out.

External incentives can include the debarment of third parties, with potential reinstatement when they can show that they have improved their ethics and compliance.

3.5 Training, communication and transparency

Companies act through human beings – their employees. But human beings are complex creatures. They bring with them diverse personal and professional backgrounds, education and experiences, as well as innate intelligence, personalities, values and implicit/unconscious biases; and they are subject to a variety of needs, goals and pressures. Large, global companies employ tens of thousands of individuals, each with a unique identity. The challenge for E&C professionals is to create one cohesive "culture of integrity" to which all of those individuals will conform – this they are doing through innovative training and consistent communication, with an emphasis on transparency.

Inclusive approach

Training must be tailored to a number of conditions:

- The legal and regulatory requirements of different jurisdictions
- Different languages
- Employees with disabilities – for example, are some employees blind or deaf?
- Types of job – for example, desk jobs or working on the shop floor/in the field, sales or IT?
- Ensuring all levels are included, from temporary employees to board members

It is particularly important to make a multilingual approach a priority: the code of conduct and the main policies should not just be directly translated from the original language, but care should be taken to also include local terms, business risks and case examples.

Messages to inspire

Efforts should be made to give integrity messaging maximum impact. This applies to both traditional training and general communications, and should be based on a thoughtful, tailored strategy to increase efficacy and, thus, limit wasted time and resources. Organizations should bring "design thinking"[18] to business integrity, take account of different ways in which people interact with information (e.g. language, visual) and apply behavioural science insights. Rather than using annual training lasting 90 or 120 minutes to cover a number of relevant issues, organizations should use a series of short training modules (each lasting four to seven minutes) that are distilled and engaging, with the purpose of raising issue awareness. The Asian Development Bank (ADB) offers gamified e-learning courses on integrity, followed by the announcement of the winners and a celebration for them at the organization's internal "anti-corruption day". Several companies noted the importance of storytelling in employee engagement and that employees should be involved in conversations about ethics and compliance. Real-life ethical dilemmas should be discussed with employees and should also be made part of the recruitment process – in an effort to create a shift from a rules-based to a principles-based culture.

Constant and integrated

Integrity training should not take place in a vacuum. Rather, it should be integrated into various aspects of the business, including general business training. And it should be advanced not just by human resources or legal, but endorsed by the highest leadership levels – including the CEO, who should emphasize the importance of integrity at every opportunity and give it constant visibility through clear messaging.

At PepsiCo, for example, managers "weave integrity messages into all sales meetings". And at SNC-Lavalin, management "creates a safe space for employees to speak up" and initiates discussions about integrity. The goal is to get employees to question things in their daily work instead of subjecting them to purely "one-way" training. Companies must facilitate open and honest discussions, even if the issues are difficult.

SNC-Lavalin has an "integrity ambassadors" programme, which deputizes about 150 such ambassadors across the entire business with the following goals:

- Increase awareness of the company's integrity mandate
- Offer support in implementing the company-wide integrity programme in the assigned division/region
- Guide employees to relevant resources
- Act as a first point of contact and direct employees in the right direction
- Keep employees informed and engaged
- Generally promote integrity in the assigned division/region

Lessons learned from investigations

Basing some integrity messaging on incidents that an organization has actually experienced will make any lesson tangible and thus more memorable for employees. At Microsoft, leaders stress the importance of being outspoken on compliance challenges and of pushing for transparent outcomes that can further encourage a culture of integrity. They are moving more and more from an approach characterized by news containment (an era of "no comment") to opportunities for setting examples internally.

It is crucial to react to an increasing number of people speaking up with targeted training, and it is good for employees to see that something was done after a reporting hotline was used. Many organizations used to be afraid to talk about internal misconduct, but that is no longer the case. Instead, many companies now discuss misconduct in anonymized ways and also share certain statistics (e.g. there were 150 reports, 30 employees were disciplined, five had their employment terminated) in order to build confidence. Several companies even publish integrity and vulnerability reports on their intranet or even the internet, making these types of statistic accessible to employees, vendors and other stakeholders. This approach allows for scrutiny and facilitates candid discussions to promote learning.

Use technology wisely in training and communication

Most organizations use technology in integrity training and communication with their staff. For example, they make all integrity documents (code of conduct, policies, procedures, training documents/videos) easily accessible on the intranet with internal links to related issues. Some offer chatbots to help employees 24/7 with questions regarding points in the code of conduct. A number of organizations also make their helpline accessible not only for complaints and reports of misconduct but also for reports of ethical conduct. One has used technology to "crowd-source" its code of ethics.

Externally, companies can use technology to improve their communications by making integrity documents available on a publicly accessible website. This will educate external stakeholders, from customers to local communities, on what the company stands for and it informs their vendors and other third parties what is expected of them. A vendor code of conduct (or "responsible business partner" document) should be made accessible via a third-party portal that offers vendors a safe and convenient way to review and sign required integrity documents and any updates issued over time.

FIGURE 5 **Unilever Responsible Sourcing Policy (excerpt)**

THE FUNDAMENTAL PRINCIPLES

Every aspect of this policy is focused on achieving and upholding the Fundamental Principles, which are both the foundation and vision to realise our responsible business ambitions. As we work with suppliers who share and commit to these Principles, within their own business and across their extended supply chain, we will be able to effect change.

The Principles are not a Unilever 'creation'. They are anchored in internationally recognised standards.

We endorse the UN Guiding Principles on Business and Human Rights and are embedding them throughout our operations. In line with the Fundamental Principles, we base our Human Rights commitment on the International Bill of Human Rights consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights; and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We support the OECD Guidelines for Multinational Enterprises and resulting commitments to compliance with applicable laws, and to fighting corruption in all its forms.

The same approach is reflected in our other third party compliance materials, notably our Responsible Business Partner Policy.

EVALUATION AND ASSESSMENT

The 2017 Unilever Responsible Sourcing Policy (RSP) updates our previous 2014 Unilever Responsible Sourcing Policy. Unilever will verify alignment to and implementation of the RSP's Mandatory Requirements through the use of supplier self-declaration, online assessments and – for designated high-risk countries and supplier types – independent verification including third-party audits.

The implementation process will encompass a process suitable for small businesses as well as large businesses with well-established compliance programmes.

THE FUNDAMENTAL PRINCIPLES ARE:	
1.	Business is conducted lawfully and with integrity
2.	Work is conducted on the basis of freely agreed and documented terms of employment
3.	All workers are treated equally and with respect and dignity
4.	Work is conducted on a voluntary basis
5.	All workers are of an appropriate age
6.	All workers are paid fair wages
7.	Working hours for all workers are reasonable
8.	All workers are free to exercise their right to form and/or join trade unions or to refrain from doing so and to bargain collectively
9.	All workers' health and safety are protected at work
10.	All workers have access to fair procedures and remedies
11.	Land rights of communities, including indigenous peoples, will be protected and promoted
12.	Business is conducted in a manner which embraces sustainability and reduces environmental impact

Source: Unilever, *Unilever Responsible Sourcing Policy: Working in Partnership with Our Suppliers* (2017), page 3: https://www.unilever.com/Images/responsible-sourcing-policy-interactive-final_tcm244-504736_en.pdf

Some companies, such as Unilever, train third parties on various matters, including integrity, but most do not. For some, it is a matter of limited resources; others do not train third parties because there is a risk that such training may create employment relationships. And some companies do not train third parties out of a concern that they might become liable in case of misconduct that is blamed on defective training. Some companies do not train third parties, but do supply the third parties' lawyers with tools and materials to help them understand the issues and to meet the companies' expectations. AB InBev offers "compliance open house" webinars on how technology is changing compliance.

3.6 Digital technologies

Digital innovation has allowed us to strengthen oversight, but also creates new pathways for fraud and corruption. We need new tools to combat, prevent and detect.

John Versantvoort, Head, Office of Anticorruption and Integrity, Asian Development Bank (ADB)

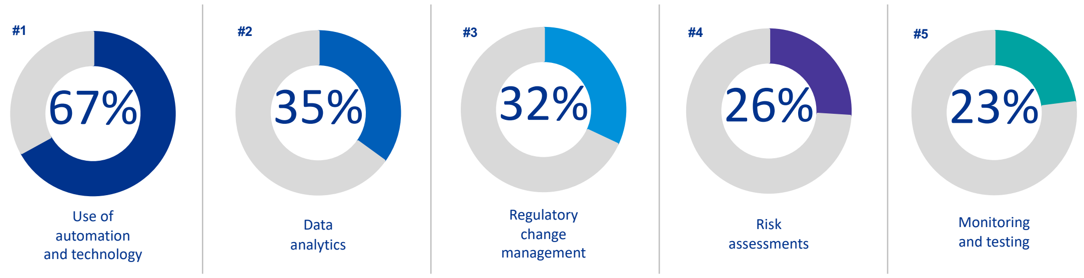
Digital technology is part of the problem – and part of the solution.

Managing the vast amounts of data relevant to integrity programmes can be overwhelming. The *manual* processing of information on issues such as know your customer (KYC) and third-party due diligence, investigations and conflicts of interest is no longer feasible for most companies. Instead, to collect, track, analyse and use information efficiently and effectively, E&C professionals are well advised to take advantage of digital technology tools. The need for them is even more urgent where corruption and other crimes are facilitated by digital technology. In addition, digital technologies are also indispensable for ESG integration and adoption. The interviewees all acknowledged the crucial importance of employing digital technology in E&C programmes, but not all have been able to implement digital tools to the extent they wished.

This is consistent with the findings of the *KPMG 2021 CCO Survey*, according to which a large number of survey respondents indicated that "automation and technology would be integral to their compliance efforts" and that they "planned to enhance the use of automation and technology in the next one to three years".[19]

FIGURE 6

KPMG 2021 CCO Survey: Top ethics and compliance activities to enhance



Source: KPMG, *KPMG 2021 CCO Survey*, page 2: https://home.kpmg/content/dam/kpmg/cn/pdf/en/2021/10/kpmg-2021-cco-survey.pdf

Organizations should consider gathering all of their data (e.g. business, HR, compliance) in data lakes and then sort and analyse relevant data to uncover recent developments, emerging trends and developing problems in the implementation of their integrity policies and procedures. Compliance management software (e.g. platforms, portals, dashboards, automated workflows, integrated reporting functions) can increase efficiency and give the humans in the integrity function the time and energy to focus on strategy. Any compliance management system thus employed should be easy to use by E&C professionals and by other users (e.g. employees, third parties) and applications should be straightforward and intuitive, with desktop and mobile options to accommodate different types of users.

BOX 2

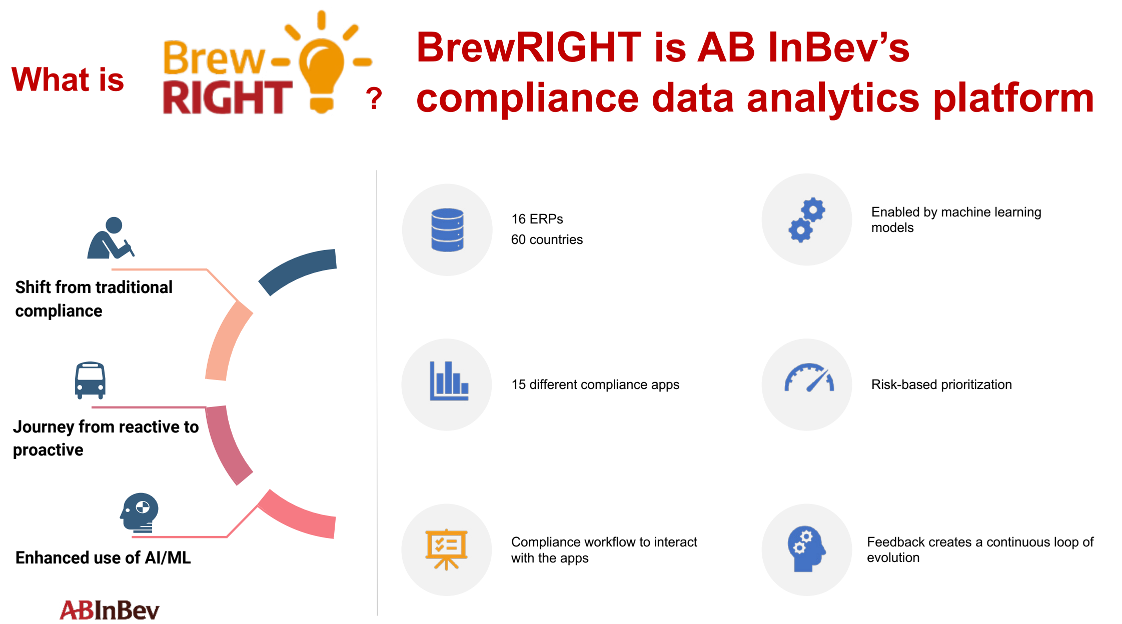
AB InBev

#BrewRIGHT is a central platform that integrates data from various internal (finance, compliance, human resources etc.) and external sources (sanctions lists, Transparency International Corruption Perceptions Index [CPI], maps etc.). The system can access information from operations in dozens of countries, and analyse data about various processes within the company, such as third-party vendor due diligence, gifts, travel and entertainment and accounts payable, as well as expense, compliance and investigation records. It uses digital technologies (artificial intelligence, machine-learning,[20] data analytics, data visualization etc.) to improve the identification of high-risk transactions and third parties by analysing huge sets of local data and making data transparent across the company. This process creates a better overview of AB InBev's supply chains and helps predict risk.

AB InBev recently initiated a non-profit to facilitate a consortium of companies interested in broadening and advancing #BrewRIGHT's benefits. Just as credit card companies gather data on millions of credit card transactions from *all* of their customers to detect fraud on any *one* customer's card, so BrewRIGHT aims to use information from other companies to detect/predict crimes at AB InBev and the other members of the consortium. On the consortium's platform, AB InBev plans to trade algorithms with other companies to expand their model and make a difference globally. According to Matt Galvin, AB InBev's Global Vice-President for Ethics and Compliance, "distributed ledger technology (blockchain) can unlock a huge potential for collective action to solve collective problems".

FIGURE 7

AB InBev #BrewRIGHT



Source: ABInBev

Some organizations use information they collect on money flows to detect crime (e.g. money laundering) in order to avoid becoming a victim of (or tool or conduit for) financial crimes. They see their Financial Action Task Force (FATF)-guided approach, focusing on current and emerging risks, as a competitive advantage. One company reported having about 40 patents pending regarding compliance technology. Another organization has developed a proprietary tool, based among other things on UN-issued anti-corruption documents to compare risk assessments and learn for future undertakings. Other companies use e-procurement software, finding it efficient and useful in curbing corruption.

Several interviewees mentioned "e-learning" (i.e. training through videos and using other online methods) as a good use of technology for a number of reasons, not least because it is possible to reach much wider audiences than with strictly in-person learning. One interviewee explained that a chatbot can help raise employee awareness; chatbot solutions are based on machine learning to anticipate questions through natural language processing, with the company feeding information on FAQs, policies and procedures.

Externally, organizations can open their E&C portals to vendors and other third parties for screening and due diligence purposes at onboarding and throughout the relationship. To increase transparency, organizations can publish relevant integrity documents and information on their websites. Finally, they should consider working with law enforcement and with peers on technology issues (including cryptocurrency issues) in order to stay actively engaged in a dialogue and unite in the battle against crimes involving technology.

3.7 Joining forces to multiply impact

Companies can create a positive ripple effect and influence a systems change in a number of ways. They can try to effect change through the ethical use of economic leverage to transform partner practices on E&C. Areas of an organization's potential influence include its supply chains, suppliers, third-party vendors, agents and the joining of forces – within and across industry lines – with other organizations (including multilateral institutions) committed to similar objectives.

Advancing a common advocacy agenda

Several leading companies – from Unilever and PepsiCo to Microsoft and Vestas – have prioritized key issues that transcend their integrity and ESG priorities as a business, and affect the communities and markets in which they operate – at a local, national and global level. As a result, global advocacy efforts can be seen in which many companies, governments, NGOs and multilateral organizations join forces to uphold and promote the importance of:

- Beneficial ownership and corporate registries
- Doing business in a corruption-free environment (e-governance), helping countries with legislation and reducing red tape
- Implementation of SDG 16 (Peace, justice and strong institutions)
- Integration between compliance, sustainability and human rights

BOX 3

Microsoft–IDB Partnership

In 2020, Microsoft and the Inter-American Development Bank (IDB) expanded their partnership through a new initiative to use technology to help reduce corruption, increase transparency and foster integrity in Latin America and the Caribbean by leveraging the power of cloud computing and advanced analytics. The initiative will leverage the IDB's development expertise and Microsoft's technological capacity to develop high-impact projects that will enhance transparency and help prevent corruption, all in pursuit of greater institutional integrity in the region.[21]

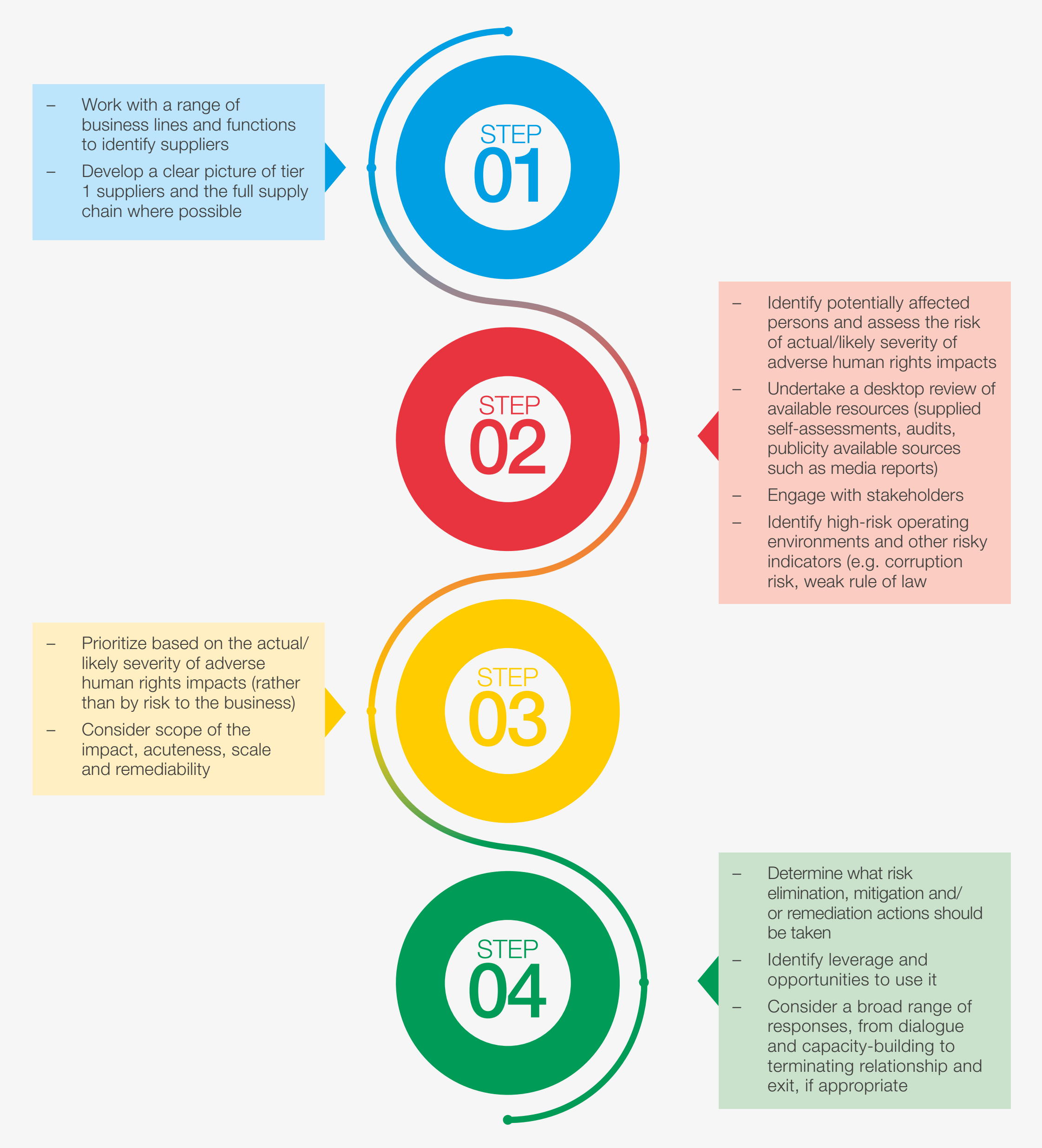
In the past, the Microsoft-IDB partnership yielded the groundbreaking InvestmentMap[22] initiative, which enables citizens to monitor government spending in real time using innovative digital platforms. The platforms also offer a user-friendly tool to submit comments, suggestions and misconduct allegations. As of September 2021, seven countries (Argentina, Colombia, Costa Rica, Dominican Republic, Jamaica, Paraguay and Peru) have already implemented the initiative, and four more (Bahamas, Ecuador, Honduras, and Trinidad and Tobago) will do so soon.

Supply chains and third-party risk

Before organizations engage new suppliers, agents, vendors and clients, etc., and before they renew existing relationships with such third parties, they should satisfy themselves that those third parties are doing business in an ethical manner. This means that, in their third-party due diligence processes, organizations should go beyond what is strictly required by applicable law. Depending on the level of risk, the due diligence process should include enquiries regarding a third party's commitment to integrity and the implementation of that commitment in practice. For example, at a certain risk level, organizations should obtain ultimate beneficial ownership (UBO) information regarding third parties – even if such an enquiry may not be strictly required by applicable law.

In addition to traditional due diligence, organizations should also perform due diligence focused specifically on human rights – in order to lower the risk of unwittingly tolerating or even promoting human rights abuses within their supply chains. A human rights impact assessment (HRIA) "simplifies the complexity of managing human rights by providing companies with a consistent, efficient, and systematic way to identify, prioritize, and address human rights risks and opportunities at a corporate, country, site, or product level".[23] Figure 8 shows the recommended steps in an effective HRIA.

FIGURE 8 | **Human rights and supply chain due diligence – human rights impact assessment (UNGC)**



Source: United Nations Global Compact (UNGC), *Guide for General Counsel on Corporate Sustainability v.2.0* (2019), page 32: https://www.unglobalcompact.org/library/5722

Where organizations have some level of influence over third parties, they should try to use it to advance integrity objectives. This can range from educating and guiding third parties in the right direction to putting legal and financial pressures on third parties. Organizations should also consider issuing mandatory third-party codes of conduct and even developing a list of disavowed suppliers based on non-compliance. They should also consider capacity-building programmes for third parties in certain geographical locations and for riskier types of third parties (due to size, maturity, type of industry, type of relationship etc.) in order to raise awareness and promote international standards on transparency (e.g. FATF, UN standards).

Multistakeholder initiatives

Multistakeholder engagement on common goals can be very effective. Because the private sector is becoming such a dominant force in regional economic development, there is a broader role for collaboration in advancing common integrity objectives. The collaboration can take different forms. Several interviewees recounted active engagement with regional and/or sectoral business associations focused on promoting ethical standards. One goal could be that all participating companies pledge to follow certain ethical standards, which would then make it easier for each individual participant to refuse a bribe request.

Regional and sectoral networks can also offer support by serving as a platform to exchange experiences, share ideas and develop best practices – for example at conferences or through webinars, working groups and reports or white papers. One illustrative example of the importance of collective business action and the benefits of regional/sectoral networks is the Extractive Industries Transparency Initiative (EITI); another good example is the Maritime Anti-Corruption Network (MACN). There are numerous global, regional and sectoral networks and other organizations that offer additional resources to help strengthen integrity functions and capabilities as well as collaborative efforts. (A list of select organizations and networks and their websites is provided at the end of the paper.)

Networks and other multistakeholder initiatives are important not only to private businesses but also to multilateral development banks (MDBs). Several MDBs have found it beneficial to join forces with stakeholders including host governments, business associations and other MDBs as an avenue for cross-sectoral collaboration. They have found that collective action and mutual capacity-building can advance a common agenda and generate change on critical issues.

But collective action can be successful in multiplying impact only if approached thoughtfully. Any organization contemplating innovative sectoral and cross-sectoral collaborations should have a well-defined external engagement strategy and clearly identified goals. Organizations should prioritize key topics to advance the integrity agenda and ensure that their collaborations align with the business and its long-term goals.

BOX4

Western Union

Western Union (WU) is building its culture of integrity through innovative partnerships and collaborations in the fight against wildlife and human trafficking. WU has made a public commitment to play a part in combating illegal wildlife trade (IWT). WU is a founding member of the United for Wildlife Financial Taskforce, an international coalition of financial institutions created to fight IWT and other wildlife crime. The taskforce collaborates with the global financial sector to better understand the challenges associated with disrupting IWT financial flows.

In the fight against human trafficking and modern slavery, WU takes a multifaceted approach to preventing its services from being used to facilitate such crimes. In addition to internal E&C measures, the company also partners with a number of external organizations, including the Association of Certified Anti-Money Laundering Specialists, as well as non-profits such as Stop the Traffik and the Child Rescue Coalition, the National Center for Missing & Exploited Children (NCMEC) and the International Centre for Missing & Exploited Children (ICMEC). WU also partners with various law enforcement organizations and is one of the original partners of the US Department of Homeland Security's Blue Campaign, a national public awareness movement aimed at combating human trafficking.[24]

4 Trends shaping the future

Data and digital

On the negative side, technology facilitates certain crimes (e.g. fraud), expands the mountains of data that must be processed and amplifies data privacy problems. On the positive side, technology tools can drive and measure culture, make E&C programmes more efficient and inclusive, and detect and potentially predict and, thus, prevent crime and other misconduct. Matt Galvin from AB InBev also suggested that so-called "smart contracts" are a huge gain for E&C programmes and a great opportunity for transparency, but that they are, as of now, still largely misunderstood. Finally, companies should consider the deployment of emerging surveillance tools very carefully. They can help to identify fraud and misconduct before it happens; but they also signal distrust and can reduce employee motivation and commitment, degrading overall ethical culture.[25]

Increase in stakeholder influence

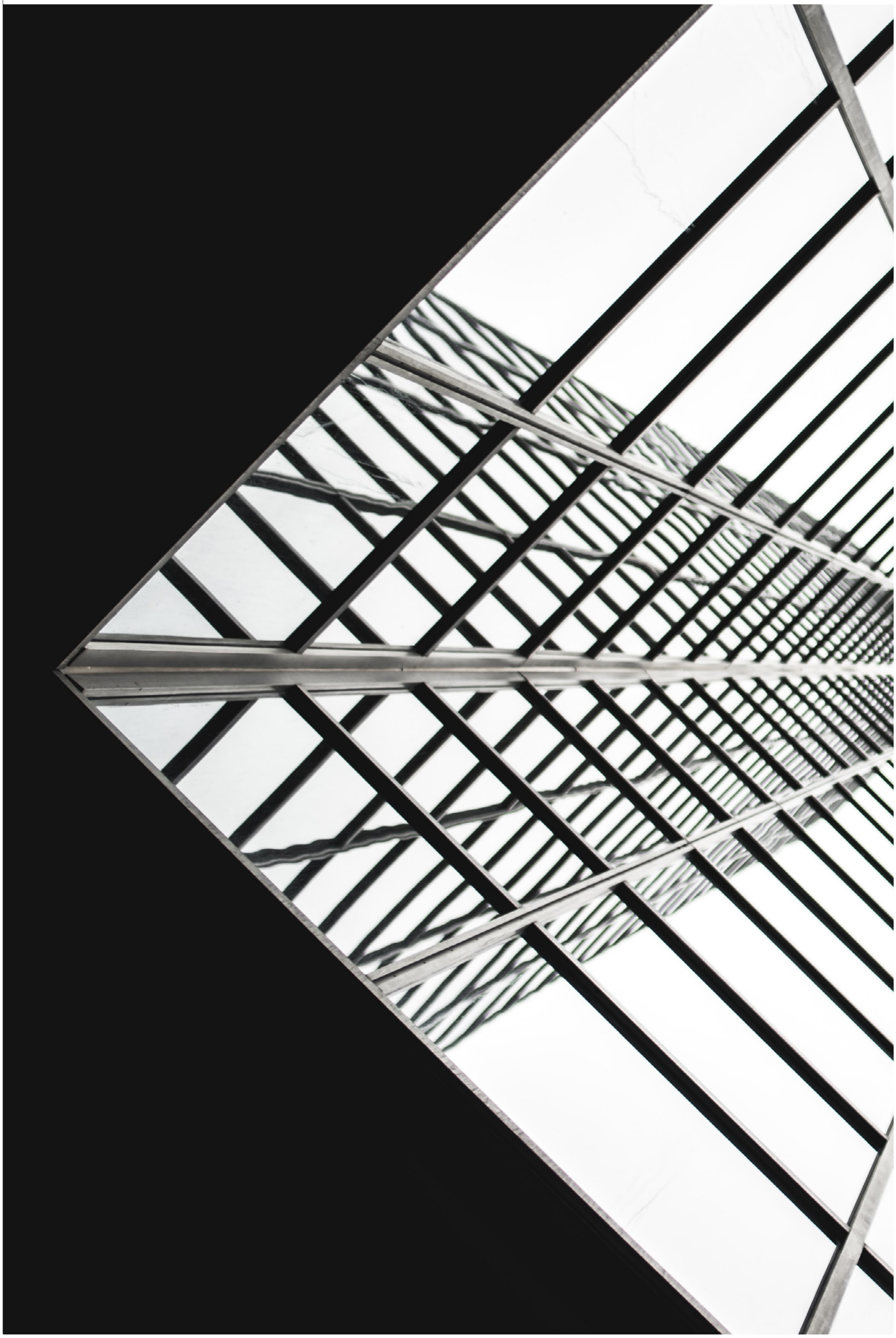
Businesses are giving more attention than ever to the increasing expectations of stakeholders. As a result, they face serious challenges in deciding whether to take a stand on any particular social or political issue. A thoughtful strategy is crucial to avoid knee-jerk reactions and other potential pitfalls while developing deliberate and mindful decisions with a long-term focus. Employee activism, in particular, will be a major consideration in the future because of the changing nature of expectations of current employees and of the next generation joining the workforce. Also, social movements such as #MeToo and Black Lives Matter are expected to continue to have a catalysing effect on how stakeholders (including employees and customers) interact with businesses. These factors are inherently difficult for companies to manage, not least because issues of social identity and inclusion play out very differently depending on the local context. In the summer of 2020, many companies found that their responses to racial justice protests in the US left them open to allegations of incoherence or even hypocrisy. Companies must explore how to develop values that are pluralistic but not infinitely flexible.

Increase in regulations

The interviewees perceived a worldwide trend towards more and stricter regulation. For example, certain jurisdictions are enacting laws that require companies to have a code of conduct and disclose integrity issues in their annual reports, and there is a renewed focus on corruption. On human rights and ESG issues, the world is moving from soft law to hard law, and regulatory expectations are increasing. Also, it appears that there is a trend towards harmonization of ESG reporting.

Conclusion

The rise of the chief integrity officer is a visible manifestation of a wider shift towards a more strategic and inclusive approach to integrity. As businesses continue to come to grips with the changed landscape and new expectations of business in society, these issues will continue to become a strategic differentiator. Companies that consciously embrace their long-term obligations to society and the environment will increasingly be distinguished from those that take a short-term, instrumentalist approach to integrity issues.



Appendices

Additional resources

Organizations and networks

The following organizations and networks provide resources to help strengthen integrity functions and capabilities and cross-sectoral collaboration.

Global organizations and networks:

- AIM-Progress: https://aim-progress.com/
- Alliance for Integrity: https://www.allianceforintegrity.org/en/
- Basel Institute on Governance: https://baselgovernance.org/ Business 20 Process: Italy 2021: https://www.b20italy2021.org/b20/
- Coalition for Ethical Operations: https://baselgovernance.org/b20-collective-action-hub/initiatives-database/coalition-ethical-operations
- Ethisphere Compliance Leader Certification: https://ethisphere.com/
- Extractive Industries Transparency Initiative: https://eiti.org/
- Harvard Kennedy School, Corporate Responsibility Initiative: https://www.hks.harvard.edu/centers/mrcbg/programs/cri
- International Anti-Corruption Academy (IACA): https://www.iaca.int/
- International Chamber of Commerce (ICC): https://iccwbo.org/
- Maritime Anti-Corruption Network (MACN): https://macn.dk/
- Organisation for Economic Co-operation and Development (OECD) Trust in Business Initiative: https://www.oecd.org/daf/ca/trust-business.htm
- Responsible Art Market (RAM): http://responsibleartmarket.org/
- Society of Corporate Compliance and Ethics (SCCE): https://www.corporatecompliance.org/
- TRACE International: https://www.traceinternational.org
- Transparency International: https://www.transparency.org/en
- UN Office on Drugs and Crime (UNODC): https://www.unodc.org/
- World Economic Forum Global Future Councils (GFCs): https://www.weforum.org/communities/global-future-councils
- World Economic Forum Partnering Against Corruption Initiative (PACI): https://www.weforum.org/communities/partnering-against-corruption-initiative

Regional networks:

- American Chambers of Commerce abroad (AmCham): https://www.uschamber.com/
- Anti-Corruption Initiative for Asia and the Pacific: the Public Integrity Network (PIN): Public Integrity Network
- Transparency International Regional Networks: https://www.transparency.org/en/about

Further reading

Basel Institute on Governance, B20 Collective Action Hub, Initiatives Database: https://baselgovernance.org/b20-collective-action-hub/initiatives-database

BSR, *Five-Step Approach to Stakeholder Engagement*: https://www.bsr.org/en/our-insights/report-view/stakeholder-engagement-five-step-approach-toolkit

ECI, *A Guide to ESG: What Ethics & Compliance Professionals Need to Know About the Rise in ESG Investing and How It May Impact Their Work*, ECI White Paper (2021): https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Guide-To-ESG1.pdf

ECI, *Addressing Ethics & Compliance Challenges for Multinational Organizations*, ECI White Paper (2021): https://mk0ecihomepagexcvllh.kinstacdn.com/wp-content/uploads/2021-ECI-WP-Ethics-Compliance-Mulinational-Organizations.pdf

Harrison, Kurt B., Emily Meneer and Beijing Zhu, "ESG 2.0 – The Next Generation of Leadership", Harvard Law School Forum on Corporate Governance (2 September 2021): https://corpgov.law.harvard.edu/2021/09/02/esg-2-0-the-next-generation-of-leadership/

KPMG, *KPMG 2021 Chief Compliance Officer Survey, Sharing Client Perspectives on Compliance Imperatives*: https://advisory.kpmg.us/articles/2021/cco-survey-2021-gated.html

OECD, *OECD Corporate Governance Factbook 2021*: https://www.oecd.org/corporate/corporate-governance-factbook.htm

UN Global Compact, *Guide for General Counsel on Corporate Sustainability 2.0* (2019): https://www.unglobalcompact.org/library/5722

UN Global Compact, UN Sustainable Development Goal 16:
- https://www.unglobalcompact.org/take-action/action-platforms/justice
- https://sdg16.unglobalcompact.org/

van Rooij, Benjamin and D. Daniel Sokol, eds., *The Cambridge Handbook of Compliance* (2021): https://www.cambridge.org/core/books/cambridge-handbook-of-compliance/A7A803D987C9C001C6569395BEE5051C#

Video: "The Road to Transformational Governance" (panel session with Nestlé and L'Oréal): https://www.youtube.com/watch?v=PGCDgWfD6ZA

Interviewees

Frank Brown
Director of Anti-Corruption & Governance Center, Center for International Private Enterprise CIPE

Nicole Diaz
Global Head of Integrity and Compliance Legal, Snap Inc.

Hentie Dirker
Chief ESG and Integrity Officer, SNC-Lavalin

Jon Drimmer
Partner, Paul Hastings

David Flavell
Executive Vice-President, General Counsel and Corporate Secretary, PepsiCo

Matt Galvin
Vice-President Ethics and Compliance, AB InBev

Silvia Garrigo
Senior Vice-President and Chief ESG Officer, The Royal Caribbean Group; former Vice-President, Corporate Responsibility and Social Investment, Millicom (Tigo)

Gonzalo Guzman
Global General Counsel, Anti-Corruption, Unilever

Halimatun Saadiah Bt A Halim
Chief Compliance Officer, Petronas

Kristian Heydenreich
Global Head, Compliance and CSR, Vestas

Christina Koulias
Senior Manager, Global Governance, UN Global Compact

Lisa Kristin Miller
Head of Integrity Compliance Office and Integrity Compliance, World Bank Group

Klaus Moosmayer
Chief Ethics, Risk and Compliance Officer, Novartis

Jane Nelson
Director, Corporate Responsibility Initiative, Harvard Kennedy School of Government

Sam Pailca
Associate General Counsel, Office of Legal Compliance, Microsoft

Pamela Passman
Chair, Corporate and Managing Director of New York, APCO Worldwide; former Corporate Vice-President and Deputy General Counsel, Microsoft; former President of the Center for Responsible Enterprise and Trade (CREATe.org)

Lisa Rosen
Chief Compliance Officer, Bank of England; former Chief Compliance Officer, European Bank for Reconstruction and Development (EBRD)

Caroline Tsai
Chief Legal Officer and Corporate Secretary, Western Union

John Versantvoort
Head, Office of Anticorruption and Integrity, Asian Development Bank (ADB)

Contributors

Houssam Al Wazzan
Specialist, Partnering Against Corruption Initiative (PACI), World Economic Forum

Birgit Kurtz
Fellow, Partnering Against Corruption Initiative (PACI), World Economic Forum

Daniel Malan
Assistant Professor in Business Ethics at Trinity Business School, Trinity College Dublin

Alison Taylor
Executive Director, Ethical Systems; Senior Advisor, Business for Social Responsibility (BSR)

Anna Tunkel
Senior Vice-President, Head of Global Strategic Initiatives and Partnerships, APCO Worldwide

Lisa Ventura
Practice Lead, Partnering Against Corruption Initiative (PACI), World Economic Forum

Endnotes

1. See Gartner Glossary: https://www.gartner.com/en/finance/glossary/environmental-social-and-governance-esg-.
2. See generally World Economic Forum, Global Future Council on Transparency and Anti-Corruption, *Ethics and Integrity Beyond Compliance, Agenda for Business Integrity* (October 2020): http://www3.weforum.org/docs/WEF_GFC_on_Transparency_and_AC_pillar1_beyond_compliance_2020.pdf.
3. See, e.g., Todd Haugh, "The Criminalization of Compliance", *Notre Dame Law Review* 92 1215 (2017): https://scholarship.law.nd.edu/ndlr/vol92/iss3/5.
4. See, e.g., Alison Taylor, "The Corporate Responsibility Facade Is Finally Starting to Crumble", *Quartz* (10 March 2020): https://qz.com/work/1812245/the-corporate-responsibility-facade-is-finally-starting-to-crumble/?utm_term=mucp.
5. See, e.g., Sean J. Griffith, "Corporate Governance in an Era of Compliance", *William & Mary Law Review* 57 2075 (2016): https://ir.lawnet.fordham.edu/faculty_scholarship/873/.
6. PwC, Strategy&, *CEO Success Study* (2018): https://www.strategyand.pwc.com/gx/en/insights/ceo-success.html.
7. Novartis, *Code of Ethics* (2020): https://www.novartis.com/sites/www.novartis.com/files/code-of-ethics-english.pdf.
8. Novartis, "Code of Ethics: Our Commitment to Doing What's Right" (2020): https://www.novartis.com/our-company/corporate-responsibility/ethics-risk-compliance/code-of-ethics.
9. US Department of Justice, *Criminal Division, Evaluation of Corporate Compliance Programs* (updated June 2020): https://www.justice.gov/criminal-fraud/page/file/937501/download.
10. Alison Taylor, "Aligning Sustainability and Risk Management", *Risk Management* (1 November 2019): http://www.rmmagazine.com/author/alison-taylor/.
11. See, e.g., Janine Guillot and Jeffrey Hales, "Materiality: The Word that Launched a Thousand Debates", Harvard Law School Forum on Corporate Governance (21 May 2021): https://corpgov.law.harvard.edu/2021/05/14/materiality-the-word-that-launched-a-thousand-debates/.
12. See, e.g., European Commission, "Questions and Answers: Corporate Sustainability Reporting Directive Proposal" (21 April 2021): https://ec.europa.eu/commission/presscorner/detail/en/QANDA_21_1806.
13. See, e.g., Alison Taylor, "Aligning Sustainability and Risk Management", *Risk Management* (1 November 2019): http://www.rmmagazine.com/articles/article/2019/11/01/-Aligning-Sustainability-and-Risk-Management-; Alison Taylor, "The Case for Merging Sustainability, Risk and Compliance", *GreenBiz* (21 March 2018): https://www.greenbiz.com/article/case-merging-sustainability-risk-and-compliance; Alison Taylor, "How Aligning Sustainability and Risk Can Overcome Organizational Blind Spots", BSR Blog (19 August 2019): https://www.bsr.org/en/our-insights/blog-view/how-aligning-sustainability-and-risk-can-overcome-organizational-blind-spot.
14. Larry Fink's 2019 Letter to CEOs, "Profit & Purpose": https://www.blackrock.com/americas-offshore/en/2019-larry-fink-ceo-letter.
15. See, e.g., NYU School of Law, Center for Diversity, Inclusion, and Belonging, "Opening Up the World: How Multinational Organizations Can Ascend the Maturity Curve on LGBT+ Rights": https://www.law.nyu.edu/sites/default/files/OpeningUpTheWorld_report_FINAL_508.pdf.
16. See, e.g., Alison Taylor, "So Many Stakeholders. How Do Companies Choose Who to Satisfy?" *Wall Street Journal* (24 June 2021): https://www.wsj.com/articles/so-many-stakeholders-strategy-11624308112.
17. Phillippa O'Connor, Lawrence Harris and Tom Gosling, "Linking Executive Pay to ESG Goals: Public Pressure and Changing Norms Are Paving the Way for Business Leaders to Be Paid Based on a New Set of Criteria", PwC Global (29 June 2021): https://www.pwc.com/gx/en/issues/esg/exec-pay-and-esg.html.
18. See, e.g., Jeanne Liedtka, "Why Design Thinking Works: It Addresses the Biases and Behaviors that Hamper Innovation", *Harvard Business Review* (September–October 2018): https://hbr.org/2018/09/why-design-thinking-works.
19. KPMG, *KPMG 2021 CCO Survey*, page 2: https://advisory.kpmg.us/articles/2021/cco-survey-2021-gated.html.
20. For more information on machine-learning in compliance, see Coalition for Integrity, *Using Machine Learning for Anti-Corruption Risk and Compliance* (2021): https://www.coalitionforintegrity.org/wp-content/uploads/2021/04/Using-Machine-Learning-for-Anti-Corruption-Risk-and-Compliance.pdf.
21. New Centre Microsoft, *The IDB and Microsoft Tackle Transparency, Integrity and Anti-Corruption Challenges through Technological Innovation* (2010): https://news.microsoft.com/es-xl/the-idb-and-microsoft-tackle-transparency-integrity-and-anti-corruption-challenges-through-technological-innovation/.
22. IDB, "IDB-Microsoft InvestmentMap": https://www.iadb.org/en/reform-modernization-state/initiatives-investmentmap.
23. BSR, *Conducting an Effective Human Rights Impact Assessment: Guidelines, Steps, and Examples* (March 2013): http://www.bsr.org/reports/BSR_Human_Rights_Impact_Assessments.pdf.
24. For further information on Western Union's ESG efforts, including its various collaborations, see *2020 ESG Report*: https://corporate.westernunion.com/esg/.
25. Ethical Systems, "Workplace Surveillance": https://www.ethicalsystems.org/workplace-surveillance/.

COMMITTED TO IMPROVING THE STATE OF THE WORLD

The World Economic Forum, committed to improving the state of the world, is the International Organization for Public-Private Cooperation.

The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744
contact@weforum.org
www.weforum.org