

B20 ITALY



Integrity & Compliance

POLICY PAPER 2021

The logo for B20 Italy 2021, featuring the text "B20 ITALY 2021" in white, stacked vertically, with a horizontal line under "ITALY". The text is set against a circular blue background with a globe-like texture, all enclosed in a thin orange border.	<p>RESHAPE THE FUTURE: INCLUDE, SHARE, ACT</p>
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## Foreword by the Taskforce Chair

### Reinterpreting integrity and compliance

*“Compliance and integrity-based programs are the leading pragmatic approaches to ethics, which is key in today’s business environment. The concepts of integrity and compliance are taking on a broader scope, which in a moment of unprecedented challenge, with very severe socio-economic consequences, is linked to the idea of sustainable business. Therefore, companies are called upon not only to pursue the profitability of their investments, but to integrate further interests to promote virtuous synergies and positive impact among stakeholders.*

*In this sense, adopting, promoting and rewarding cooperative compliance efforts through the use of effective supporting technologies and digital solutions that improve the overall quality of work and wellbeing of individuals is key. Companies with a strong ethical culture enhance their ability to attract investors, customers and talented professionals. The foundations of ethical behavior start at the top of the pyramid and allow companies to create a culture that values integrity.*

*The COVID-19 pandemic has turned into an acceleration of the emergence of global risks, penalizing our economies, social unrest, climate changes, and social inequality. Therefore, the strong commitment of the B20 Italy is to convey and transmit the new role of organizations and the need to recognize the centrality of the human factor in business, providing pragmatic solutions to embrace and redesign a new path focused on inclusion and making a positive impact to create a better future.”*

Sincerely,

**Patrizia Grieco**

Chair of the B20-Taskforce on Integrity and Compliance  
Position of Taskforce Chair



## Foreword by the Taskforce Co-Chairs

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**Katja Bechtel**  
Lead, Partnering Against  
Corruption Initiative  
(PACI), WEF

*"As we emerge from the COVID-19 pandemic, businesses will play a key role in rebuilding societies and economies with integrity.*

*A holistic approach to sustainable governance as well as Collective Action that leverage emerging technologies for more integrity and transparency are indispensable for a just and sustainable recovery."*

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**Michele Crisostomo**  
Chair, Enel

*"Integrity and adequate anti-corruption tools are critical to the credibility and effectiveness of the post COVID-19 recovery efforts.*

*A sound compliance system, embedded in a sustainable governance framework, along with public-private cooperation and transparency are essential to ensure a fair and proper use of funding".*

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**María Fernanda  
Garza Merodio**  
CEO, Orestia

*"The business of business is no longer just the business itself. Society will only gain substantive ground on the fight against corruption and the challenges presented by the ongoing pandemic through public and private sector joint efforts such as the ones proposed by the B20 ACWG".*

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**Klaus Moosmayer**  
Member of the Executive  
Committee and Chief  
Ethics, Risk and Compli-  
ance Officer Novartis

*"As businesses, we must emerge from the current pandemic with an even stronger commitment for integrity and compliance.*

*We call for Collective Action with the G20 and all of society, to facilitate joint and sustainable governance and integrity standards for both the private and public sector".*

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**Niansha XU**  
Chairman of China  
Poly Group Corporation

*"Recommendations regarding integrity and compliance have been adopted in many previous B20 summits. Consensus has been developed as well.*

*Pursuing integrity and compliance has not only encouraged enterprises to create economic value for mankind but has also played an increasingly important role in fostering social progress".*

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## Executive Summary

The Italian Presidency of the B20 intends to support multilateral institutions and instruments, directing them towards precise "key" objectives, such as accompanying major transitions, both ecological and digital, strengthening the resilience of the economic systems as well as their ability to mitigate inequalities and characteristics that have been severely tested by the pandemic crisis.

In addition, the B20 considers fundamental all measures which aim at strengthening integrity and compliance, and that are also oriented towards developing fair competition in the business production as a whole, from manufacturing to services.

Policies and actions linked to the macro themes of integrity and compliance can bring a significant contribution to these objectives, acting both directly on the private sector and through cooperation between the private and public sector. In this sense, the Task Force has been an example, also due to its adoption of a sharing method undertaken with the G20 Anti-Corruption Working Group. This confirms the overriding interest of businesses in operating in an environment with a high level of freeness, integrity and sustainability, which is a prerequisite for achieving sustainable development goals.

Moreover, the severe economic crisis generated by COVID-19 has intensified and expanded the various forms of public intervention in economic systems. In this context, to combine effectiveness in the use of public funds with the need to contain the risks of corruption and other illegal practices, gets increasingly important. In the opinion of the Task Force, the latter should become a real benchmark for setting procedures - authorization and control - for the operation of recovery plans approved by public authorities.

The Task Force of I&C Policy Paper builds on the above-mentioned assumptions, while also taking on a broader view over the traditional integrity and compliance perimeter. The document intends to pose particular attention on two key themes:

- the fight against illicit behaviour and malpractices to improve integrity in public administration. This paper proposes actions to increase transparency and efficiency, especially in sensitive areas, such as public tenders and the management of financial flows, by promoting transparency and efficiency, which can now make use of digital 'levers', as well as cooperation with the private sector which can be found in compliance programmes and high-level cooperation initiatives (e.g. Collective Action) as a reference point;
- the promotion of sustainable governance in business, which builds on a commitment to legality and the fight against corruption, thus enabling them to reshape processes to incorporate Environmental, Social and corporate Governance (ESG) objectives into corporate compliance. Moreover, such a measure will positively contribute in fostering a better balance between shareholder and stakeholder value and providing more effective 'governance' of supply chains.

In this context, the paper also considers some cross-cutting "dynamics": i) the impact of the pandemic crisis on addressed issues; ii) the leading role that large enterprises, included State-Owned Enterprises (SOEs) can play with regard to the evolution of governance systems in ESG terms; iii) the importance of broadening Small-Medium Enterprises' (SMEs) business opportunities, also through virtuous functioning of supply chains, while also increasing benefits for competition; iv) the need to develop agile initiatives in response to

new and emerging corruption risks, including sector specific ones, like those arising in sport and health.

The first Recommendation ("Responsible conduct through the procurement cycle") contains, first of all, proposals which aim to promote efficiency in public decision-making processes, through the strengthening of "administrative capacity" which, in turn, depends on - among other things - the effectiveness of the systems of selection and training of officials in charge of managing tenders. Digital tools can be of great support, as they contribute to increasing the transparency of processes while also reducing the number of "contacts" occasion, which could potentially lead to opportunities for corruption. Also procedural simplification should be accompanied by an adequate degree of digitization in order to maintain a strong level of supervision and controls over such processes. Moreover, another essential element is the "leverage" of Collective Action, such as integrity pacts, i.e. initiatives through which the private sector undertakes commitments that go beyond what is required by law, in order to address specific situations of vulnerability identified in collaboration with public actors.

The second Recommendation ("Sustainable governance in business") contains proposals which aim to ensure that the corporate governance contributes to the achievement of sustainability objectives. In concrete terms, measures such as risk assessment and corporate governance choices must now be able to promote an evolutionary process that combines the ability to remunerate shareholders while creating value to stakeholders. In this context, transparency is a key factor, especially when it comes to the dissemination of non-financial reports, which must be based on uniform standards at global level. Of equal importance, is the ability of supply chain managers to monitor integrity standards along the supply chain, as well as acting as role models for their contractors and suppliers, first and foremost through contractual "leverage", for example compliance programs, codes of conduct and/ or contract clauses, as these are the tools best suited to the structures, capacity and of SMEs.

The third Recommendation ("Promote public-private cooperation to enhance compliance") focuses on the development of compliance models and rewarding systems. It contains proposals to strengthen the link between the effectiveness of such cooperation and the dissemination of programmes and measures to combat illegality and corruption. It also highlights the centrality of reward mechanisms, such as leniency programmes and, again, Collective Action, also in terms of disseminating best practices of public-private cooperation. To make both risk mapping and the enforcement of compliance models effective, whistle-blower protection systems should be considered as an essential component. Those systems should also be encouraged in consideration of the use of digital tools, implemented in such a way as to combine a ban on any form of discrimination against whistle-blowers with the protection of the identity and position of whistle-blowers.

The fourth Recommendation ("Beneficial ownership transparency") is dedicated to beneficial ownership and anti-money laundering policies. It contains proposals aimed at strengthening: actions on the transparency of beneficial owners, through the standardisation of the standards adopted on a global scale; the effectiveness of information exchange mechanisms; the accuracy of public registers and their accessibility by the Control Authorities. In this context, technology is now a crucial variable in ensuring both the quality and the easy availability of the data contained in the registers, as shown by the good practices already implemented at global level. At the same time, additional efforts are still needed from Governments, both for the creation and

proper maintenance of the registers, a process in which the so-called gatekeepers can contribute, and to strengthen the prerogatives of the Control Authorities, whose cooperation is a key factor in combating criminal practices associated with money laundering.

Finally, for the first time, the Task Force will introduce indicators in the form of Key Performance Indicator (KPIs). We truly believe that KPIs are essential to measure the policies that the B20 intends to suggest, in order to assess and act on the basis of progress made, or detected shortcomings, by future B20 Presidencies.

## Recommendations: Summary

### **Recommendation 1: Responsible conduct through the Procurement Cycle**

Public procurement plays an important role in achieving the SDGs and responding to COVID-19 threats. The pandemic and the emergency procedures that have been adopted to address it have exacerbated the inherent risks in the procurement cycle, e.g. complex bidding processes, and the inevitable close interaction between public officials and the private sector. It is more important than ever to increase transparency, integrity, and accountability throughout the procurement cycle and to leverage emerging technologies to prevent and detect instances of corruption, thus creating a more competitive and inclusive process by encouraging fair and equitable competition.

**Policy Action 1.1: Improve the efficiency of public administrations** – The efficiency within public procurement systems contributes to lowering the risk of bribes made to expedite the performance of public officials of a non-discretionary nature, i.e. which they are already bound to perform, also in cases of discretionary decision-making. Indeed, the efficiency starts with professionalized civil servants, working pursuant to ethical standards, within a well-designed institutional framework. It is also important to focus on technologies and policies that report procurement data in real time, crowd-sourcing watchdog functions, and increasing stakeholder engagement and accountability throughout the procurement cycle. In this respect, building a strong synergy with the business ecosystem is key for the realization of a more efficient public administration.

**Policy Action 1.2: Enhance and implement digitalization for public administration processes** – Digitizing administrative processes to reduce manual intervention improves the efficacy of audit, compliance monitoring and control activities in detecting irregularities. In order to maximize and leverage a digital transformation process, fostering cultural change and building capacity in the skills required to manage open and digital platforms is key. To increase the digitalization in the public sector it is necessary to train the workforce along with allocating sufficient resources for the development of innovative digital systems, since the infrastructure within government organizations is often insufficient. E-procurement systems are one of the most effective digital tools as they reduce manual interventions and improve the efficacy of audit activities in detecting bidding irregularities, particularly when designed in conjunction with the Open Contracting Data Standard (OCDS). In this context, the implementation and adoption of digital tools can ease access and participation of SMEs in public tenders. Moreover, Collective Action activities involving businesses can build technical capacity to manage open digital platforms and maximize the impact of these transformations to ensure they reflect a broader commitment to sustainable governance and cultures of integrity in both the public and private sectors.

**Policy Action 1.3: Foster integrity and transparency through the Procurement Cycle** – It is important to adopt high-quality standards of integrity and compliance programs by enabling timely access to public information and enhancing enforcement and supervisory authorities. Further, designing and implementing effective systems such as High-Level Reporting Mechanism (HLRM) to facilitate reporting of potential corruption concerns, facilitates SMEs participation.

**Recommendation 2: Sustainable governance in business** – Compliance can solidly support companies to better evolve towards organizational models that are more sensible and respectful with regards to stakeholders' values surrounding sustainability. In this sense, corporate governance plays a rele-

vant role, fundamental to the operating continuity of any corporation, and similarly, sustainability emerges as a key element in synergy with compliance.

**Policy Action 2.1: Stimulate the implementation of a sustainable Governance** – Raising the bar of compliance among organizations while defining how sustainability can become part of the compliance frameworks is key. In this context, good and transparent corporate governance systems, to be defined by companies internally, which clearly articulate the roles, responsibilities and accountabilities of the governing body, management and internal audit, may attract investors that nurture interest in positive impact investing. Moreover, supportive measures in the implementation and promotion of good governance practices in business are fundamental.

**Policy Action 2.2: Assess ESG performances** – Virtuously promote a culture of integrity, sustainability and positive impact among stakeholders within the business, as well as among G20 countries, fostering the adoption of supportive measures such as non-financial reporting, with uniform requirements across jurisdictions, to ease the assessment and mitigation of ESG issues.

**Policy Action 2.3: Improve integrity and compliance in supply chains** – Promoting and fostering the contribution to sustainable development by offering training and guidance on Responsible Business Conduct (RBC), while encouraging the appointment by businesses of an Integrity & Compliance Officer - a senior level position with strategic importance that goes beyond core compliance - also functioning as a positive example to be emulated across the entire supply chain. Consideration should be given to design measures which are also easily adaptable by SMEs capacities.

**Recommendation 3: Cooperative compliance models and rewarding systems** – Integrity and compliance should become milestones for organizations. In this context, there is a strong need to foster dialogue, enhance cooperation, trust and strategic alignment among public and private organisations, stimulating and rewarding voluntary management commitments, while considering the enrichment of the understanding of associated risk profiles through measures such as due diligence policies and third party risk management.

**Policy Action 3.1: Promote public-private cooperation to enhance compliance** – Reinforcing the concept of reward to foster collective trust in cooperative compliance efforts can be achieved through promoting the adoption of rules, effective measures and inclusive cooperation to improve the exchange and availability of information among stakeholders from the private-public worlds who aim to increase compliance and good conduct.

**Policy Action 3.2: Corporate compliance efforts in private sector** – Implementing due diligence policies within hiring companies and their supply chain when selecting, monitoring, reviewing and auditing contractors, and managing associated risk profiles, supports SMEs in the due diligence of their commercial partners (e.g. supporting the adoption of systems such as Global Value Chain Passport). In this context, governments should consider providing incentives for companies to adopt compliance programs and implement digital solutions.

**Policy Action 3.3: Protection of whistle-blowers** – Improving compliance within the private and public sector, reinforcing and rebuilding trust in public and private institutions, through, for example, the adoption of effective and efficient whistle-blower reporting and protection systems supported by innovative communications technology. In this context, it is key to focus on the rights of the person against whom a report has been made, the protection of the reporting person as well as the freedom from retaliation.

**Recommendation 4: Beneficial ownership Transparency** – To contribute solidly to the establishment of beneficial ownership transparency it is key to fight anonymous shell companies that contribute to enabling corruption, fraud, organized crime and tax evasion. Further, adopting supportive measures such as innovative technology to enhance access to high-quality data and international cooperation is vital.

**Policy Action 4.1: Adopt technology to ease access to Beneficial Ownership information** – Fostering the adoption of innovative digital technologies allows information on beneficial ownership to be accessed and shared reliably.

**Policy Action 4.2: Develop digital public national registers** – Increasing transparency around beneficial ownership information, improving third-party risk management and ensuring the accuracy of data stored in digital national public registers is key.

**Policy Action 4.3: Enhance power and independence of authorities** – Consistently promoting the sharing of up-to-date information regarding legal arrangements, preventing the misuse of bearer shares and nominee shareholders or directors, while fostering companies' support with creating fairness through a set of common rules and standards levels the playing field.

## Introduction

The concepts of integrity and compliance are taking on a broader scope, which in a historical moment marked by the emergence of new global risks, is linked to the idea of sustainable business.

In the current landscape impacted by the effects of the COVID-19 pandemic on communities and the economy, integrity and compliance risks have been aggravated well beyond the healthcare sector. The increased risk of fraud and misdirection of public funds and the vulnerability of emergency procurement processes call more than ever for a stronger alliance between public and private sectors to reinforce the overall resilience of the political, institutional and economic systems.

Therefore, this situation is an unparalleled opportunity to place a renewed focus on combating corruption, strengthening integrity and enhancing transparency while reinforcing global solidarity.

Business environment plays an essential role for boosting the recovery phase and for supporting the fight against future global crisis. As acknowledged by the previous Presidency, it is notable that over past months many businesses have also intensified public communications regarding their commitment to the societies where they operate, emphasizing responsible business conduct.

Indeed, B20 members intend to develop and disseminate a new vision of compliance. The essence of the message comes from the introduction of a contemporary holistic approach to integrity and compliance which aligns with other key themes such as human rights, anti-corruption and bribery matters, and sustainability.

The two concepts of compliance and integrity can thus be unbundled and read independently and complementarily. Following this route, the concept of integrity could encompass themes such as transparency, accountability throughout the public procurement lifecycle, implementation of codes of conduct (or otherwise contractual clauses) in B2B relationships, and internal reporting systems to protect those who highlight procedural violations.

Within this framework, the fight against corruption clearly remains a top priority for the G20 and the B20. It is of utmost importance to continue promoting the adoption and enactment of key anti-corruption principles and international instruments, such as the United Nations Convention Against Corruption (UNCAC) and the Organization for Economic Co-operation and Development (OECD) Anti-Bribery Convention. B20 members also welcome the G20's increased emphasis on implementation and accountability as set out in the G20 High-Level Principles for the Development and Implementation of National Anti-Corruption strategies.

This policy paper builds on past G20 initiatives in this matter and it is aligned with the objectives of the Anti-Corruption Working Group (ACWG) Action Plan for 2019-2021. Also, B20 members underline that the policy paper has been developed taking into account current ACWG work, and in particular the ongoing elaboration of the new three-year ACWG Action Plan, as well as the envisaged G20's High-level Principles on Corruption-related Organized Crime, in the light of the higher risk of criminal infiltration in a post-pandemic scenario. This Task Force also acknowledges the G20's efforts to take stock of member countries' activities concerning the measurement of corruption, while recognizing the crucial role of business sector in this exercise and its willingness to actively give a contribution.

Against this background, B20 members have chosen to call for a stronger commitment from the G20 on four key areas: (i) ensure a responsible conduct through the Procurement Cycle from both companies and governments; (ii) stimulate sustainable governance in business while focusing on standards' harmonization; (iii) adopt – as much as possible – a uniform approach to legislative initiatives, so as to ensure a level playing field for companies operating in and across the G20 countries, and promote cooperative compliance models and rewarding systems; (iv) enhance beneficial ownership transparency. These recommendations have been shaped considering both the remarkable work by previous G20 presidencies and the need to respond to the specific challenges posed by the acceleration of the COVID-19 crisis and by the ambitious global challenges facing the business world. Accordingly, for each recommendation, B20 members have developed concrete and measurable policy actions that deserve urgent consideration.

The new idea of compliance that B20 members strongly support also reflects a solid intention of creating an ecosystem where companies are called upon not only to pursue the profitability of their investments, but to integrate further interests into promoting virtuous synergies and positive impacts among stakeholders. Thus, with a view to fostering the above combined approach, emphasis will be put on an overall greater policy coherence and alignment with international instruments, such as the United Nations Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. In this respect, voluntary instruments should be mentioned, such as the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

With the support of the G20, the B20 can significantly contribute to the achievement of Sustainable Development Goals (SDGs). The B20 recommendations and suggestions have been put together taking into account the necessity for embracing and promoting actions in favour of achieving SDG objectives', especially with regards to goal #1 No Poverty, #5 Gender Equality, #8 Decent Work and Economic Growth, #9 Industry, Innovation and Infrastructure, #10 Reducing Inequality, #11 Sustainable Cities and Communities, #12 Responsible Consumption and Production, #16 Peace, Justice, and Strong Institutions, and #17 Partnership for the Goals.

In this moment of unprecedented challenge, with severe socio-economic consequences, B20 members call the G20 to support the efforts of companies, organizations and institutions on reinforcing and maintaining their controls, systems, governance and appropriate integrity culture in adjusting to the new realities of COVID-19. This includes the strengthening of the international cooperation and the establishment of appropriate risk-assessment activities related to the next phase of the pandemic, i.e. the recovery, vaccination and post-vaccination, as well as of clear rules and procedures to provide legal and compliance certainty to companies that intend to give support in case of similar potential devastating events.

To this end, the pandemic has also functioned as an accelerator of the digital transformation, involving the expansion of geographic market boundaries and of supply and sales chains. This phenomenon also implied an amplification of existing risks such as fraud, misconduct and compliance, leaving space for a constantly incremental need to promote and reinforce integrity and transparency.

For these reasons, B20 call for time-bound implementation and reiterate the importance of measuring national and collective progress on the implementation of all previous and future G20 commitments as well as public

reporting back on advancements. The involvement of key stakeholders such as the business community in the evaluation of progress made against such commitments could be an added value. Therefore, B20 members offer full support in the implementation of those commitments including the Anti-Corruption Action Plan, through public-private partnerships and Collective Action. Similarly, the increasingly interconnected global economy provides more opportunities for criminal networks engaged in illicit markets – such as counterfeits, trafficking in persons, wildlife, narcotics and excise goods. Illicit trade, like corruption, impedes economic growth and sustainable development efforts, generating considerable losses of economic value and affecting not only government revenue, but also multiple legitimate business sectors and citizens exposed to sub-standard and dangerous products<sup>1</sup>.

The above concepts of integrity, compliance and sustainable business supported by the B20 are all fundamental pillars for contributing to the achievement of the priorities of the Italian G20 Presidency, expressly putting at the centre of the common reflection people, prosperity and the planet.



**Exhibit 1**  
All I&C topics link back to the SDGs and Italy's G20 principles

Figure 1 - Preliminary assessment: SDGs per topic identified: #1, #5, #8, #9, #10, #11, #12, #16, #17; - Italy's I&C TF analysis

<sup>1</sup> B20 Italy, Recall to Task Force Trade and Investment - Recommendation 2: Policy Action 2.2, 2021

## Recommendation I: Responsible conduct through the Procurement Cycle

One of the most vulnerable activities affected by corruption is public procurement, representing almost the majority case of bribes<sup>2</sup> and one of the most recognized high-risk areas for corruption in governments<sup>2</sup>. The main reasons for this include the volume of transactions and financial interests as well as the complexity of the processes, the close interaction among public officials and businesses, and the multitude of stakeholders involved. Within this moment of unprecedented challenge, there is the necessity to align with the G20 Principles for Promoting Integrity in Public Procurement to reinforce administrative prevention systems to detect cases of corruption to protect the integrity of the financial and public contracts systems. COVID-19 has created vast and varied integrity challenges, especially for governments in the area of public procurement<sup>3</sup>. Explicitly, the pandemic has solidly contributed to creating an obligatory condition for governments to make quick decisions and implement drastic measures to protect communities at risk, while also limiting economic consequences that might follow. Since the beginning of the pandemic, public procurement and other services (e.g. licensing and permitting) are facing a significant risk of corruption as traditional checks have been minimized by the applied emergency procedures. Therefore, it is fundamental for businesses to pay particular attention to public integrity, which is a key component in presenting a resilient response to the crisis, ensuring that government action benefits those in need<sup>4</sup>. Multi-lateral institutions are facing similar procurement risks; thus it is important that the same standards of accountability and transparency are upheld. The digitalization of the public sector is a driver of change in the integrity field. Technology innovations powered by data and behavioural insight are disrupting corruption risks and boosting integrity systems. They are accelerating new forms of accountability based on the smarter exploitation of big data and fostering new public and private partnerships for integrity. In the digital era, data has become a critical asset for integrity actors to detect and deter fraud risks, complex networks and corrupt practices. Advanced analytics and artificial intelligence (AI) can raise red flags and early warnings in high-risk transactions and suspicious financial flows in seconds by cross-referencing public databases and big data. At the same time, predictive analytics can pinpoint vulnerabilities and pre-empt risks. When combined with insight from behavioural science they help devise more targeted buffers against fraud<sup>5</sup>. To this end, it is important to promote the OCDS and ensure alignment with the G20 Anti-Corruption Open Data Principles. Furthermore, it could be beneficial to provide organizations with a clear set of rules and procedures aimed at reinforcing lawfulness and compliance in conducting business during periods of crisis. Therefore, in this context, it is fundamental to constantly review and update national anti-corruption strategies and plans, with a view to increasing the effectiveness and coordination of anticorruption initiatives and measures, and to reflect specific learnings gained during the pandemic.

<sup>2</sup> OECD, *Preventing Corruption in Public Procurement*, 2016

<sup>3</sup> UNODC, *COVID-19 Vaccines & Corruption Risks: Preventing Corruption in the Manufacture, Allocation and Distribution of Vaccines*, 2021

<sup>4</sup> OECD, *Public integrity for an effective COVID-19 response and recovery*, Updated 19 April 2020

<sup>5</sup> WEF, *Hacking Corruption in the digital era: How tech is shaping the future of integrity in times of crisis*, May 2020

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## Policy Actions

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**1.1 Improve the efficiency of public administrations** – The efficiency within public procurement systems contributes to lowering the risk of bribes made to expedite the performance of public officials of a non-discretionary nature, i.e., which they are already bound to perform, also in cases of discretionary decision-making. Indeed, the efficiency starts with professionalized civil servants, working pursuant to ethical standards, within a well-designed institutional framework. It is also important to focus on technologies and policies that report procurement data in real time such as crowdsourcing watchdog functions, increasing stakeholder engagement and accountability throughout the procurement cycle including after award. In this respect, building a strong synergy with the business ecosystem is key for the realization of a more efficient public administration.

- The G20 should promote and enhance “good performance” within public administrations, where its actions must also converge and be adequate to achieve desired results.
- The G20 should encourage investments in adequate training and selection of public officials engaged in procurement, licensing and permitting, and increase technical and managerial capacity to effectively define tenders in terms of project requirements, scoring models and participation criteria.
- The G20 should improve transparency, accountability, and time effectiveness as well as broadening participation and responsiveness within public institutions. It is important to focus on streamlining and simplifying the public procurement system and its institutional frameworks, while contributing to wider sustainability goals and social value considerations.
- The G20 should promote a more effective management of public finances resources through the adoption of specific sets of laws, rules, penalties, systems and processes aimed at mobilizing revenues, allocating public funds, undertaking public spending and accounting for funds and audit results.
- The G20 should promote advanced accounting reforms in the public-sector, due to their position at the forefront of the global application of accrual accounting, while considering the adoption of International Public Sector Accounting Standards.

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**1.2 Enhance and implement digitalization for public administration processes** – Digitizing administrative processes to reduce manual intervention improves the efficacy of audit activities in detecting irregularities and helps to better prevent and counter corruption, including during crises. In order to maximize and leverage a digital transformation process, it is imperative to foster a cultural change and build capacity of available staff with the skills required to manage open and digital platforms. Moreover, digital tools can also facilitate access and participation of SMEs in public tenders.

- The G20 should promote the digitalization of administrative processes to increase transparency and accessibility. Artificial Intelligence, contract analytics, and RPA - Robot Process Automation, can reduce un-

necessary interactions with public officials, decreasing opportunities for corruption.

- The G20 should stimulate the analysis of public databases and increase the accessibility of them through new technologies to identify patterns of behaviour capable of bringing to light red flags and high-risk areas.
- The G20 should foster the implementation of effective training and solutions which improve attractiveness while stimulating employee turnover to increase flexibility and progression towards better integration and transition with digitalization.
- The G20 should support the redefinition of procedures and services in a digital perspective, providing that other administrations and civil society have access to data and services related to specific operating areas and activities of public administrations.

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### 1.3 Foster integrity and transparency through the Procurement Cycle

It is important to adopt high-quality standards of integrity and compliance programs by enabling timely access to public information. Open, structured, standardized data formats such as the Open Data Contracting Standard align closely to the G20 Anticorruption Open Data principles; and by enhancing enforcement and supervisory authorities design and implementation of effective systems such as HLRM, reporting of potential corruption concerns in addition to SMEs participation can be facilitated.

- The G20 should encourage public institutions to draft bidding, licensing and permitting criteria and use procurement tools such as Request for Proposal (RFP) software to provide up-to-date market intelligence so as to facilitate SME participation in government procurement in a cost-effective, accessible and flexible manner.
  - The G20 should use open and competitive bidding, encourage fair competition, and increase transparency, ensuring the publication of relevant tender documentation including on the authorization and control of emergency procedures, to improve information sharing and access using effective and innovative digital technologies.
  - The G20 should develop Collective Action to identify specific vulnerabilities, promote the development and implementation of effective compliance programs and areas of potential exposure within the procurement cycle, encouraging further guidance on what public authorities can do to prevent and detect bribery internally.
  - The G20 should adopt procurement integrity tools, such as Integrity Pacts and market consultations to ensure competitive bidding criteria that maximize public value and facilitate the participation of SMEs as well as women and minority-owned businesses.
  - The G20 should stimulate the design and implementation of HLRM, to encourage stakeholders to effectively address complaints of bribery solicitation and related practices involving public officials, while improving transparency. Additionally, it is key to enable accountability of the officials/parties (public and private) involved in corruption through dissuasive sanctions.
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**Key Performance Indicator**

The B20 Integrity & Compliance Taskforce proposes that current and future G20 presidencies monitor progress on the **Global Corruption Index**. The proposed KPI, as inserted below, shows the relative ownership, the given baseline and the 2024 target ambition.

Global Corruption Index	Owner: GRP	
	Baseline	Target
	46%	40%
	(2020)	(2024)

*For further details please see the relative Annex.*

**SDG impacted - 8: Decent Work and Economic Growth** - Promoting integrity and efficiency in public administration to facilitate private investments and stimulate economic growth. **9: Industry, Innovation and Infrastructure** - Ensure responsible business conduct through the procurement cycle to ensure ethical conduct in infrastructure projects. **10: Reduced Inequalities** - Foster integrity in public procurements, reducing corruption in public expenditures, decreasing inequality by affecting income distribution. **11: Sustainable Cities and Communities** - Implement efficiency in public services to the benefits of local communities. **16: Peace, Justice and Strong Institutions** - Promote and reinforce anti-corruption systems, to build effective, accountable and inclusive institutions. **17: Partnerships for the Goals** - Promote synergies among the private and public sector, enhancing efficiency, cooperation, innovation and responsibility.



**Italy's G20 principles - People:** Ensuring responsible conduct through the Procurement Cycle to contribute towards the fight against corruption. A high level of perceived corruption may negatively impact the experiences of human beings, threatening the human rights, political, economic, social and cultural aspects of an ecosystem. **Prosperity:** Higher corruption levels are associated with lower levels of innovation. In this context, corruption solidly and negatively affects the overall development of a system, impacting the prosperity and potential progression of countries, businesses and societies. Corruption also compromises the quality of the procurement outputs whether it is public assets' integrity, or the efficiency of the public services provided. **Planet:** Sustainable public procurement has become a key point for countries and authorities, playing a fundamental role in sustainable development. Governments are responding with unprecedented spending in response to the pandemic to ensure the implementation and adoption of public procurement mechanisms that do not harm people and the planet. To this end, enhancing integrity and efficiency in public procurement may positively contribute to the achievement of the Sustainable Development Goals (SDGs).



**Context**

As previously mentioned, one of the most vulnerable activities impacted by corruption is public procurement, one of the most recognized high-risk areas for corruption in governments.

<sup>6</sup> OECD, *Preventing Corruption in Public Procurement*, 2016

Some of the main reasons for this include the volume of transactions, the financial interests, the complexity of the process, and the close interaction among public officials, businesses, and the multitude of stakeholders. In addition to public procurement other services such as licensing and permitting serve as a significant risk area for corruption, closely tied to pandemic response and recovery.

The impact of corruption goes beyond the corrupt individuals who are implicated, or the reputation of the organizations they work for. Corruption may substantially erode trust in the public sector to act in the best interests of citizens, contributing to wasting public resources that have been earmarked for important community projects, resulting in poor quality services or infrastructure. Corruption is a key global phenomenon that represents a cost that distorts competition and impacts on the economic development of nations. The World Economic Forum estimates the global cost of corruption is at least \$2.6 trillion, or 5 per cent of the global gross domestic product (GDP)<sup>7</sup>.

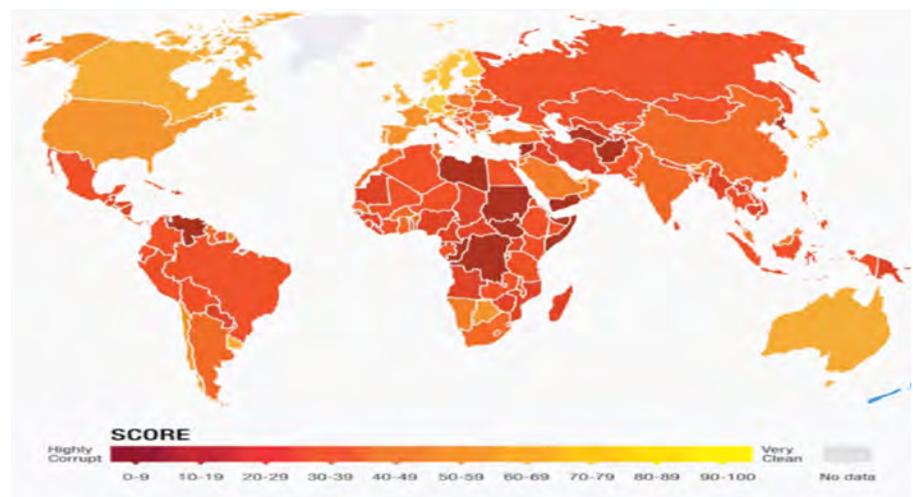
COVID-19 has put unprecedented strain on our economies and public finances, increasing the risk of corruption and fraud in addition to heightening the need for public services. Countries such as Ecuador adopted solutions to reduce corruption in public procurement by creating the Ecuadorian procurement agency SERCOP, a public search tool with downloadable OCDS data, which lists the details to monitor COVID-19 emergency procurement, detecting signs of corruption, and providing a channel for complaints. Civil society identified overpriced contracts for key medical supplies and generated public pressure to suspend processes and hold responsible actors to account<sup>8</sup>.

The civil society as a whole, alongside internal audit, are both valuable forces to strengthen controls over the procurement process.

**Exhibit 2**  
**The situation in the world**

*Perception of corruption in the world - The Corruption Perception Index (CPI), calculated annually by Transparency International, aims to measure the perception of corruption in different countries around the world. This assessment takes a value from 0, for very corrupt countries, to 100 for countries considered not very corrupt.*

*In such context, it is important to mention the work by the G20 Anti-Corruption Working Group for the definition of a brand-new index to measure corruption which revolves around objective criteria.*



**Economic impact of annual corruption 5% World Gross Domestic Product**

Figure 2 – Transparency International, Corruption Perception Index, 2020

According to 2020 CPI ranking, New Zealand with a score of 88/100 is ranked as the country with the least perceived levels of corruption (highlighted in blue within the figure above).

Therefore, in this context, it is crucial to implement and adopt effective and impactful measures to ensure a responsible conduct through the Procurement Cycle, in order to effectively fight and mitigate corruption phenomena<sup>9</sup>.

Moreover, at a general level, it is key to highlight that the availability of data is a precondition to understand and thus tackle corruption. In fact, the topic of measurement of corruption has been recognized as a priority for the G20 Anti-Corruption Working Group agenda. To this end, it is fundamental to ensure that the business community will take part into the involved activities. Debate has developed surrounding the need to improve data collection activities using sound methodologies, bearing in mind that measuring corruption is extremely challenging. Data on reported cases of corruption suffer from a high “dark figure”, because victims or witnesses are usually less likely to report corruption cases than other types of crime. The lack of data was one of the most recurring gaps identified by the Mechanism for the Review of Implementation of the UNCAC.

The need to improve measurement methods has been recently acknowledged by the Conference of the States Parties to UNCAC through the adoption of the Resolution 8/10 ‘Measurement of corruption’. In the view of a more comprehensive assessment of corruption, the Resolution outlines the importance of improving the measurement of corruption through comprehensive, evidence-based and multifaceted efforts to detect and measure corruption-related trends. Further, the importance of developing an international statistical framework for measuring corruption, grounded in objective methodologies and reliable data sources is imperative. UNODC consider the use of direct methods on the experience of corruption the most reliable approach to producing the detailed information on corruption necessary for policymaking purposes.

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## Focus - Measurement of corruption

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*Different approaches to measuring corruption are discussed in detail in the Manual on Corruption Surveys (UNODC, UNDP and UNODC-INEGI). The Manual classifies the various approaches to corruption measurement into direct and indirect methods as follows:*

**Indirect methods of measuring corruption**, in which the measurement is not based on the occurrence of the phenomenon of interest but is rather based on perceived levels of corruption. Indirect methods can be based on expert assessments (where a selected group of experts is asked to provide an assessment of corruption trends and patterns in a given country or group of countries) or composite indices, combining a variety of statistical data into a single indicator. Several indirect assessments of corruption have been produced so far (including the Transparency International Corruption Perceptions Index; Control of Corruption Indicator of the World Bank Governance Indicators; and the Global Integrity Index);

**Direct methods of measuring corruption** aim to collect evidence-based information on corruption through statistical and standardized procedures. They measure actual experiences of corruption rather than perceptions of corruption, and can include official data on reported cases of corruption from a variety of sources (police, prosecutors, courts, anti-corruption agencies) and experience-based sample surveys which allow for the direct collection of data on the experience of representative samples of a given population, such as households or businesses.

<sup>9</sup> United Nations Office on Drugs and Crime (UNODC), UNCAC Article 9, 2004

<sup>10</sup> UNODC, UNDP and UNODC-INEGI, *Manual on Corruption Surveys. Methodological guidelines on the measurement of bribery and other forms of corruption through sample surveys*, 2018

**Policy Action 1.1: Improve the efficiency of public administrations**

Efficiency within public procurement, licensing and permitting systems contributes to lower the risk of bribes made to expedite performance of duties which the public officials are already bound to perform. In this context, building a strong synergy within the business ecosystem, e.g. private sector and non-profit organizations, and providing for a discipline of liabilities for Public Sector coherent with private sector, can strongly contribute to the realization of a more efficient public administration<sup>11</sup>. This therefore demands better resource allocations and reduces duplication through the adoption of a specific set of rules, systems and processes, to mobilize revenue, allocate public funds, account for funds and audit results, while considering the primary relevance of investments in carefully training and selecting public officials. This entails ensuring that the public procurement system is based on the principles of transparency, competition and objective criteria in decision-making. To this end, such a system can contribute to the achievement of more efficient public procurement and public administration, while also setting clearer expectations for businesses and reducing possibilities for errors and corrupt practices. The implementation and adoption of high-quality accrual accounting standards in the public sector can contribute to lower incidences of corruption. Finally, it is also important to focus on technologies and policies that report procurement data in real time such as crowdsourcing watchdog functions, which involve a group of people to participate in a reporting task (such as newsgathering, data collection or analysis through a targeted, open call for input, personal experiences, documents or other contributions), while also increasing stakeholder engagement and accountability throughout the procurement cycle. In this perspective, taking all necessary measures to ensure the full, equal and meaningful participation of women in the development and implementation of relevant anticorruption activities in the public and private sector is key.

**Exhibit 3  
International Civil Service  
Effectiveness Index (InCiSE) 2019**

*InCiSE 2019: Overall country ranking - The International Civil Service Effectiveness Index (InCiSE) can be used as an accountability tool which allows citizens, government officials and politicians to analyse civil service's performance.*

- It helps understanding the efficiency of public administrations, which is one of the main mitigating factors in the fight against corruption.
- It helps identify an index or a parameter to try to break down social gaps among countries around the world.

*In this context, it is evident that there are large discrepancies between developed and less developed / emerging countries, highlighting the need to bridge the gap and level the playing field creating or reinforcing transparent and ethical rules and standards, thus mitigating corruption phenomena.*

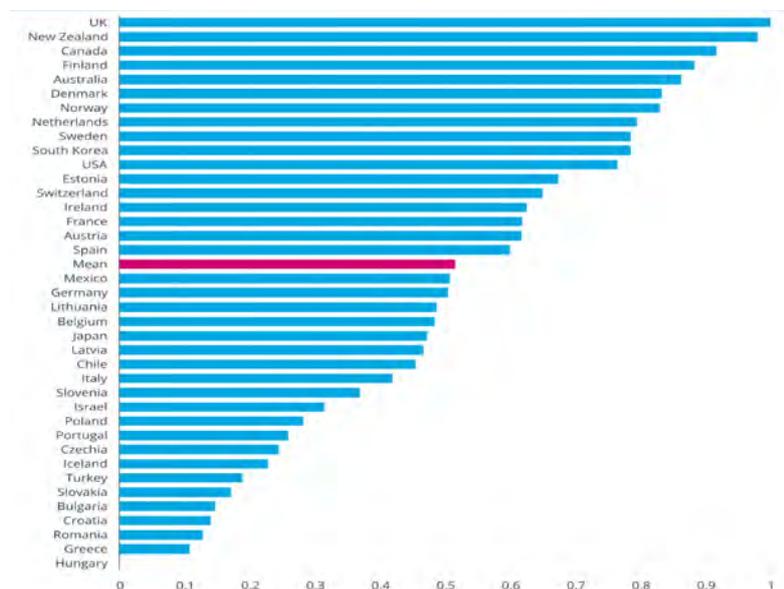


Figure 3 - Institute for Government analysis of International Civil Service Effectiveness Index (InCiSE), 2019

**Policy Action 1.2: Enhance and implement digitalization for public administration processes**

Digitizing administrative processes to reduce manual intervention improves the efficacy of audit activities in detecting irregularities and reducing unnecessary interactions with public officials lessens opportunities for corruption. The digitization of public services and administrative procedures should be seen as a priority to guarantee that these new digital tools are implemented and adopted in an equitable manner, with an emphasis on least developed emerging countries as a pivotal tool to foster transparency and accountability in public sector processes. In such context, the digitization of administrative process can also improve the results of due diligence when dealing with counterparty risk verification which focuses on information gathered from specific information providers and open sources. In some cases, such processes can be further improved and strengthened by artificial intelligence mechanisms that could ease the reconstruction of the control chain related to the potential counterparty, as well as in the verification of PEP/PIL List or other relevant reference lists and information. Furthermore, the implementation and adoption of effective and efficient digital tools will positively contribute to the access and participation of SMEs in public tenders. In order to make a digital transformation process more effective, it is equally fundamental to foster a cultural change and build capacity, strongly considering the relevance of staff availability and skills required to manage open and digital platforms by implementing dedicated training courses and improving talent attractivity. A key role can be played by e-procurement systems, which can improve the efficacy of audit activities in detecting bidding irregularities, particularly when designed in conjunction with the OCDS. The previously mentioned Standard enables disclosure of data and documents at all stages of the contracting process by defining a common data model. It was created to support organizations to increase contracting transparency and allow deeper analysis of contracting data by a wide range of users. Collective Action activities can build technical capacity to manage open digital platforms and maximize the impact of these transformations to ensure a broader commitment to sustainable governance and cultures of integrity in both the public and private sectors.

*Country Data – EGDI 2020 - The E-Government Development Index (EGDI) presents the state of E-Government Development of the United Nations Member States. Along with an assessment of the website development patterns in a country, the E-Government Development index incorporates the access characteristics, such as the infrastructure and educational levels, to reflect how a country is using information technologies to promote access and inclusion of its people.*

- Among the main composition of the EGDI measures, there are three key dimensions of e-government:
  - provision of online services;
  - telecommunication connectivity;
  - human capacity.

**Exhibit 4  
E-Government Development Index (EGDI)**



Figure 4 - UN E-Government Knowledgebase - EGDI 2020

*The index is not designed to capture e-government development in an absolute sense; rather, it aims to give a performance rating of national governments in relation to one another.*

### **Policy Action 1.3: Foster integrity and transparency through the Procurement Cycle**

Adopting high-quality standards of integrity and compliance programs by enabling timely access to public information and enhancing enforcement and supervisory authorities with powers of inspection in order to comply with RBC requirements through the procurement life cycle is critical. Moreover, the relevance of incentivizing responsible conduct through incorporating a standardized reporting framework into the tendering cycle aims at capturing sustainability impacts has to be considered. In this regard, procurement tools and bidding criteria should also be designed in a cost-effective manner, to be accessible and flexible, while also facilitating and incentivizing SME participation. The promotion of private-public partnerships, codes of conducts or sound compliance programs may also help to cope with the specific vulnerabilities and exposure emerging in the procurement cycle. G20 governments should leverage private-public partnerships to foster efforts in achieving greater integrity and transparency in the procurement cycle, while removing undue political influence. To this end, it is of equal importance that transparency also covers mechanisms like offsets, or ancillary services to be provided before or after the award. The above-mentioned achievement can be reached through sharing best practice on issues such as whistleblowing, due diligence, oversight mechanisms, information disclosure and periodic assessments of corporate activities at risk. In this context, reporting preventive measures aimed at tackling other integrity risks that may arise through the whole procurement cycle plays a central role in consideration of the adoption of a more strategic approach (e.g., empowering procurers, leveraging data-driven decisions) rather than just a legalistic one. To this end, it is also relevant to mention best practices developed in private sector procurement, such as prioritizing transparency through planning and implementing strategic procurement policies, properly tracking every step of the process, and making frequent audit and centralized platforms. More clarity and guidance will be needed on what public authorities, including internal organizations, can do to prevent bribery internally: establishing proper integrity and transparency safeguards in emergency procurement, licensing and permitting processes is key to ensure that bribery does not impede fairness and effectiveness of public action and that conflicts of interest can be identified<sup>12</sup>. Considerable relevance must be placed also in the design and implementation of a HLRM, a tool that aims to engage stakeholders to effectively address complaints of bribery solicitation and related practices involving public officials, while improving transparency in a quick, cost-effective and practical manner. To this end, it is of utmost importance to enable accountability of the officials/parties (public and private) involved in corruption, considering the adoption of measures like dissuasive sanctions. Similarly, it is key to engage in international cooperation and information sharing with other countries to comprehensively address foreign bribery and related laws as an integral part of the level playing field in global markets<sup>13</sup>, as well as promoting the use of effective asset recovery tools.

<sup>12</sup> OECD, *The Directorate for Public Governance*

<sup>13</sup> OECD, *Foreign Bribery Enforcement: What Happens to the Public Officials on the Receiving End?*, 2018

*Integrity risks in the procurement process - In every phase of the procurement process, from the assessment of needs to contract execution and payment, there is a wide array of integrity-threatening risks. Clearly, the nature of the integrity risk may change depending on the specific phase of the process; specific red flags involve undue influence, conflict of interest, and various kinds of fraud risks.*

**Exhibit 5**  
**The integrity risks along the public procurement cycle**

Below is a brief overview of typical integrity risks throughout the Procurement end-to-end process.

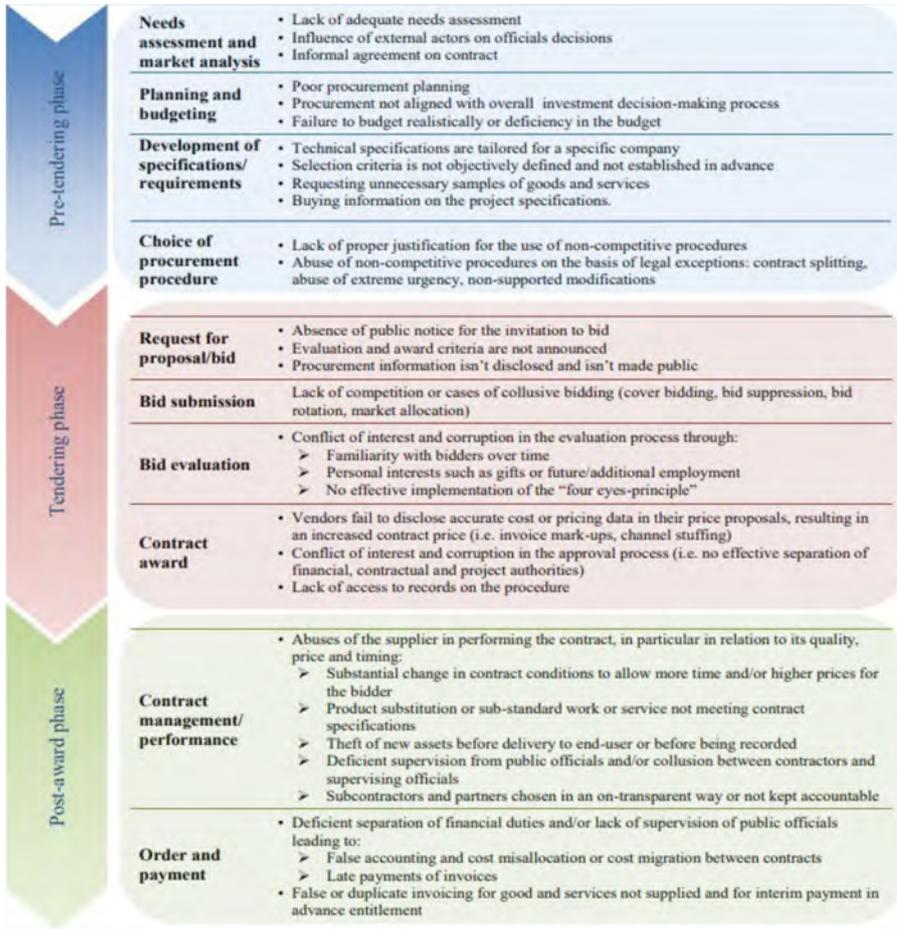


Figure 5 - OECD, Integrity risks in the procurement process | OECD Preventing Corruption in Public Procurement, 2016

## Recommendation 2: Sustainable governance in business

There is a growing consensus that companies must go beyond mere compliance requirements to effectively address sustainable governance. When referring to sustainable governance, the aim is to reach solid conditions for implementing and ensuring that it can contribute to the achievement of sustainability objectives. Moreover, corporate governance choices must now be able to promote a new concept that combines the ability to remunerate shareholders while creating value to stakeholders, having the capacity to effectively do so in the future. As compliance issues are becoming broader and converging with sustainability and human rights risks in business, an integrated and holistic approach to compliance is essential for companies to thrive in the long run. Today, being compliant with legislation and practices/standards/policies have a twofold importance for companies. On the one hand, it allows companies to achieve specific business objectives: improve the reputation of the company, increase the confidence of its customers and stakeholders, and take preventive measures to avoid the risk of sanctions (civil, criminal and administrative). On the other hand, it protects fundamental interests, such as the safety of workers and the environment, ensure the transparent management of financial and accounting flows, ensure technology is used correctly, foster protection of human rights across the supply chain while contributing to corporate responsibility. As recognized by the G20/OECD Principles of Corporate Governance and the UNCAC, a sound compliance system is fundamental to help boards to embed sustainability into the business strategy of the company and to take into consideration the interests of the relevant stakeholders. Therefore, a sound compliance system should also relate to ESG standards, including corporate governance, health and safety, human rights, environment, and countering financial crime and corruption. The theme has been also reaffirmed during the COVID-19 crisis, reinforcing the need for a solid RBC which encapsulates the concept of ESG and compliance efforts. Nowadays, in fact, an incremental relevance is leaning on the “G” factor of ESG. In this regard, ESG factors, should consolidate their positions as key components for organizations, dedicating leadership efforts and resources in improving the effectiveness of their compliance programs aimed to implement good practice integrity standards, by assessing the corporate culture, controls and governance from an integrity perspective. In this context, it is also relevant to underline the roles of compliance - which is mainly conceived and motivated by legal obligations - and ESG standards - whose implementation and adoption mainly rely on a voluntary nature and aim to fall into the compliance function. To this end, it is fundamental in fact to underline that the commitment to ESG efforts, such as implementing sustainable governance, should always be conceived of a voluntary nature. In consideration of the strong regulation, it will become more and more crucial that compliance and ESG frameworks are understandable and comparable. Explicitly, regarding ESG, it is fundamental to make sure that there is a solid comparability, which comes from good, comparable, and trustworthy data. In this context, there is already a strong perception on the proliferation of different standards, so to try to converge them into one overarching rule-book everyone can refer to is key. Moreover, it is relevant to build ESG frameworks that standardize non-financial reporting and align stakeholders on what constitutes good governance. To this end, Collective Action activities that engage multiple stakeholders are key efforts to protect market integrity, encourage sustainable growth and protect the environment and human rights throughout global supply chains.

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## Policy Actions

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**2.1 Stimulate the implementation of a sustainable Governance** – Raising the bar of compliance among organizations while defining how sustainability can become part of the compliance framework is key. In this context, good and sustainable corporate governance systems may attract investors that nurture interest on positive impact investing. Moreover, the implementation and promotion of good and innovative governance practices in large enterprises and SOEs are fundamental to create a positive leading example to be emulated.

- The G20 should promote the importance of value creation for companies, while considering and embedding values for stakeholder's and company's shareholders.
  - The G20 should encourage the adoption of good and transparent corporate governance systems including, for example, sound Enterprise Risk Management and Business Continuity models, aimed at identifying risks that organizations could face, forecasting the relevance of those risks in business processes, while also addressing the risks in a systematic and coordinated plan.
  - The G20 should foster the contribution to increase accountability, transparency, responsibility and equitable treatment, within the organization's decision-making process and compliance frameworks.
  - The G20 should stimulate the implementation and promotion of good practices of sustainable governance in large enterprises and SOEs, which should work towards maintaining their position as role models in this field, contributing to enhance self-regulation while improving the quality of public services provided.
- 

**2.2 Assess ESG performances** – Virtuously promote a culture of integrity, sustainability and positive impact among stakeholders into the business, as well as among G20 countries, fostering the adoption of supportive measures such as non-financial reporting, with uniform requirements across jurisdictions, while encouraging the assessment and mitigation of ESG issues. In this context, to support the initiative to rationalize and standardize global system for sustainability-related reporting, including through preliminary indications of national adoption, is key.

- The G20 should support the adoption of standardized non-financial reporting, to ease the burden on companies, to better evaluate the non-financial performance of businesses and encourage companies to develop a more responsible and transparent approach to business, through the support of several organizations which already have made efforts in harmonizing ESG metrics.
- The G20 should encourage the systematic assessment and mitigation of ESG issues which can carry significant reputational and operational risks, such as credit access, public funds, insurance, etc.
- The G20 should promote and foster organizations to strongly contribute to sustainable development, focusing on human rights in line with the UN Guiding Principles on Business and Human Rights and more specific themes such as gender equality and diversity and inclusion, integrating them within their compliance frameworks and therefore throughout their organizational processes and policies.

- The G20 should promote the assessment of sustainability requirements while performing due diligence activities. In this sense, ESG reporting and responsible business conduct should be considered as key requirements before defining business relationships or investments to the extent possible.

**2.3 Improve integrity and compliance in supply chains** – It is important to promote and foster the contribution to sustainable development by offering training and guidance on RBC, while ensuring any requirements on supply chain integrity are as uniform as possible and preserve a level playing field for companies across G20 countries. To the same end, G20 members should focus on the relevance of appointing an integrity & compliance officer. The role should be covered by a senior level position with strategic importance which also intends to look beyond core compliance, functioning as best practice and as a positive example to be emulated through the entire supply chain, mainly with regards to large organizations. In this sense, there is a need to consider and design measures which are also easily adaptable by SMEs capacities.

- The G20 should promote the improvement of integrity and sustainability compliance, broadening the scope of application not only including national companies and multinational organizations but also their suppliers.
- The G20 should promote the use of market power and contractual measures, by the head of supply chain to the extent possible for a step-change in sustainability impact, as well as the capacity building among SMEs and their supply chains by offering training and guidance on RBC.
- The G20 should encourage all companies with an emphasis on those at the top of supply chain to adopt and implement compliance programs (e.g. with codes of conduct and/or precise contract clauses concerning integrity and sustainability), in order to stimulate RBC and act as role models for their contractors / stakeholders and suppliers.

**Key Performance Indicator**

The B20 Integrity & Compliance Taskforce proposes that current and future G20 presidencies, monitor progress on **Business extent of disclosure index** and **Governance Score**.

The proposed KPI, as inserted below, shows the relative ownership, the given baseline and the 2024 target ambition. The indexes range from 0 to 10, with higher value indicating a more positive scenario.

The **Business extent of disclosure index** measures the extent to which investors are protected through disclosure of ownership and financial information.

<b>Business extent of disclosure index</b>	<b>Owner: World Bank</b>	
	Baseline	Target
	<b>6</b>	<b>6,43</b>
	(2019)	(2024)

**Key Pilot Performance Indicator**

The **Governance Score** relies on two key elements: executive capacity and executive accountability.

Although the index should be completed with all G20 members, the proposed KPI, as inserted below, shows the relative ownership, the given baseline and the 2024 target. Therefore, our ambition is to encourage governments to ensure continuous improvement of this indicator.

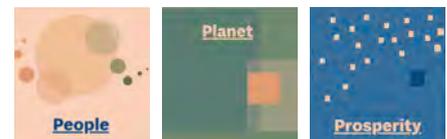
Governance Score	Owner: SGI	
	Baseline	Target
	<b>6,4</b> (2020)	<b>7,1</b> (2024)

*For further details please see the relative Annex.*

**SDG impacted - 1: No Poverty** - Organizations may contribute to improving access to sustainable livelihoods, entrepreneurial opportunities, making sustainable investments and building productive resources. **5: Gender Equality** - Sustainability plays a key role in ending discrimination and empowering women which may strongly contribute to economic growth and development. **8: Decent Work and Economic Growth** - Adopting good and transparent corporate governance systems may attract investors that nurture interest on positive impact investing, which contributes to economic growth. **9: Industry, Innovation and Infrastructure** - Sustainable governance may focus attentions on making more investments in sustainable infrastructure, increasing efforts surrounding scientific and technological research. **10: Reduced Inequalities** - Sustainable governance can impact inequality reduction by reducing the gap of salaries of higher-level positions or redistributing welfare benefits and salaries to those on lower level position. **16: Peace, Justice and Strong Institutions** - Effective governance could positively impact on the sustainable development of peaceful and inclusive societies. **17: Partnerships for the Goals** - Good, accountable and transparent governance can promote better cooperation and therefore contribute to common goals.



**Italy's G20 principles - People:** Sustainable governance may have a substantial impact on the enhancement of positive and responsible behaviour. Among some of the benefits that good governance may have on social ecosystems, we find the potential improvement of service effectiveness enhances stakeholders' satisfaction and foster citizens' confidence in their government. **Planet:** Sustainable governance may strongly contribute to the reduction of negative environmental impacts or disasters caused by wrong and irresponsible behaviour of human actions. **Prosperity:** Accountable, good and transparent corporate governance systems may attract investors that nurture interest in positive impact investing, contributing to the enhancement of the organization's reputation, focusing on a long-term perspective.



**Context**

In this period of unprecedented challenge and global socio-economic crisis, how public and private organizations respond may prove to be the litmus test for integrity. In fact, the concepts of integrity and compliance are taking on a broader scope, posing a necessity on changing priorities.

The COVID-19 pandemic has accelerated the focus on global risks such as: flaws occurring in critical infrastructures and public procurement cycles, assurance in procurement processes, cyber-attacks, social unrest, fragility of economic systems and social inequality. A large number of managers and employers believe that COVID-19 represents a risk to responsible business conduct for their organization.

Therefore, there is an incremental need also to conceive and embrace new ways of tackling emerging issues, which focus on the importance of governance as well as heightening the level of compliance among organizations. The relevance of defining how sustainability can become part of the compliance frameworks is key.

**Exhibit 6**  
**Global investments in sustainability**

*Growth of sustainable investing over time - 2020 has been a record setting year for the growth in sustainable investment; the global pandemic strongly impacted this topic, accelerating awareness and interest of investors on ESG, considering the immediate and short-term impact that these practices imply. The following chart clearly represents how the growth of sustainable investment has changed over the years, as well as how sustainable investing is becoming an unstoppable force with total assets doubling over the past seven years.*

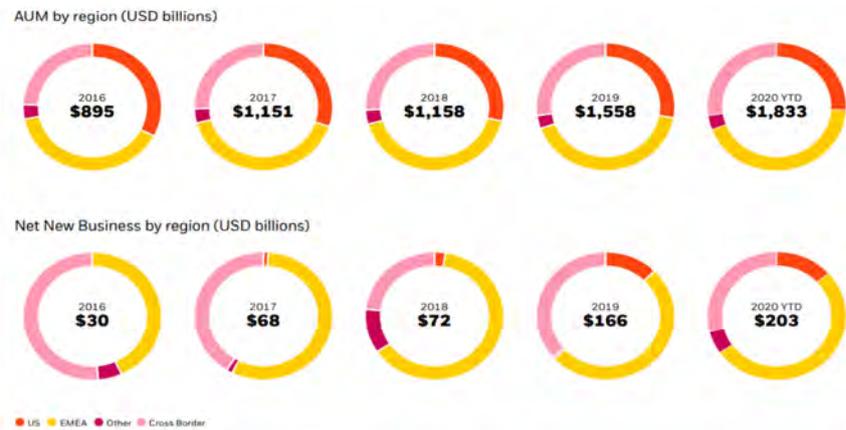


Figure 6 - BlackRock Sustainable Investing, with data from Broadridge and Simfund. January 1, 2016 – September 30, 2020

Explicitly, compliance can help companies to better evolve towards organizational models that are more sensible and respectful with regards to stakeholders' sustainability interests. In this sense, sustainability and ESG are now more important than ever, as for other themes such as diversity and inclusion. To this end, human rights are becoming a pivotal topic associated with compliance, where it is increasingly important to promote synergies between relevant topics within organizations, such as anticorruption and human rights. COVID-19 is testing our health, social and economic systems in extreme ways. While facing extreme circumstances, people and organizations need to make immediate decisions, considering the relevance of balancing responses to the crisis in the short-term with maintaining resiliency to other risks facing business and society in the long-term. Sustainability and ESG programs are key elements of long-term value and business resiliency, however expectations on companies must remain realistic and should furthermore be considered in the context of the respective company characteristics, paying due attention to the challenges that SMEs are facing, as well as in line with efforts to foster recovery.

The current global scenario, where the pandemic is the protagonist, has revealed the importance of other non-financial factors that impact business outcomes and are important to ESG investors, such as disaster preparedness, continuity planning and employee benefits. In this context, there is also an incremental relevance on non-financial reporting, which provides stakeholders with an important and comprehensive overview of the position

and characteristics of a company's business activity on specific themes, such as social, human rights etc. Some tangible steps that organizations should take with respect to leveraging ESG and sustainability programs to build value in the short, mid, and long-term for all the business ecosystem are:

- Set new priorities in order to take greater account of stakeholders' interest;
- Implement and adopt proactive measures to manage social and environmental risks across supply chains and organizations;
- Embed sustainability in business strategy to manage and measure impacts that will support Long-Term Value creation.

### **Policy Action 2.1: Stimulate the implementation of a sustainable Governance**

Heightening the level of compliance among organizations and defining how sustainability can become part of the compliance framework is key. To pursue and effectively leverage the adoption and implementation of sustainable governance, supportive measures can be considered, while taking into account the specific business contexts of different companies.

Beneficial initiatives for the above-mentioned implementation could be represented by efficient risk management measures – based on a comprehensive risk assessment<sup>14</sup> – combined with corporate governance measures, aiming not only to reinforce shareholder and stakeholder protection, but playing a key role in leveraging ESG matters too.

It is also relevant to underline how adopting good and transparent corporate governance systems may attract investors that nurture interest on positive impact investing, contributing to the enhancement of the organization's reputation as a whole.

Large enterprises and SOEs, due to their role and responsibility, should proactively contribute to implementing good and innovative governance practices, as their sustainable governance can positively influence the business environment and community<sup>15</sup>, granting them the chance to be seen as a role model and thus being emulated by the business ecosystem.

While it is essential to foster G20 members in taking proactive steps in encouraging the above-mentioned enterprises to enhance their level of integrity and compliance, it is undoubtedly important to consider differences identifiable among enterprises and countries, posing particular attention when detecting vulnerable situations.

Good governance within those enterprises is fundamental for efficient and open markets at both levels, domestic and international, as they are often considered to be the main providers of key public services. For example, SOEs usually run complex businesses e.g. infrastructures and energy, which are often involved in cross-border activities. Any action undertaken from them regarding ESG may have a significative impact: in this sense, the junction between public and private can really boost ESG development.

<sup>14</sup> Recommendations in such context can be consulted within "UNODC United Nations Office on Drugs and Crime - An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide, 2013"; document built on UNCAC and UN Global Compact publication on Anti-Corruption Risk Assessment and recommendations, which also relates to carrying out due diligence requirements as set forth in OECD MNE Guidelines and OECD Due Diligence Guidance for Responsible Business Conduct

<sup>15</sup> Transparency International, *10 Anti-Corruption Principles for SOEs, 2017*  
on the measurement of bribery and other forms of corruption through sample surveys, 2018

According to the above, it is equally clear how large enterprises and SOEs hold a central role in the fight against corruption. In such context, a Collective Action initiative has been developed during the B20 Presidency in Argentina and also referenced in an exhibit in the B20 Saudi paper. Such initiative is the result of a collaboration between the OECD and the Basel Institute which have developed the project “Compliance Without Borders”. Its main aim is to facilitate professional cooperation between the public and private sectors by developing joint initiatives<sup>16</sup>.

Explicitly, with reference to SOEs, research conducted by the OECD led to long-established guidelines<sup>17</sup> which are internationally noticed. G20 could refer to the research when setting standards for how governments should exercise the state ownership function. Overall, G20 members should concentrate on implementing high standards of ethics, integrity and compliance, while also considering their role in sustainable corporate conduct and governance. In fact, it is of same importance to encourage the G20 to reinforce efforts to implement the 2018 G20 High-level Principles for Preventing Corruption and Ensuring Integrity in SOEs.

## Exhibit 6 Governance

*Assessing governance level - Corporate governance plays a key role as it is fundamental to the operating continuity of any corporation. Companies trying to meet standards or regulations can find themselves in a minefield as they navigate the areas of governance and compliance. Therefore, the need to establish governance and compliance around sustainability to manage risk is constantly growing. In this context good and transparent corporate governance can be seen as a success factor. In fact, some of the key benefits that may emerge as a result of the implementation and adoption of effective good and sustainable governance include:*

- **Encouraging positive behaviour:** It is fundamental that all board members are involved in the culture of the organization, while ensuring clear lines of communication with management and with the organization. In this context, having clearly delineated policies and processes and a board of directors and executive managers who take an interest in such matters can strongly contribute to preventing future failures whilst positively participating to a better understanding and setting the organizations cultural expectations;
- **Increase trust:** When stakeholders feel able to rely upon the information provided by companies this leads to increased levels of trust, enabling organizations to develop stronger, longstanding relationships with their stakeholders;
- **Enhances sustainability:** A strong commitment towards implementing good governance also enables organizations to quickly identify and resolve any systemic issues, thus reducing the likelihood of costly corporate crises and scandals. The implementation and adoption of effective and efficient governance systems that are geared to manage such eventualities may result in organizations being able to respond quickly to safeguard their reputation;
- **Improving top-level decision-making:** Good governance can ensure timely access to information through improving the communication among stakeholders which may lead to better results. Moreover, good governance can also foster rapid and accurate prioritizing of actions, which can be of invaluable importance especially in moments of difficulties while contributing to the organization's sustainability;
- **Minimizes waste, risks, corruption and mismanagement:** Organizations that are strongly committed to implementing, adopting and maintaining good governance practices will likely find that certain risks are drastically minimized. The main reasons for this are that solid governance practices typically increase levels of transparency, trust and integrity, all of which solidly contribute to creating an environment conducive to reducing risks, opportunities for corruption and any source of mismanagement;
- **Diverse and balanced composition of boards and top management:** Numerous studies have demonstrated that a more gender equal top management boosts the financial performance of a company along with higher levels of transparency and stronger governance structures.

*The following chart is the representation of the governance level of various countries where the composition of the chart is 50% based on executive capacity and 50% based on executive accountability.*

*\* Notes - The edition of the SGI 2019 saw some modest changes in the composition of individual criteria of the categories “executive capacity” and “executive accountability” compared to the editions of SGI 2014-18.*

<sup>16</sup> Basel Institute on Governance, *Compliance without Borders a new way to build anti-corruption capacity in SOEs, 2018*

<sup>17</sup> “OECD, *The Guidelines on Corporate Governance of State-Owned Enterprises, 2015*; OECD, *The Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises, 2019*



**Policy Action 2.2: Assess ESG performances**

Good governance is fundamental to successful ESG performance and to the development of corporate cultures of integrity. Promoting a culture of sustainability and positive impact among stakeholders through the acknowledgement and agreement of internally adopted compliance measures related to sustainability issues is crucial. It is also important to promote the adoption of non-financial reporting, helping stakeholders and shareholders to better evaluate the non-financial performance of businesses, while encouraging these companies to develop a more responsible approach to business, contributing to the assessment and mitigation of ESG issues which can carry significant reputational and operational risks. To this end, standardized non-financial reporting is key. Investments in ESG should be made across geographies, including less developed countries which may considerably contribute to better economic development. As a result of irregular practices being normalized in different areas, it is necessary to promote a culture of integrity and sustainability. Alongside the assessment of ESG, commitment is of equal importance to continue to place specific emphasis on gender equality, diversity and inclusion. To this end, the implications of inaction on gender equality, diversity and inclusion policies are tremendous as effective actions may have a positive effect in preventing and countering corruption<sup>18</sup>

<sup>18</sup> UNODC, *The Time is Now – Addressing the Gender Dimensions of Corruption*, 2020

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## Focus - Measuring Sustainable Value Creation

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### *Common Metrics and Consistent Reporting of Sustainable Value Creation*

*Without effective governance, we may fall short on the delivery of broader sustainability goals. It is vital to strengthen good governance in ESG reporting. To contribute to achieving the SDGs and promote the harmonisation and standardisation of non-financial reporting, the World Economic Forum in collaboration with EY, Deloitte, KPMG and PwC released a set of universal ESG metrics as a guidance for business reporting.*

*These 21-core metrics and 34 expanded metrics are organized across four pillars - governance, planet, people and prosperity - and serve as a roadmap for aligning business performance with stakeholder interests. As of January 2021, over 60 top business leaders across industries have committed to the Stakeholder Capitalism Metrics.*

*Under governance, anti-corruption represents one of the core metrics for reporting sustainable value creation. These metrics will be a key to achieving the SDGs. Investing more efforts on the “G” piece helps build a solid integrity culture which is one of the related measures of fighting corruption.*

*Source: World Economic Forum, Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, September 2020.*

### **Policy Action 2.3: Improve integrity and compliance in supply chains**

It is important to promote and foster the contribution to sustainable development, stimulating capacity building among SMEs and their supply chains by offering training and guidance on RBC. Roles, responsibilities and accountabilities need to be defined and executed accordingly. In this sense, it remains crucial to properly understand and design measures which are also adaptable by SMEs capacities, also by supporting existing networks that address SMEs' specific needs<sup>19</sup>. To this end, it is also relevant to consider potential limitations and impact that SMEs may have in leveraging and influencing the conduct of their respective suppliers. Companies of all sizes must invest in the voluntary development of their supply chains for a step-change in sustainability impact, involving the utilization of purchasing power to encourage, audit, collaborate with, provide benchmarking and learning opportunities with their suppliers on key sustainability issues, such as the promotion of solutions of circular economy. Another fundamental concept revolves around the Human Rights' topic, for which the Basel Institute is proposing to convene and facilitate private sector roundtables, aiming to ascertain how companies are currently conducting human rights and corruption risk assessments, and whether they are already collaborating and combining their approaches. The Basel Institute methodology could be used to support companies in a range of benchmarking exercises that respect confidentiality and proprietary information. Such a methodology could also contribute to providing a framework to share experiences and to discuss opportunities, risks and methodologies relating to human rights and anticorruption risk assessment, directly engaging with companies while also working with specialized organizations that address human rights and business issues<sup>20</sup>. In this regard, additional supporting guides, which connects the anti-corruption and human rights agendas are given. The guide aims at assessing the links as well as the differences between the two issues while also providing pragmatic ideas for how companies can leverage existing synergies, implement a more coordinated approach to risk assessments and foster experience and information sharing between those working on anti-corruption and those working on human rights<sup>21</sup>. Furthermore, it remains fundamental to support capacity building of non-OECD countries with poor governance and law enforcement through inter-governmental negotiations contributing to levelling the playing field for companies.

<sup>19</sup> Alliance for Integrity – last update June 2021

<sup>20</sup> Basel Institute on Governance, Synergies in Anti-Corruption & Human Rights Compliance, 7 September 2020

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## Focus - Build resiliency into supply chain

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### *Responsible and resilient supply chain*

*Today it is more important than ever to identify and understand risks and opportunities in order to gain efficiency.*

*The OECD Guidelines for MNEs acknowledge and encourage the positive contributions that business can make to economic, environmental and social progress, but also recognize that business activities may result in adverse impacts related to corporate governance, workers, human rights, environment, bribery, and consumers.*

*It is possible to reduce supply chain disruptions caused by social and environmental risks through agreements with suppliers to explore how to best work together during the pandemic. Having a broad supply chain with a strong assurance that workforces are being kept safe is a key factor of resiliency, above all for companies that source services from all over the world. The investors positively consider companies that make smart decisions regarding their supply chains during this crisis.*

*There are a number of studies that explore how companies are embedding sustainability in their supply chains by managing risks and adopting new commitments around human rights (such as the UN Guiding Principles on Business and Human Rights), the environment and the well-being of the communities in which they operate.*

*Results indicate that by improving ESG performance throughout the supply chain, companies can enhance processes, reduce costs, increase productivity, innovate, differentiate and improve societal outcomes.*

*Eight ways to boost sustainability in supply chain are identified:*

- 1. Assess materiality to focus on the most pressing issues, taking UN Global Compact principles into consideration, which cover labour, human rights, environment and anti-corruption;*
- 2. Align resources, structures and processes to focus on supply chain sustainability across the organization;*
- 3. Train management and suppliers on market practices;*
- 4. Invest in diverse and inclusive supply chain partners;*
- 5. Stretch existing sustainability goals beyond direct operations, to include tiers of the supply chain;*
- 6. Deploy technology to increase accountability and transparency;*
- 7. Leverage buying power and influence to trigger shifts toward supply chain sustainability;*
- 8. Disclose supply chain information beyond stand-alone sustainability reporting mechanisms.*

*Moreover, an intention of potential enhancement of the concept of sustainability within supply chains is being represented among the latest EU consultations that might lead to a directive proposal. To this end, new obligations for companies could be envisaged: carrying out proper third parties due diligences that contains all aspects that companies should take into account before starting a new relationship, such as criminal record, reputational background, human labour conditions safety and security at work.*

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<sup>21</sup> *Business at OECD (BIAC), International Organization of Employers (IOE), Connecting the anti-corruption and human rights agendas: A guide for business and employers' organisations, September 2020*

## Recommendation 3: Cooperative compliance models and rewarding systems

Integrity and compliance should become milestones for organizations through the promotion and rewards of specific voluntary management commitments. To this end, it is worth mentioning that companies are making great progress in implementing and improving their compliance programs. In this context, it is relevant to focus on better understanding and managing associated risk profiles by implementing and adopting effective compliance programs as well as due diligence policies and third-party risk management. Indeed, it is fundamental to strengthen companies internal control frameworks when it comes to managing relationships with third parties alongside the supply chain in order to gather reliable information on the related beneficial owner, thus avoiding committing illicit action and crimes in the procurement cycle. Oversight of internal controls and compliance programs should be the duty of one or more senior corporate officers, endowed with an adequate level of autonomy, resources and independence from management<sup>22</sup>. There is also a strong need to foster dialogue, enhance cooperation, trust and strategic alignment among public and private organizations, to build a global culture of sensibility towards compliance and integrity, maturing intolerance towards corruption<sup>23</sup>. In this context, cooperative compliance models should be promoted with governments providing incentives/rewarding for the adoption of compliance programs<sup>24</sup>.

Governments should strive to harmonize compliance requirements across jurisdictions to reduce the costs and complexity that companies incur to create a level playing field for global business and to facilitate the enforcement of compliance across jurisdictions. In addition, supportive measure with regards to the implementation of efficient whistle-blower reporting and protection systems by innovative communications technology is key. Collective Action activities play a crucial role in providing solutions to emerging and evolving risks. These activities are collaborative and sustained multi-stakeholder efforts that are integral to the creation of integrity cultures that go beyond compliance<sup>25</sup>. In particular, they can be effective in the implementation of policies that address market integrity, supply chain due diligence, and third-party risks in the creation of standardized non-financial reporting standards that emphasize the importance of effective governance in creating sustainable growth.

<sup>22</sup> G20, *High-level Principles on the Private Sector*, 2015.

<sup>23</sup> G20, *High-Level Principles for the Effective Protection of Whistle-blowers*, 2019

<sup>24</sup> UNODC, *Resource Guide on State Measures for Strengthening Corporate Integrity*, 2013

<sup>25</sup> WEF, *Collective Actions. An Agenda for Business Integrity – four key pillars of leadership action by companies*, 2020

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## Policy Actions

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**3.1 Promote public-private cooperation to enhance compliance** – Reinforcing the concept of reward by fostering collective trust in cooperative compliance efforts, promoting the adoption of rules, effective measures and inclusive cooperation to improve the exchange and availability of information among stakeholders from the private-public worlds, aiming at increasing compliance and good conduct.

- The G20 should foster the adoption of rules, effective measures and inclusive cooperation to improve the exchange of information between the public and private sector. Further, they should look to promote reward policies linked to compliance efforts.
  - The G20 should encourage, in collaboration with the governments, the implementation and adoption of robust compliance programs for corporations who access public tenders and receive public funds.
  - The G20 should encourage the development and adoption of an effective rewarding system, fostering voluntary cooperative compliance efforts with dedicated authorities.
  - The G20 should promote Collective Action activities and public-private partnerships to enhance the exchange of best practice and the development of information sharing methods.
  - The G20 should encourage governments to adopt supportive legal and guidance frameworks to promote Collective Action activities, defining a sustainable process of collaboration and cooperation among stakeholders from the private and public sector, with the aim of increasing the scale and effectiveness of anti-corruption actions.
  - The G20 should stimulate the adoption and implementation of effective measures, such as ICC anti-corruption clauses (especially in public procurement contracts), and Integrity Pacts in key contracting projects, in order to increase transparency and accountability, enhance trust in authorities and government contracting, and contribute to a good reputation of contracting parties.
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**3.2 Corporate compliance efforts in private sector** – Implementing due diligence policies by hiring companies within the supply chains for the selection and review of contractors, better manages associated risk profiles while supporting SMEs in the due diligence of their commercial partners (e.g. supporting the adoption of a long term, aspirational concept such as Global Value Chain Passport for financial compliance). In this context, governments should consider providing incentives for companies to adopt compliance programs, promoting the adoption and implementation of digital solutions. Such initiatives will need to be followed by the implementation of subsequent rewarding mechanisms for entities excelling in the adoption of the above (e.g. update of public tenders score cards for virtuous entities).

Governments should also request companies, especially large enterprises, to provide training to their suppliers, so that a culture of business ethics is strengthened not only within the company but also along their supply chain, creating value and positive externalities with regard to ESG factors.

- The G20 should stimulate business to implement and adopt integrity principles and compliance cultures within organizations, while governments take into consideration compliance efforts and voluntary self-disclosure by businesses through rewarding mechanisms. These efforts should be promoted with a strong focus on implementing digital solutions.
- The G20 should promote self-disclosure by offering reduced penalties and leniency programs, ensuring the re-inclusion of firms which have come clear in public tenders.
- The G20 should encourage companies to conduct properly documented risk-based due diligence on commercial partners to manage associated risk profiles, while at the same time reinforcing responsible business conduct and fostering compliance with relevant legislation.

**3.3 Protection of whistle-blowers** – Improving compliance for the private and public sector, reinforcing and rebuilding trust in public and private institutions through the adoption of effective and efficient whistle-blower reporting and protection systems supported by innovative communications technology is crucial. In this context, it is key to focus both, on the rights of the person against whom a report has been made, the protection of the reporting person as well as the freedom from retaliation.

- The G20 should encourage the adoption and implementation of effective and efficient whistle-blower reporting and protection systems, as well as fostering dedicated communication activities aiming to enhancing awareness, while reinforcing workers’ and stakeholders’ trust.
- The G20 should encourage the reinforcement of protecting the reporting person as well as requiring that there is no retaliation against individuals who raise concerns in good faith.
- The G20 should foster a robust exchange of information through the use of modern digital tools between government and business in order to monitor and evaluate their whistle-blower protection frameworks, and to lay down and update international high-level standards.
- The G20 should implement dedicated reporting systems for public officials to directly address issues to the highest level of the respective administration through innovative whistle-blower communications technology and create high-level reporting mechanisms through supervising authorities.

**Key Performance Indicator**

The B20 Integrity & Compliance Taskforce proposes that current and future G20 presidencies monitor progress on the **Countries with National Laws Protecting Whistle-blowers**. The proposed KPI, as inserted below, shows the relative ownership, the given baseline and the 2024 target ambition.

<b>Countries with National Laws Protecting Whistle-blowers</b>	<b>Owner:</b> Environmental Law Institute	
	Baseline	Target
	<b>32</b>	<b>54</b>
	(2017)	(2024)

*For further details please see the relative Annex.*

**SDG impacted - 1: No Poverty** - Public private cooperation may improve the business environment and increase competitive opportunities for private investment, strengthening poverty alleviation and focusing the government's economic management. **5: Gender Equality** - Through the promotion of specific voluntary management commitments there may be examples of a better involvement of gender distribution. **8: Decent Work and Economic Growth** - Introducing and leveraging collaborative measures or rewarding systems for ethical and anti-corruption measures adopted voluntarily can contribute to sustainable economic growth. **9: Industry, Innovation and Infrastructure** - Utilizing innovative technologies to enhance whistle-blower communication and protection creates a better and more secure ecosystem. **10: Reduced Inequalities** - Rewarding compliance and ethics efforts of private companies as leverage to stimulate good conduct, empowerment and social, economic and political inclusion fostering the reduction of inequalities. **16: Peace, Justice and Strong Institutions** - Enhancing efficiency and cooperation among public and private sector to identify and minimize potential risks (legal, social, reputational) in business conduct, fostering peaceful and inclusive community and effective governance. **17: Partnerships for the Goals** - Encouraging private and public global cooperation that goes beyond official development assistance commitments.



**Italy's G20 principles - People:** Enhance and reinforce employees protection measures while increasing efficiency through Collective Action activities aimed at improving individual's wellbeing and collective trust. **Planet:** Promoting cooperative compliance efforts and rewarding systems can have a substantial impact on the implementation and adoption of a global culture of sustainable integrity. Promoting specific voluntary management commitments will positively affect environmental behaviour. **Prosperity:** A cooperative approach to implementing and adopting an effective reward system will strongly contribute to the enhancement of compliance levels among organizations, raising the bar of transparency, efficiency, and responsible business conduct among organizations.



**Context**

Corporate compliance, strong corporate culture and business ethics are prerequisites for the sustainability of each company. Concurrently, organizations are navigating new compliance challenges emerging as a result of COVID-19.

Therefore, especially in this moment of unprecedented challenge, there is an essential means to build a sustainable culture of integrity and inclusiveness aiming at better responding to the raise of pandemic challenges. In this context, the external ecosystem plays a key role in organizations promoting and stimulating a global culture of sustainable integrity through specific voluntary management commitments. There is a need to work closely and cohesively towards building a better and stronger win-win solution where organizations increasingly commit to good and responsible conduct while governments and institutions facilitate, remunerate and cooperate towards the sustainability of this cycle.

Moreover, encouraging corporate compliance efforts contribute to fulfil and support the 2030 Agenda for Sustainable Development and especially SDG 16, which deals with "Peace, Justice and Strong Institutions," and also targets 16.5 of this goal, which is "Substantially reduce corruption and bribery in all their forms."

It is important that Governments act, providing incentives for business to establish compliance programs by taking into consideration the existence

of such programs when awarding public contracts, recognizing effectiveness and performance.

Another way to support corporate compliance efforts is to encourage self-disclosure and self-cleaning by offering reduced penalties and leniency programs, allowing the re-inclusion of firms which have come clear in public tenders.

### **Policy Action 3.1: Promote public-private cooperation to enhance compliance**

Reinforcing the concept of rewarding to foster collective trust in cooperative compliance efforts with dedicated authorities as well as ensuring corporations will be equipped with effective and robust compliance programs is key, especially when accessing to public tenders and receiving public funds. In such context, it might be of great value allowing the contamination of public systems by virtue of sustainable processes implemented by the private sector, as well as leveraging the innovation developed by the private sector in the sustainability field to foster higher compliance and efficiency standards. These measures can have great impact on incentivizing and encouraging compliance while also contributing to levelling the playing field for businesses. In this context, sufficient flexibility in the design of bidding criteria must be in place, as well as avoiding extensive check lists which risk burdening and ultimately, potentially penalizing SMEs from public tenders.

Collective Action activities between public-private sectors should also be conceived as a means to convene power among diverse actors to align/heighten ethical standards and curtail corruption. In this context, private and public sector should work together to address their legislative and regulatory approach and identify adequate solutions. These partnerships should leverage the gatekeeper's expertise and technological know-how and promote the fight against illicit financial flows. Other measures, such as tax cooperative compliance agreements, are broadly seen as an exchange of greater upfront transparency by the taxpayer in return for more certainty from the tax authorities. Such measures also reduce compliance costs and enhance efficiency, due to the better utilization of resources by both parties. Many countries formalize cooperative compliance arrangements in some kind of written agreement with taxpayers, such as a special ruling or dispensation from the tax authorities or a formal cooperative compliance agreement. Furthermore, implementing and promoting the adoption of rules, effective measures and inclusive cooperation is fundamental to improving the exchange and availability of information, offering a type of collaborative and sustained process of cooperation among stakeholders from the private, civil and public worlds aiming at increasing compliance and good conduct.

## **Exhibit 6 Governance**

*TGI growth and issue areas - Transnational public-private governance initiatives (TGIs) are an important element of contemporary world politics, in which states and/or intergovernmental organizations (IGOs) cooperate with business and civil society actors to govern transnational problems. They represent a special type of transnational public-private partnership (PPP). In contrast to traditional state-based regulation, in TGIs, private actors are not only the objects of governing, but are involved in the core activities of governance process, including decision-making, monitoring, and enforcement.*

*The left-hand panel of the chart below represents the net cumulative total numbers of TGIs. The chart clearly shows an initial slow growth rate of TGIs up until the 1980s while there is an exponential growth between 1990 and 2010, which keeps increasing up until today. While it is interesting to see that on the right-hand panel of the chart below, TGIs are frequently created to address social, development, and environmental problems. In this context, the thematic areas of interest, mainly integrity and compliance can find enough space to play a key role among TGIs initiatives.*

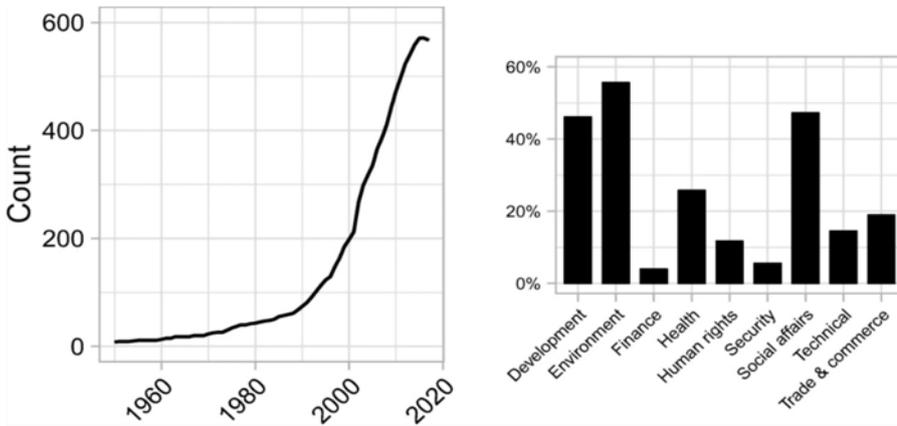


Figure 8 - Westerwinter, O. Transnational public-private governance initiatives in world politics - 2019

The following chart reports on the two sides of the panel, state and IGO participations in TGLs that existed in 2017

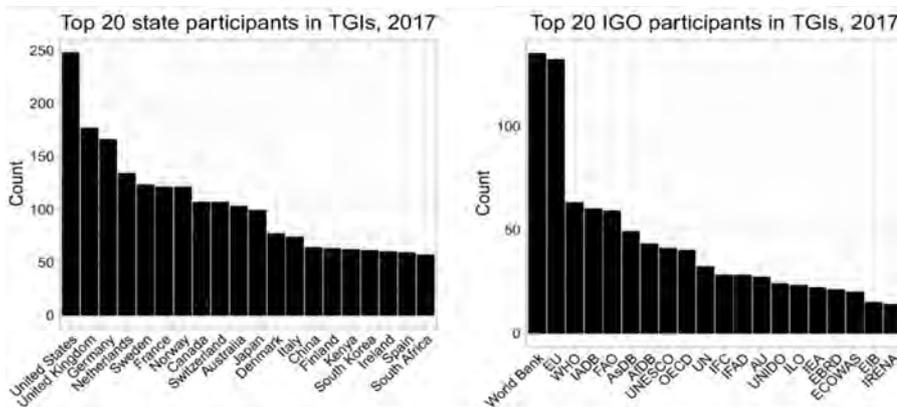


Figure 9 - Westerwinter, O. Transnational public-private governance initiatives in world politics - 2019

## Focus | Spotlight on Collective Action

### Leveraging Collective Action to build alliance against corruption

Collective Action is a process that brings together civil society, government and businesses to solve intricate and shared problems. Considering that corruption is a wide-spread phenomenon that must be tackled by the largest possible number of actors, Collective Action is crucial in developing anticorruption initiatives within the private and public sector.

An example of Collective Action is the project Global Integrity Education implemented by the United Nations Office on Drugs and Crime (UNODC). The project seeks to establish effective integrity education programmes that foster ethical decision-making in private sector employees. To achieve this goal, UNODC has set up working groups in Kenya, Mexico and Pakistan which bring together private sector representatives and academics to develop contextualized university integrity modules. Practical examples and guest lecturers from the private sector increase the relevance of the material taught to students. The ultimate goal of the project is to create a talent supply chain of university graduates who are empowered to act as ethics ambassadors and seek to join public or private sector organizations.

Source: Siemens Integrity initiative Annual Report, 2019.

### Policy Action 3.2: Corporate compliance efforts in private sector

Implementing and adopting due diligence policies by the hiring company and within the supply chain for the selection and review of contractors, to understand and manage associated risk profiles, thus reinforcing responsible business conduct and compliance with relevant legislation on e.g., labour, human rights, environment is crucial. Effective due diligence should be supported by efforts to embed RBC into policies and management systems aiming at enabling enterprises to remediate adverse impacts that they cause or to which they contribute<sup>26</sup>. For the same reason, it would be crucial to support SMEs in the due diligence of their commercial partners. To this end, it is also relevant to consider fostering the development of targeted guidance to support SMEs in developing tailored compliance programs including also consideration on themes such as: labour human rights and environment<sup>27</sup>. In this context, governments could provide incentives for companies to adopt compliance programs, e.g., by considering them when awarding public contracts, and encourage self-disclosure by offering reduced penalties and leniency programs, ensuring the re-inclusion of firms which have come clear in public tenders. Enterprises should be viewed as partners with government in the development and use of both voluntary and regulatory approaches to policies affecting them<sup>28</sup>. In addition, a further and relevant element worth consideration is the introduction of the Global Value Chain (GVC) Passport. The above-mentioned tolls enable a company to operate across geographies without the need to reproduce the same documentation on multiple occasions, nor undergoing duplicative verifications.

These efforts should also be promoted with a strong focus on implementing digital solutions, such as compliance process automation (e.g., controls testing and monitoring, complaints analysis, etc.) through the adoption of new technologies (e.g., artificial intelligence and blockchain). At present, main progress in these areas has been made by large corporations, so further efforts should be made to make them accessible for smaller companies, to ensure innovation and quality data sharing for all companies. To this end, governments should support enterprise's digital transformation by including within incentive policies, the consideration of internal organizational measures regarding compliance processes.

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#### Focus - Spotlight on GVC

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##### *Introduction of Global Value Chain (GVC) Passport*

*The Passport was the result of the joint cooperation between the Saudi Arabia B20 and Business at OECD (BIAC). The common intent is to make cross border trade easier for all companies, especially SMEs, which are currently held back by an excessive red tape. The introduction of the "GVC Passport", incorporated in one participating country, would thereby be reciprocally acknowledged as a legitimate business entity in other participating countries; henceforth, facilitating its financial capability across the GVC by recognizing all those financial compliance and regulatory requirements already fulfilled.*

*The development of GVC Passport is an opportunity to maximize the use of existing data, provide an authenticated, authoritative, verifiable financial fingerprint of a given entity, enabling it to operate within GVCs in a cheaper and more efficient way.*

**Source:** *Business at OECD and Saudi B20 "GVC Passport" on financial compliance, a pragmatic concept to strengthen Inclusive and Sustainable Growth, 2020.*

<sup>26</sup> OECD, *Due Diligence Guidance for Responsible Business Conduct*, 2018

<sup>27</sup> Alliance for integrity – THEINTEGRITYAPP – last update June 2021

<sup>28</sup> OECD, *Guidelines for Multinational Enterprises*, 2011

**Exhibit 9**  
**OECD reporting on third party risk management and OECD Guidelines on Responsible Business Conduct**

The 2014 **OECD Foreign Bribery Report** found that three in four cases of foreign bribery involve some sort of third-party intermediary, such as an agent, consultant, distributor, broker, or even subsidiary.

According to the Survey represented in the document “Corporate Anti-Corruption Compliance Drivers, Mechanisms, And Ideas For Change”, the risk that a third party agent will engage in corrupt conduct that will be imputed to the agent means that nearly all companies that have an anti-corruption compliance program engage in some sort of oversight of the business partners with whom they work.

**OECD Survey on Drivers and Models of Corporate Anti-Corruption Compliance**

Figure 10 shows the types of activities respondents to the survey indicated that their companies undertook in order to protect against bribery or corruption by a business partner.

It is possible to see that almost 80% of respondents conduct documented pre-contractual due diligence about anti-corruption programs.

Further, it is remarkable that more than 90% of companies surveyed include anti-corruption language in contracts with partners.

Finally, almost 60% of respondents has a confidential whistle-blower reporting mechanism in place.



Figure 10– OECD, Survey on Drivers and Models of Corporate Anti-Corruption Compliance, 2020

**Policy Action 3.3: Protection of whistle-blowers**

Improving compliance with legal rules<sup>29</sup>, standards and procedures for private and public sector, reinforcing and rebuilding trust in public institutions through the adoption of efficient whistle-blower reporting and protection systems supported by innovative communications technology systems is key<sup>30</sup>. Modern technology widens the access of whistle-blower systems, considering by definition, individuals, which take part to a working environment, thus contributing to enhancing transparency while also considering data protection and data privacy. As it is recalled in the G20 High-level Principles on Whistleblowing, there is a substantial need to focus both on the rights of the person against whom a report has been made, the protection of the reporting person as well as freedom from retaliation. To this end, the protection of a whistle-blower’s identity along with the prohibition of all forms of retaliation protection against legal proceedings and sanctions for retaliation or interference are essential elements of an effective protection framework is key. It will be also key to contribute to the awareness of whistleblowing mechanisms through the implementation and adoption of effective communication campaigns aiming at informing and disseminating legal rights of whistle-blowers and dedicated activities that support the development of an internal culture of trust and transparency in private and public entities.

In this context, it is of same importance to create and promote internal channels that are granted with the necessary independence for receiving assessing investigating and acting on reports and foster an organisational culture that builds confidence in reporting<sup>31</sup>.

<sup>29</sup> DIRECTIVE (EU) 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law

<sup>30</sup> UNODC, resource guide on good practices in the protection of reporting persons - details existing international requirements and provides guidance on the implementation of protection systems, 2015

**Exhibit 6  
Governance**

*Reporting amongst workers is still rare - Whistle-blowers can act as an early warning to prevent damage and detect wrong doings in public and private organizations. However, for many reasons, whistle-blowers are often discouraged from reporting their concerns for fear of retaliation.*

- Most respondents (85%) believed that workers very rarely or rarely report concerns about threat or harm to the public interest.
- Individuals were more likely to state that workers very rarely reported their concerns (46% against 29%).

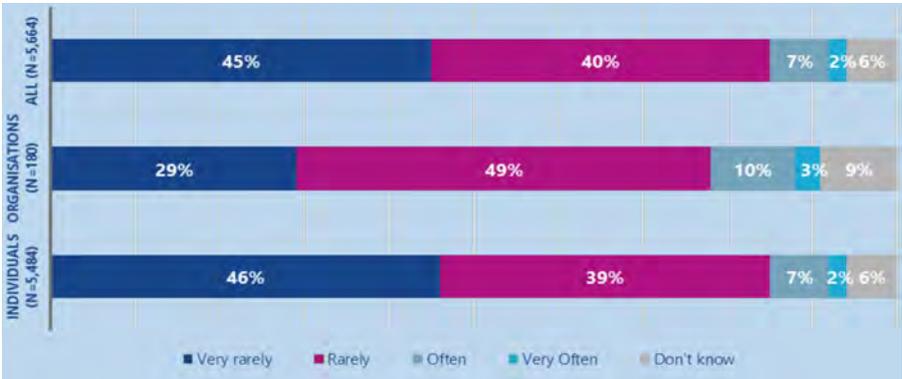


Figure 11 – European Commission, Summary results of the public consultation on whistle-blower protection ICF from OPC data, [Base N: individuals=5,484 organizations N=180] [Q: To your mind, how often are workers reporting their concerns about threats or harm to the public interest, 2017

**Awareness of whistle-blowers protection** - Protection of Whistle-blowers is fragmented across the EU, but it has a unique and relevant role to play in the actual scenario. Although efforts have been made on adopting measures on whistle-blower protection, the level of awareness remains underdeveloped, demonstrated by the several negative events that occurred, highlighting how insufficient the protection is. Thus, the negative impact is reflected on the functioning of EU policies and therefore could also spill over in other countries.

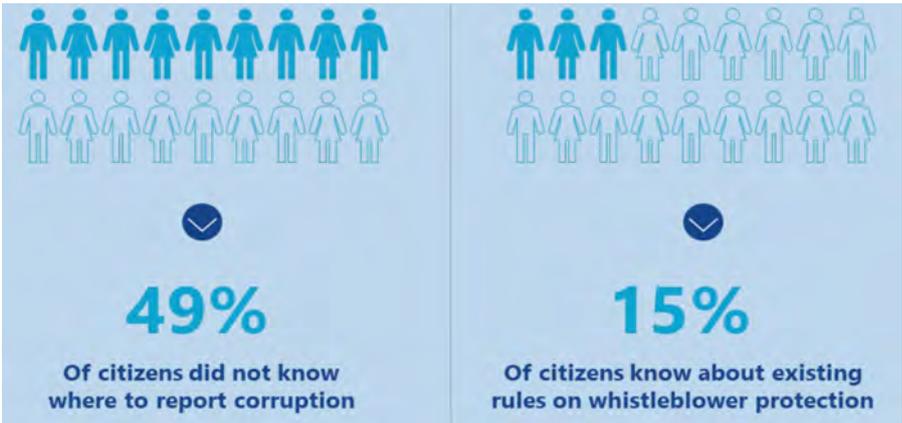


Figure 12 - European Commission - Whistle-blower protection Fact sheet | April 2018

<sup>31</sup> In recognition of the importance of whistle-blower reporting systems for building integrity in the private and public sector ICC has launched a revision of its ICC Whistleblowing Guidelines by a Working Group of 50 company executives from over 20 countries.

## Recommendation 4: Beneficial ownership Transparency

To fight anonymous shell companies that contribute to enabling corruption, fraud, organized crime and tax evasion, it is key to transform beneficial ownership transparency into an inescapable legal requirement. Anonymous companies undermine trust, distort competition, discourage investments and deprive countries from revenues, making it more difficult for developing countries to achieve the SDGs. To this end, a step forward has been made with the introduction of the Corporate Transparency Act (the CTA), enacted by the US congress on 1 January 2021. Such an initiative will mainly require corporations, limited liability companies and other similar entities to disclose beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN). Moreover, the G20 Anti-Corruption Working Group Action Plan 2019-2021<sup>32</sup> has put the topic at the centre of the agenda, highlighting that transparency of beneficial ownership is critical to preventing corruption and the laundering of corrupt proceeds, as well as to maintain integrity and trust in tax administration systems. In line with the G20 High-Level Principles on Beneficial Ownership Transparency<sup>33</sup> and with international standards such as those set by the Financial Action Task Force (FATF)<sup>34</sup>, key points for the compliance assessment on beneficial ownership transparency should include: a uniform definition of “beneficial owner”, to consider the notion of ultimate (actual) ownership and control; mechanisms to ensure adequate sharing of beneficial ownership information; accurate and up-to-date information on beneficial ownership and accessibility of this information by competent authorities in a timely manner. In a world where digital transactions are increasingly growing<sup>35</sup>, opening further space for criminal infiltration, to establish digital identity standards – including identifiers which may be used by decentralized systems – for individuals and businesses to help verify beneficial ownership data is a critical step to enhance security. In this sense, leveraging the use of innovative technology to enhance access to high-quality data on who owns companies is essential to prevent and tackle corruption, financial and organized crime. Countries should adopt legislation and supportive elements, e.g., analytical and investigative instruments, that allow the prompt identification of effective beneficial owners of the wealth accumulated by (and reinvested in) crime, creating a level playing field for all companies while ensuring the necessary control mechanisms are in place to mitigate potential risks. In addition, gatekeepers, as professionals performing several important functions in helping their clients organize and manage their financial affairs, play a fundamental role to help addressing the non-disclosure of beneficial ownership information. Therefore, it is important for the G20 members to promote global framework and develop legislation on digital identities and beneficial ownership transparency to standardize the creation, collection, validation, monitoring and maintenance of beneficial ownership information by governments. As the level of cooperation and information sharing on beneficial ownership at the international levels is essential, G20 members are also committed to support other countries to implement beneficial ownership standards.

<sup>32</sup> G20, *Anti-Corruption Working Group Action Plan 2019-2021*, December 2018

<sup>33</sup> G20, *High Level Principles on Beneficial Ownership Transparency*, 2014

<sup>34</sup> FATF, *Guidance Transparency and beneficial ownership*, October 2014

<sup>35</sup> “Digital payments are growing at an estimated 12.7% annually and are forecast to reach 726 billion transactions annually by 2020. By 2022, an estimated 60% of world GDP will be digitalized”: FATF, *Guidance on Digital Identity*, 2020

Moreover, together with traditional high-risks sectors, transparency should be enhanced in financial activities that take place among non-bank financial Intermediation (NBFI) which includes insurance firms, venture capitalists, currency exchanges, some microloan organizations, and pawn shops. Assuring that the necessary information on these transactions – in particular, on the borrowers/beneficial owners – is reported through appropriate repositories may contribute to tackling major opacity risks. Furthermore, there are areas of business that require specific attention being exposed to such risk. Among the most affected ones, the sport industry requires a strong need for integrity and transparency in relation to the ownership of sports organizations, encompassing the respective financial transactions, vehicles and jurisdictions, as well as all involved individuals and organizations.

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## Policy Actions

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**4.1 Adopt technology to ease access to Beneficial Ownership information** – Fostering the adoption of innovative digital technologies, such as Artificial Intelligence, machine learning and Blockchain, and allowing to access and share reliable information on beneficial ownership is key.

- The G20 should stimulate the digital identity standards requiring bidders to disclose beneficial ownership information in the procurement cycle, supporting the implementation of Financial Action Task Force (FATF) recommendations and guidance on digital identities and beneficial ownership to standardize the creation, collection, validation, monitoring and maintenance of beneficial ownership information by governments.
  - The G20 should encourage the adoption of innovative digital technologies to collect, store and analyse data and to allow access and sharing of relevant and reliable information on beneficial ownership – including information on borrowers in Non-Bank Financial Intermediation (NBFI) – utilizing adequate measures and inclusive cooperation to improve the exchange and availability of information.
  - The G20 should foster the improvement of data quality including data security and data updates including through the adoption of the global best practice Beneficial Ownership Data Standard (BODS), raising global standards through modern supportive technology, monitoring the implementation and reporting on progress through effective, user-friendly and transparent reporting systems.
- 

**4.2 Develop digital public national registers** – Increasing transparency around beneficial ownership information, improving third-party risk management while ensuring the data stored in digital national public registers is accurate and up to date is essential. It is important to implement measures by the government to facilitate public access to this type of information – since on many occasions people are not even aware of the availability of the same – which may contribute to good governance.

- The G20 should foster the development of comprehensive and well-resourced digital public beneficial ownership national registers, while considering the implementation of proper corporate registries, aimed at increasing transparency around beneficial ownership information and to improve third-party risk management, ensuring that the data stored in digital national public registers is both accurate and up-to-date.

- The G20 should promote, through the use of innovative technology, an effective campaign of data quality sharing, through an effective public-private partnership project engaging relevant stakeholders to assess the technology landscape and develop standards to improve data quality in, and data sharing among, national registers.
- The G20 should encourage gatekeepers to proactively establish a system for evaluating and addressing entities that do not disclose beneficial ownership information reporting discrepancies with data in public registers as well as suspicious activities to competent authorities.
- The G20 should accelerate its efforts to establish digital public national registers, requiring legal entities to raise the bar of their level of transparency and accountability in all governments services and activities posing attention on public procurement, in such a way that they align also with the minimum standards of transparency promoted by the G20.
- The G20 should support developing countries with the creation, development and maintenance of reliable company registers by promoting beneficial ownership transparency with technical and financial assistance, expanding access and exchange of relevant information with non-G20 countries, especially with regard to the information held and use made of public registers.

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**4.3 Enhance power and independence of authorities** – It is crucial to constantly promote the sharing of up-to-date information, regarding legal arrangements, discouraging bearer shares or, at least, adopting measures that allow for the identification of the beneficiary of the shares. Nominees should be required to disclose their status and subject to strict anti-money laundering obligation as well as regulating nominee shareholders or directors while fostering companies' support into creating fairness through a set of common rules and standards designed to level the playing field.

- The G20 should foster a culture of cooperation through the implementation of an effective system to reinforce international cooperation among international organizations and authorities, while committing to contribute in the creation and consolidation of fairness through a set of common rules and standards levelling the playing field, and by the identification of members and non-member states that require financial or technical assistance in developing digital public national registers.
- The G20 should encourage organizations to adopt and implement digital records, giving access upon request to relevant authorities, which should be kept for a certain period of time, promoting a culture of voluntary self-disclosure.
- The G20 should promote joint work with the governments of each country in the implementation of a facilitated system for competent authorities' access to trust, or similar legal arrangements, by setting up a system for the central registration of trusts, requiring to record information such as the registrar on the trust's settlors, trustees, beneficiaries, trust deed and/or assets.
- The G20 should foster the development of an effective and reliable integrated system, covering all the vehicles that might be used by criminals to conceal their ownership and control of such vehicles, giving public access to information to all relevant domestic competent authorities.

**Key Performance Indicator**

The B20 Integrity & Compliance Taskforce proposes that current and future G20 presidencies monitor progress on the **Worldwide commitments and action - countries are fully committed to Beneficial Ownership Transparency**. The proposed KPI, as inserted below, shows the relative ownership, the given baseline and the 2024 target ambition.

<b>Worldwide commitments and action - countries are fully committed to Beneficial Ownership Transparency</b>	<b>Owner: Open Ownership</b>	
	Baseline	Target
	<b>48</b>	<b>83</b>
	(2020)	(2024)

*For further details please see the relative Annex.*



**SDG impacted - 9: Industry, Innovation and Infrastructure** - Increasing transparency in beneficial ownership through investment in innovative and sustainable technology infrastructure can help increase economic growth. **16: Peace, Justice and Strong Institutions** - Increasing transparency in this context would increase trust in organisations by stimulating a more inclusive community. **17: Partnerships for the Goals** - Actions to increase transparency in beneficial ownership can solidly contribute to sustainable development by stimulating international cooperation, collaboration and by assisting developing countries to mobilise domestic resources.



**Italy's G20 principles - People:** Increasing transparency with regards to beneficial ownership information may strongly contribute to increasing public awareness about transparency issues while simultaneously increasing employee demand for corporate responsibility contributing to enhancing people trust. **Prosperity:** Promoting the enhancement of beneficial ownership transparency levels may strongly contribute to level the playing field for businesses, while offering better business intelligence practices and support for SMEs.

**Context**

The United Nations Office on Drugs and Crime (UNODC) estimates between US\$800 billion and US\$2 trillion of laundered money<sup>36</sup>, much of which passes through anonymous companies. The achievement of the Agenda 2030 for Sustainable Development is at risk if governments do not act against tax evasion and corruption and recover stolen assets. The transnational nature of financial crime demands a coordinated solution. Moreover, unmasking and investigating the individuals behind anonymous companies often requires international cooperation between governments, law enforcement agents, journalists and civil society organizations. Indeed, although many countries have adopted regulations establishing national registers of beneficial ownership information and recently an important step forward has been taken at the European Union level – through the establishment, following the 5th Anti-Money Laundering Directive, of a system of interconnection of central registers of Member States – much remains to be done, as a significant number of G20 countries do not have these registries<sup>37</sup>.

<sup>36</sup> UNODC, Annual Report, 2018

In fact, beneficial ownership transparency may play a key role in the fight against corruption. Article 12 of the UNCAC requires that States Parties take measures to promote transparency among private entities, including measures regarding the identity of legal and natural persons involved in the establishment and management of corporate entities. The construction of complex structures, such as anonymous shell companies and trusts as provided for by the legislation, might give criminals the possibility to hide their assets, as well as to cover them up for the purposes of entering them into the financial system, potentially contributing to enabling corruption, fraud, organized crime and tax evasion. Therefore, there is a concrete need to take action to implement pragmatic solutions which may combat this phenomenon. The adoption of legislation and use of investigative instruments that allow the identification of effective beneficial owners, on the one hand, and the implementation of innovative and effective technologies enabling access to high quality data, on the other, is essential to tackle corruption and financial crime, including money laundering, and to recover stolen assets.

Governments and businesses are strongly interested in fostering beneficial ownership transparency and collecting reliable information about company owners, therefore contributing to competitiveness and risk reduction. Indeed, transparency enhancement provides an overall better understanding of the business environment and related counterparts. In this context, even though it is proven that the existence of critical themes such as money laundering and tax evasion negatively affect and impact the majority of industries, a greater attention must be placed on vulnerable industries. To this end, the sports industry lack of transparency, renders it essential to focus on fighting opaque ownership structures while enhancing beneficial ownership transparency in its entities.

Policies on beneficial ownership transparency should be developed and implemented in an international, multi-stakeholder way. Transparency is a key condition for the success of a central register of beneficial ownership information. Establishing public register is good practice because it ensures that domestic, foreign and international law enforcement agencies and tax authorities have free and immediate access to data.

Nevertheless, it should be taken into account that the exchange of beneficial ownership data can raise complex cybersecurity, risk management and privacy issues. In this respect, once again technology – such as blockchain and artificial intelligence, but also privacy enhancing techniques – may contribute to find solutions to strike the right balance between privacy concerns, transparency and the fight against illicit financial flows<sup>38</sup>.

<sup>37</sup> On March 1st, 2021, the European Commission enacted the Implementing Regulation 2021/369 establishing the technical specifications and procedures required by the EU Directive 2015/849 for the set-up of the Beneficial Ownership Registers Interconnection System (BORIS)

<sup>38</sup> World Economic Forum, *The Next Generation of Data-Sharing in Financial Services: Using Privacy Enhancing Techniques to Unlock New Value*, September 2019

**Exhibit 11**  
**Worldwide commitments**

*Commitments to beneficial ownership transparency - The following chart and data aim to illustrate and represent worldwide commitments and actions undertaken by countries with regards to beneficial ownership transparency, where measures such as open registers are in operation.*



Figure 13 - Open Ownership - last update August 2020



Figure 14 - Open Ownership - last update August 2020

**Focus - Spotlight on GVC**

*The benefit of beneficial ownership in the public procurement*

*Beneficial Ownership transparency and efficient use of data in procurement represents a pivotal tool to detect illegal practices and oversight, and verification and accountability by civil society and the public through the publication of data.*

*The illustration reported below clearly shows that the interaction across data source, data collection and use cases allows a transparent publication of data and reliable internal analysis. Therefore, the procurement practices could be enhanced in terms of integrity, efficiency and effectiveness.*

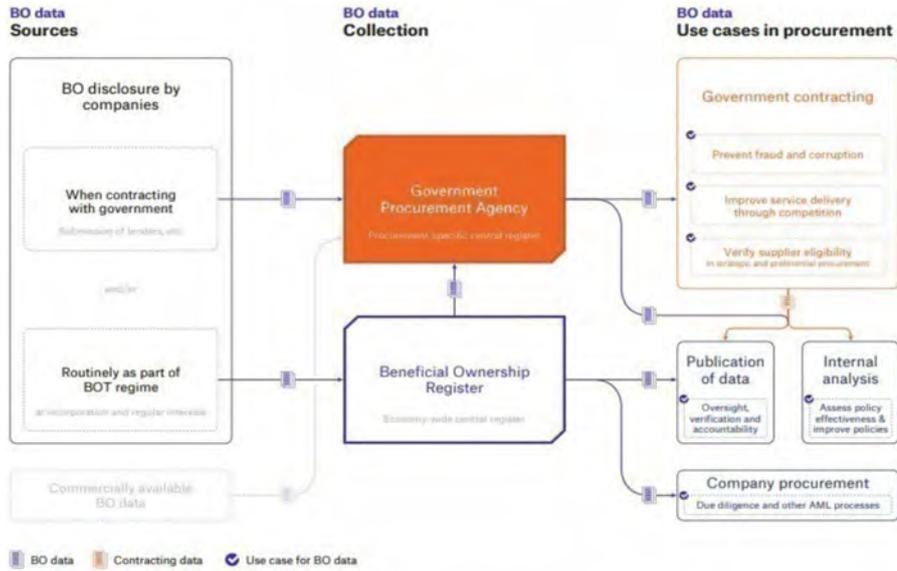


Figure 15 – Open ownership, Beneficial Ownership data in procurement (Adapted from mySociety and SpendNetwork), March 2021

The central register is crucial to allow Governments to collect Beneficial Ownership (BO) information for all business actors. Economy-wide registers and commercially available BO data are easily accessible data sources critical to enhancing transparency practices in public procurement and reduce risk within their own due diligence processes.

The Beneficial Ownership data use cases can be used for improving procurement activities such as preventing corruption and fraud, improving service delivery, and verifying eligibility of suppliers for preferential procurement.

Source: Open Ownership, Beneficial Ownership data in procurement, March 2021.

**Policy Action 4.1: Adopt technology to ease access to Beneficial Ownership information**

Fostering the adoption of innovative digital technologies (e.g. blockchain) allows access to share relevant and reliable information on beneficial ownership, enhancing public accountability and trust across companies. In this context, Governments should ensure that they have legislations in place to enact the FATF standards on beneficial ownership and that an effective cooperation between FIUs, tax and customs administration, justice departments, central banks and other law enforcement agencies to counter all points of financial and tax crimes. A considerable framework, aiming at easing data accessibility, is represented by Beneficial Ownership Data Standard (BODS) which provides a structured template for describing beneficial ownership as machine-readable data. The BODS enables transparency by providing a solid conceptual and practical framework for collecting and publishing beneficial ownership data, resulting in data that is interoperable, more easily reused, and of higher quality<sup>39</sup>.

<sup>39</sup> Open Ownership, last update April 2021

**Policy Action 4.2: Develop digital public national registers**

Increasing transparency around beneficial ownership information, improving third-party risk management, and ensuring that the data stored in digital national public registers is both accurate and up to date is critical. The implementation of platforms that link up national public registries and the promotion of inter-agency cooperation between the different law enforcement agencies engaged in the identification of beneficial ownership of opaque vehicles are key in the establishment of adequate transparency on beneficial ownership. There is an incremental need to introduce digital national public registers in public procurement as citizens are keen to know who governments are really doing business with, rendering it essential to know the legal ownership of a company, as well as who the ultimate beneficial owner benefiting from and exercising control over a company is. In such context, the potential establishment of dedicated systems and tools aimed at easing the evaluation of entities that do not disclose beneficial ownership information could be extremely relevant. Due to the fact that, non-transparency in such matter might lead to inter alia, malpractices and illicit activities, it is crucial to create a solid collaboration with gatekeepers, (e.g., company formation agents, lawyers, professional services firms, accountants, and trust-and-company-service providers) in designing and implementing the above-mentioned system. In this context, a relevant prerequisite worth considering is the promotion and adoption by G20 member States of a standard set of rules which encompass procedures for the formation and maintenance of a national beneficial ownership register. The formation of a national beneficial ownership register should be based on the principle of a balance of transparency and protection of personal data of beneficiaries.

In addition, in order to avoid criminal infiltration, Governments could also implement a control system on the competent Chambers of Commerce so that to ensure that changes in ownership structures and therefore beneficial ownership transparency are subject to formal pre-notification information to be made public to whoever has access to the registry. This could rise the level of attention and awareness and permit in-depth checks due diligences on the new potential partners and would make it possible to intercept any alarm signals and maybe with regard to the competent Authorities interrupt transactions carried out with malicious intent and above all protect SMEs increasingly exposed to economic crises and liquidity needs.

**Exhibit 12**  
**Uniting gatekeepers in the fight**  
**against illicit financial flows, via a**  
**value-based Unifying Framework**

*Gatekeepers unifying framework - Illicit financial flows present one of the greatest obstacles to sustainable development. The World Economic Forum's Gatekeeper Task Force, co-convened by the Forum's Partnering Against Corruption Initiative (PACI) and Global Future Council on Transparency and Anti-Corruption, developed a Unifying Framework that aims to equip gatekeepers from across sectors with the tools to more effectively identify and respond to clients or transactions intent on furthering illicit activity. The framework consists of five core practices and aspires to realize three fundamental principles within and across financial and non-financial gatekeeping industries worldwide.*

*All gatekeepers are invited to publicly endorse the Unifying Framework and to begin or continue to take concrete steps toward its implementation.*

The infographic is a blue rectangular box containing white text. It is organized into three sections. The first section, 'Three principles', lists '1) Integrity', '2) Transparency', and '3) Accountability'. The second section, 'Five practices', lists five numbered items: '1. Establish clear, concrete and up-to-date policies', '2. Promote effective due diligence', '3. Centre a culture of integrity through training and incentives', '4. Foster a "speak-up" culture', and '5. Collaborate across industries and sectors'. The third section, 'All gatekeepers', lists various professions: 'Accountants • art advisers • bankers • corporate service providers • lawyers • luxury goods dealers • notaries • private wealth managers • real estate agents ...'.

Figure 16 – WEF, *The Role and Responsibilities of Gatekeepers in the Fight against Illicit Financial Flows: A Unifying Framework*, June 2021

**Policy Action 4.3: Enhance power and independence of authorities**

The sharing of up-to-date information on a timely basis regarding legal arrangements, in addition to preventing the misuse of bearer shares and nominee shareholders or directors at both the national and international levels is critical. Prohibit bearer shares or at least adopt measures that allow for the identification of the beneficiary of the shares such as requiring bearer shares to be converted into registered shares dematerialization or requiring bearer shares to be held with a regulated financial institution or professional intermediary immobilisation. Nominees should be required to disclose their status upon the registration of the company and after being registered as nominees. Nominees should be licensed and subject to strict anti-money laundering obligations as well as regulating nominee shareholders or directors while fostering companies support into creating fairness through a set of common rules and standards levelling the playing field. In this sense, the establishment of beneficial ownership transparency worldwide and the commitment of all companies to adhere to such mechanisms, contribute to creating fairness through a set of common rules and standards, levels the playing field. Another key component is the independence of competition authorities, often defined as their distinct legal personality and structural separateness from Government. In addition to prescribing the authority’s structure, enabling legislation also usually gives legal meaning to the authorities’ operational (also known as functional) independence by prescribing functions, powers, the manner in which members of management and staff are to be appointed, their tenure and removal, and how the body is to be financed.

*Networks of anticorruption authorities - During the last twenty years, about a dozen regional networks of anti-corruption authorities have been set up. Anti-corruption authorities and their networks should be inspired by the examples set by other accountability institutions, who’s global organisation, standardisation, accreditation, and peer review have helped strengthen their independence and performance active. The study highlighted the main international network of corruption prevention authorities as represented within the below Figure.*

**Exhibit 13  
Mapping Anti-Corruption**

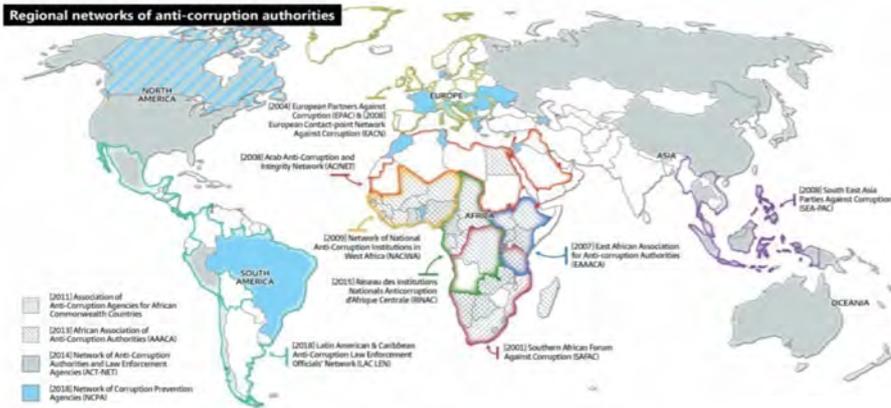


Figure 17 – U4 Anti-Corruption Resource Centre – Regional networks of anti-corruption authorities, 2020

# Annex

## Key Performance Indicators

### Applied methodology & forecasting for targets definition

This section aims at describing the adopted methodology as well as the logic behind the performed calculations and forecasting with regard to the target definition of the KPIs.

Among the main variables chosen to perform the relative calculation, three key pillars have been taken into consideration which lead the way in the definition of the settled target. In this context, these are (i) historical series of data used in forecasting, (ii) adjustment rate coming from post-pandemic recovery effects, (iii) weighting the positive impacts as well as the ambition that may result from effective implementation of the proposed recommendations and actions.

I. With regard to the adoption of historical data analysis, where applicable, the performed activities involved the use of the delta (variation in percentage) derived from changes over the analyzed years to make predictions. The abovementioned approach has been mainly used to define an accurate growth rate and/ or decremental rate as well as gathering behavioural information for the relative indexes. To this end, it is relevant to say that the analysis has been selected for a wider range of years to reduce and adjust misleading data altered by pandemic effects.

II. As history shows, very often recovery periods coming after times of crisis, are characterized by consistent bounce backs of e.g. economies and markets. Nowadays in fact, due to the post-COVID-19 crisis massive cash injection and strong evolutionary commitment will certainly have a solid impact on the near future, seeing probably also a substantial focus on emerging themes such as Integrity in business, ESG and sustainability.

III. The impact that the proposed recommendations and actions may have has been used through weighing the rate previously identified therefore positively adjusting the growth rate until reaching the forecasted target for 2024, by also strongly considering G20 members active participation. Obviously per each KPI, analysis has been carried out taking into consideration the implementation of all the suggested measures, which if comprehensively implemented the target ambition can be reached.

**Recommendation 1: Responsible conduct through the Procurement Cycle**

The Global Corruption Index relies on two sub-indexes to measure corruption and white-collar crimes<sup>40</sup>.

Global Corruption Index	
Owner	GRP
Baseline (2020)	46%
Target (2024)	40%
Description	<i>Four indicators are considered to measure corruption, weighted as follows: i) The ratification status of key conventions (OECD, UN); ii) The level of perceived public corruption (Transparency International’s Corruption Index, World Bank data, World Justice Project Organisation data); iii) The reported experience of public and private corruption (Transparency International’s Global Corruption, Barometer; World Bank’s Enterprise Survey); iv) A selection of country characteristics closely linked to corruption. In addition, the index takes into consideration also White-Collar Crimes extracting information i) the Basel Institute’s AML Index and ii) the membership to FATF and / or related bodies.</i>

**Recommendation 2: Sustainable governance in business**

The Business extent of disclosure index measures the extent to which investors are protected through disclosure of ownership and financial information<sup>41</sup>. The index ranges from 0 to 10, with higher values indicating more disclosure.

Global Corruption Index	
Owner	World Bank
Baseline (2019)	6
Target (2024)	6,43
Description	<i>The economic health of a country is measured not only in macroeconomic terms but also by other factors that shape daily economic activity such as laws, regulations, and institutional arrangements. The data measure business regulation, gauge regulatory outcomes, and measure the extent of legal protection of property, the flexibility of employment regulation, and the tax burden on businesses. The fundamental premise of this data is that economic activity requires good rules and regulations that are efficient, accessible to all who need to use them, and simple to implement. Thus, sometimes there is more emphasis on more regulation, such as stricter disclosure requirements in related-party transactions, and other times emphasis is on for simplified regulations, such as a one-stop shop for completing business startup formalities. Entrepreneurs may not be aware of all required procedures or may avoid legally required procedures altogether. But where regulation is particularly onerous, levels of informality are higher, which comes at a cost: firms in the informal sector usually grow more slowly, have less access to credit, and employ fewer workers - and those workers remain outside the protections of labor law. The indicator can help policymakers understand the business environment in a country and - along with information from other sources such as the World Bank’s Enterprise Surveys - provide insights into potential areas of reform.</i>

### Key Performance Indicator

The **Governance Score** relies on two key elements: executive capacity and executive accountability<sup>42</sup>.

Although the index should be completed with all G20 members (counting at the moment a total of 41 Countries - 12 being G20 Members), the proposed KPI shows in the following table the relative ownership, the given baseline and the 2024 target. Therefore, our ambition is to encourage governments to ensure continuous improvement of this indicator.

Governance Score	
Owner	SGI
Baseline (2020)	6,4
Target (2024)	7,1
Description	<i>The following list represents the sub components of the two above mention key elements: <b>Executive Capacity</b> i) Strategic Capacity; ii) Interministerial Coordination; iii) Evidence-based Instruments; iv) Societal Consultation; v) Policy Communication; vi) Implementation; vii) Adaptability; viii) Organizational Reform and <b>Executive Accountability</b>: i) Citizens’ Participatory Competence; ii) Legislative Actors’ Resources; iii) Media; iv) Parties and Interest Associations; v) Independent Supervisory Bodies.</i>

<sup>40</sup> Global Risk Profile, Global Corruption Index – available at: <https://risk-indexes.com/global-corruption-index/>

<sup>41</sup> World Bank, Business extent of disclosure index – available at: <https://data.worldbank.org/indicator/IC.BUS.DISC.XQ?view=chart>

<sup>42</sup> Sustainable Governance Indicators, Governance Score – available at: <https://www.sgi-network.org/2020/Governance>

**Recommendation 3: Cooperative compliance models and rewarding systems**

The **Countries with National Laws Protecting Whistle-blowers** relies on whistle-blower laws among different countries<sup>43</sup>.

Governance Score	
Owner	Environmental Law Institute
Baseline (2017)	32
Target (2024)	54
Description	<p><i>This index includes dedicated whistle-blower laws, as well as partial whistle-blower protections included in criminal codes, laws regulating public servants, and company and securities law. It excludes most other sector laws, including those related to health, safety, and the environment, which represent an additional substantial body of law in the United States. Because no single source consulted has compiled a comprehensive list of whistle-blower laws worldwide, there may be additional whistle-blower provisions in countries not listed. Countries with dedicated whistle-blower laws are indicated in the table.</i></p> <p><i>i) <u>Countries with dedicated national laws protecting whistle-blowers</u>: Albania, Australia, Bangladesh, Belgium, Bosnia, Canada, Ghana, Hungary, India, Ireland, Israel, Jamaica, Japan, Liberia, Luxembourg, Macedonia, Malaysia, Malta, Mozambique, New Zealand, Norway, Peru, Republic of Korea, Romania, Serbia, Slovakia, Slovenia, South Africa, Uganda, United Kingdom, United States, Zambia.</i></p> <p><i>ii) <u>Countries with other national miscellaneous laws or provisions protecting whistle-blowers</u>: Argentina, Armenia, Austria, Brazil, Chile, China, Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Greece, Iceland, Indonesia, Italy, Kenya, Latvia, Mexico, Montenegro, Netherlands, Poland, Portugal, Russia, Sweden, Switzerland, Turkey.</i></p>

**Recommendation 4: Beneficial ownership Transparency**

The **Worldwide commitments and action - countries are fully committed to Beneficial Ownership Transparency** relies on open registers are in operation<sup>44</sup>.

Governance Score	
Owner	Open Ownership
Baseline (2020)	48
Target (2024)	83
Description	<p><i>Countries have made commitments to beneficial ownership transparency, where open registers are in operation, and where Open Ownership is providing support across the world</i></p>

<sup>43</sup> Environmental Law Institute, *Countries with National Laws Protecting Whistle-blowers* – available at: <https://www.whistleblowers.org/whistleblower-laws-around-the-world/>

<sup>44</sup> Open Ownership, *Worldwide commitments and action* – available at: <https://www.openownership.org/map/#map>

**Schedule of Taskforce Exchanges**

#	Date	Event	Location	Theme
1	21-22 01/2021	Inception Meeting		B20 Kickoff
2	24/02/2021	Conference Call I		Review of 1 <sup>st</sup> Draft of Policy Paper
3	24/03/2021	Conference Call II		Review of 2 <sup>nd</sup> Draft of Policy Paper
4	28/04/2021	Conference Call III		Review of 3 <sup>rd</sup> Draft of Policy Paper
5	03/06/2021	Conference Call IV		Review of 4 <sup>th</sup> Draft of Policy Paper

**Distribution of Members**

Country	#	Country	#	Country	#	Country	#	Country	#
Italy	20	Turkey	6	Canada	2	Spain	1	Macedonia	1
USA	17	Brazil	6	Global	2	Pakistan	1	Jordan	1
United Kingdom	14	Switzerland	4	South Africa	2	South Korea	1	United Arab Emirate	1
France	11	Mexico	4	Japan	2	India	1		
China	10	Russia	3	Sweden	1	Poland	1		
Germany	8	Belgium	3	Lebanon	1	Finland	1		
Argentina	7	Australia	3	Ireland	1	Austria	1		

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<b>Deputy of the Chair</b>			
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Maria Fernanda Garza	Orestia	CEO	Mexico
Klaus Moosmayer	Novartis	Chief Ethics, Risk & Compliance Officer	Germany
Maria Fernanda Garza	China Poly Group Corporation	Chairman	China
<b>Members</b>			
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Patrick Amicucci	Elyfec	President	France
Amin Anchondo	Grupo San Marcos	CEO	Mexico
Faisal Anwar	Independent Consultant Compliance & Ethics	Independent Consultant - Compliance & Ethics (Former Global Chief Compliance Officer of Habib Bank Limited)	Pakistan
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Danela Arsovska	ICC Macedonia / Macedonian Chambers Of Commerce	President	France
Rozemaria Bala	Snam S.p.A.	SVP Governance, Risk & Compliance and Secretary of The Board of Directors	Italy

<b>Name</b>	<b>Company/Organization</b>	<b>Title</b>	<b>Country</b>
<b>Members</b>			
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Hakan Bekiroğlu	Tofas Turk Otomobil Fabrikasi A.S.	Chief Legal Officer	Turkey
Martin Bell	The Scotch Whisky Association	Deputy Director - Trade	United Kingdom
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Andrew Blasi	Crowell & Moring International	Director	United States of America
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Cosimo Pacciolla	B20 Task Force - Special Advisor	Kuwait Petroleum Italia spa
Francesco Iervolino	B20 Secretariat	Confindustria
Matteo Corsini	B20 Secretariat	Confindustria
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Fabrizio Santaloja	Knowledge Partner	EY
Piero Di Michele	Knowledge Partner	EY

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Pierclaudio Crecco	Knowledge Partner	EY
Eleonora Toscano	Knowledge Partner	EY
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Antonella Sciarrone Alibrandi	Scientific Partner	Università Cattolica del Sacro Cuore
Hanni Rosenbaum	Network Partner	BIAC
Ina Sandler	Network Partner	BIAC
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Gemma Aiolfi	Network Partner	BASEL GOVERNANCE
Katie Yan	Network Partner	ICC
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