

Transparency International Anti-Corruption Helpdesk Answer

# Anti-corruption in ESG standards

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Environmental, social and governance (ESG) has become an important approach to business that seeks to go beyond only maximising profits. ESG assessments evaluate a company's performance on environmental, social and corporate governance issues and thus inform investing decisions. Among the most important initiatives in terms of reach, are the UN Global Compact and the Global Reporting Initiative (GRI), but many private rating and index providers have arisen in the past few years, like MSCI and Bloomberg. As part of good governance, ESG aims to evaluate a company's policies and actions in combating corruption. Although incorporating anti-corruption is important, the diversity between ESG providers and their reliance on company's voluntary disclosure of information has meant these standards currently only give part of the picture.

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# Query

To what extent is corruption currently addressed as part of existing environment, social and governance (ESG) reporting standards and initiatives?

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## Background: Brief overview of corruption forms in the private sector

Over the past few years, the approach to corruption in the private sector has gone from focusing on private-public corruption to encompass private-private corruption (Lee-Jones 2018). This has allowed a more comprehensive approach to this problem that looks at the effects of corruption in the public sphere as well as corrupt activities that can take place inside or between private companies. As there is more demand to have

## Main points

- Environmental, social and governance (ESG) standards are becoming an important tool for investment decisions.
- The two biggest ESG framework providers are the United Nations Global Compact and the Global Reporting Initiative (GRI). However, more private entities provide ESG rating and index services that have complicated the comparability of the results.
- Both the UN Global Compact and the GRI have anti-corruption as part of the key issues companies should address.
- The most promising progress is moving towards a global baseline of standards. Anti-corruption and what companies should do and report on this regard should be a central point when developing this baseline.

responsible businesses and investment starts to rely on indicators that go beyond financial returns, understanding the ways corruption can occur in the private sector is a first step towards understanding whether environmental, social and

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governance (ESG) standards appropriately address it.

The most commonly known form of corruption is bribery. **Bribery** can be understood as “the offering, promising giving, accepting or soliciting of an advantage as an inducement for an action which is illegal or a breach of trust” (Wilkinson 2015: 3, citing the Business Principles). It covers a broad range of activities, including abuse of office and illegal acts by employees acting on behalf of the enterprise (Wilkinson 2015:3), solicitation, fees and commission, among others. Bribery can be both active and passive (Wilkinson 2015:3).

In the private sphere, a more complicated matter arises with gifts and hospitality as many companies consider them a part of conducting business. However, they can be perceived as bribes or secret commissions, whether they were or not intended as such, if they influence the decision of the receiving part (Lee-Jones 2018).

**Conflict of interest** “occurs when an agent has an undisclosed interest in a transaction that adversely affects their professional role” (Lee-Jones 2018:3). This can happen between different companies and/or financial entities but also as a consequence of the revolving door. The revolving door refers to the movement of individuals between public and private sectors. Due to their privileged information and access to influence and decision-making positions, former ministers and other former government officials can be an asset to private companies (Martini 2015).

**Embezzlement** refers to a situation where the person responsible for a financial asset or property diverts money or properties for personal gain (Lee-Jones 2018). Collusion is an agreement to fix prices, allocate markets or rig bids to extract more financial gains (Lee-Jones 2018).

**Lobbying** is not necessarily a corrupt activity but can lead to political corruption and undue influence on policymaking when it is opaque (a detailed discussion of lobbying and the many forms it can take can be found in Jenkins & Mulcahy 2018).

**Undue influence** is a more discreet form of corruption since it can sometimes be accomplished through legal mechanisms, in the form of legal campaign contributions, for example (Bosso et al. 2014).

**Sextortion** is a form of corruption that has a sexually abusive component. It can be imposed by employers across all fields and refers to a type of corruption<sup>1</sup> where sex is the currency (IBA 2019:8-9).

It ought to be noted that the above-mentioned forms of corruption in the private sector are only meant to be illustrative and not exhaustive. What we see is that there are many forms of corruption in the private sector and, thus, since some ESG standards take a more macro approach, they may be limited in dealing with some specific forms of corruption. Additionally, it should be noted that as ESG standards and indexes rely on companies' reports, this presents a challenge since a company reporting on an actual corruption case could have

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<sup>1</sup> *Sextortion as defined by the International Association of Women Judges (IAWJ) as “a form of sexual exploitation and corruption that occurs when people in positions of authority ... seek to extort sexual favours in exchange for*

*something within their power to grant or withhold. In effect, sextortion is a form of corruption in which sex, rather than money, is the currency of the bribe” (IBA, n.d.).*

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several ramifications – from reputational damages to legal consequences.

## Environmental, social and governance (ESG)

Environmental, social and corporate governance (ESG) is an approach to business that aims to go beyond maximising profits to including broader goals pertaining to those three elements. ESG assessments inform investing decisions, as part of a growing investment trend that recognises that environmental, social and corporate governance issues have an impact on long-term performance and thus should be taken into account (Boffo & Patalano 2020:6). This trend comes as increasing attention is paid to the risks of climate change as well as to the code of conduct businesses should have and the diversity in the composition of their employees and boards that they should foment (Boffo & Patalano 2020:6). The trend suggests that these values will inform consumers and investors in their choices (Boffo & Patalano 2020:6).

The approach incorporates these three factors – environmental, social and governance – into asset allocation and risk decisions by investors (Boffo & Patalano 2020:6). Governments and supranational entities like the European Commission are also taking ESG into account (Boffo & Patalano 2020:9). As ESG becomes more relevant, the ecosystem grows. According to Boffo & Patalano (2020:19), the ESG ecosystem includes issuers, rating providers, ESG index providers, disclosure organisations, ESG users and ethical standard setters. This multiplication has also seen an increase on evaluation complexities as several ESG players have emerged, and there is a lack of consistency in how they measure a company's performance (Boffo & Patalano 2020:9).

## Relevant ESG reporting standards and initiatives

### United Nations Global Compact

The [United Nations Global Compact](#) seeks to engage companies to align their operations with 10 principles on human rights, labour, environment and anti-corruption. Its participants are mainly multinational corporations (MNCs), leading national companies, and small and medium-sized enterprises (UN Global Compact 2021a:7). Businesses can be a part of the compact to share the responsibility of achieving a better world as participant companies commit to incorporate the 10 principles into their operations. The UN Global Compact has served as a key set of standards for ESG (Boffo & Patalano 2020:18). It has become the world's largest corporate sustainability initiative with more than 12,000 businesses (UN Global Compact 2021a:4).

Companies that join the UN Global Compact commit to do business in a responsible manner by abiding by the 10 principles. These principles relate to (UN Global Compact, n.d.):

- human rights: respecting them and avoiding being complicit in any abuse
- labour: respecting collective bargaining, eliminating forced labour, abolishing child labour and getting rid of discrimination
- environment: supporting precautionary approaches to environmental challenges, promoting greater environmental responsibility and diffusion of environmentally friendly technologies

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- anti-corruption: working against “corruption in all its forms, including extortion and bribery”

As part of its 2021-2023 strategy, the UN Global Compact is accelerating its actions through holding signatory companies more accountable by using specific and measurable targets. Their objective is to deliver “the SDGs through accountable companies and ecosystems that enable change” (UN Global Compact 2021a:5). Enabling ecosystems refers to the communities and networks that support collective action on the compact’s 10 principles and the SDGs.<sup>2</sup> The compact aims to provide [programmes, content and guidelines](#) to participant companies to help them integrate the 10 principles and the SDGs, such as guides on corporate sustainability or what should companies do after signing the compact (UN Global Compact 2012, 2015).

Additionally, the [Principles for Responsible Investment](#) (PRI) is a UN-supported initiative that considers ESG issues affecting portfolio performance and ought to be paid attention to. The principles were launched by the UNEP Finance Initiative and the UN Global Compact, and provide “a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices” ([UN Global Compact Website](#)).

The six PRI principles are:

- incorporate ESG issues into investment analysis and decision-making processes
- be active owners and incorporate ESG issues into ownership policies and practices

- seek appropriate disclosure on ESG issues by the entities in which a signatory invests
- promote acceptance and implementation of the principles within the investment industry
- collaborate to enhance effectiveness in implementing the principles
- report on activities and progress towards implementing the principles

## Global Reporting Initiative (GRI)

The [GRI Standards](#) seek to enable organisations to report on the impact their business has on the economy, environment and people in a manner that is both credible and comparable. They have developed three types of standards: universal (apply to all organisations), sectoral (apply to specific sectors) and topical (dedicated to particular topics, such as occupational health and safety). These standards help organisations report on their contributions towards sustainable development (GRI, n.d.). The standards can contain requirements, which the organisation has to report or comply with, and recommendations, which encourage certain actions (GRI, n.d.). The GRI 2 – General Disclosures 2021 – details the requirements and recommendations an organisation should follow on a number of topics, including its governance, strategy and policies. Organisations report on the material topics as well as how are those topics managed. Reporting has [nine requirements](#) that companies need to comply with.

## OECD

The OECD has guidelines for multinational enterprises operating in or from OECD member countries or a country that has signed the OECD

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<sup>2</sup> Sustainable Development Goals

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Investment Declaration that encourages them to have responsible practices (ISO & OECD 2017). The guidelines refer to: human rights, employment and industrial relations, environmental issues, fighting bribery, bribe solicitation and extortion, consumer interests, science and technology, competition, and taxation. Due diligence is considered an important approach as it entails the identification of potential adverse social responsibility impacts (ISO & OECD 2017:13). The guidelines also encourage the disclosure of all relevant information. The OECD's due diligence guidelines have been incorporated into some ESG assessments (Boffo & Patalano 2020:18).

## ISO

ISO 26000 provides guidelines for businesses to operate in a socially responsible way (ISO & OECD 2017). It has seven core subjects: organisational governance, human rights, labour practices, environmental issues, fair operating practices, consumer issues, and community involvement and development (ISO & OECD 2017). It is not, however, a management system standard, thus it does not serve a certification purpose.

## Unified standards

Five organisations involved with sustainability and integrated reporting – CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) – released a paper on how the existing frameworks and standards could be used together (CDP et al. 2020). The paper posits that sustainability reporting and sustainability related financial disclosure should be thought of as interrelated

reporting concepts and presents a form in which it can be built on existing standards (CDP et al. 2020). The prototype, however, only focuses on climate and does not address corruption, but the initiative is an important step towards having a more unified set of standards. Furthermore, it envisions how an existing organisation, the International Financial Reporting Standards Foundation (IFRS) is well positioned to contribute to its development since it promotes unified standards for financial reporting (CDP et al. 2020).

## Large-scale private ESG providers

Among the providers highlighted by the OECD (Boffo & Patalano 2020), the MSCI ESG rating seeks to measure the “company’s resilience to long-term industry material environmental, social and governance (ESG) risks” ([MSCI website](#)). MSCI evaluates companies on 35 key ESG issues, and all companies are assessed for their governance performance, which consists of corporate governance and corporate behaviour. Similarly, Bloomberg’s ESG data includes data on audit risk and oversight ([Bloomberg Website](#)).

Sustainalytics is a firm focused on ESG research, data and ratings that provides information on risk assessment for investors. Its Global Sustainability Signatories Index, comprised of companies with strong ESG performance, has been used by the World Bank ([World Bank Launches First Sustainable Development Notes](#)). In none of these cases is there more precise publicly available information on whether this includes anti-corruption and how.

Thomson Reuters ESG scores seeks to help investors integrate ESG factors into portfolio analysis. The scores are designed to evaluate a company’s ESG performance in 10 issues based



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on the company's reported data (Thomson Reuters 2017). Their scores have covered over 6,000 companies globally and provide percentile rank results. Their ESG Controversy Category Score includes the "Number of controversies published in the media linked to business ethics in general, political contributions or bribery and corruption" (Thomson Reuters 2017:11), but no other details regarding corruption are provided. The S&P Global Corporate Sustainability Assessment provides companies with a sustainability baseline and, as with Thomson Reuters, the available information on how corruption is considered in the assessment refers only to news stories and arrests ([S&P Global](#)). RobecoSAM offers sustainable investing research that includes monitoring the SDGs ([RobecoSAM](#)) of which number 16 addresses anti-corruption.

## European Union

The EU requires large companies (more than 500 employees) to report on their operations with regards to social and environmental challenges. The companies also have to publish information on their treatment of employees, human rights, diversity of their company boards and anti-corruption and bribery (EU Corporate Sustainability Reporting).

The EU has also developed non-binding guidelines to help companies on how and what to report ([EU 2017/C 215/01](#)). The directive recommends reports should include non-financial statements with information relevant to fully understand the company's activity. The materiality of the information provided refers to information that, if omitted, could influence the decisions users make based on the reports (EU 2017/C 215/01). "The non-financial statement is expected to reflect a company's fair view of the information needed by

relevant stakeholders" (EU 2017/C 215/01). To ensure the information is fair and accurate companies can put in place appropriate corporate governance arrangements, use reliable evidence, set up internal control and reporting systems, secure stakeholder engagement and have external independent assurance (EU 2017/C 215/01). At a minimum, material information should be disclosed in environmental, social and employee matters, respect of human rights and anti-corruption and bribery matters (EU 2017/C 215/01).

## World Economic Forum (WEF)

The [Partnering Against Corruption Initiative](#) (PACI) is a CEO-led platform in the global fight against corruption. The PACI vanguard seeks to identify new approaches to anti-corruption and to lead the PACI strategy. As part of the work of WEF's Global Future Council on Transparency and Anti-Corruption, there is an initiative focused on the investor ecosystem and how corruption is ultimately a risk to achieve all ESG standards and the SDGs. Although itself not an ESG, the PACI could be an important addition to any ESG efforts.

## ESG and corruption

This section will present a brief overview of how existing ESG frameworks or similar standards engage in anti-corruption as well as the main shortcomings of these approaches.

## UN Global Compact

Anti-corruption has a central role in the UN Global Compact. Its principle on [anti-corruption](#) states that "businesses should work against corruption in all its forms, including extortion and bribery" (UN Global Compact, n.d.). The participants of the pact do not only commit to avoiding corrupt practices, like bribery and extortion, but also to developing

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policies and programmes to address corruption both inside their companies and within their supply chains. Companies should also work with civil society, governments and the UN to accomplish a transparent global economy, create synergies and engage in existing initiatives (UN Global Compact 2021a:5).

One of the SDGs prioritised by the compact is number 16, Peace Justice and Strong Institutions, which includes target 16.5 on fighting corruption. The UN Global Compact considers the UN Convention against Corruption (UNCAC) as the underlying instrument to accomplish this end. As part of this objective, the global compact aims to measure whether companies are enforcing compliance on anti-corruption and bribery (UN Global Compact 2021a:5).

The compact recommends three lines of action. Internally, companies should introduce anti-corruption policies and programmes to be followed by their organisations. Externally, these companies need to report on the work done against corruption, regarding the implementation of those programmes and policies and sharing good practices with external stakeholders (UN Global Compact 2021b:54). Finally, companies should join forces with others to scale-up these efforts, thus, creating a fair competition environment for all.

Collective action can also help with levelling the playing field while complementing regulation (UN Global Compact 2021b:7, 9). As part of the collective efforts that companies can take part in, the [UN Global Compact](#) (n.d.) suggests:

- Integrity pacts: specific formal agreements between a customer and a bidder to follow fair and transparent bidding processes. In El Salvador, for example, integrity pacts

were signed with companies bidding for a pipe replacement project (UNESCO 2019). Mexico has implemented integrity pacts for more than 100 contracts since 2002 (Transparency International, n.d.).

- Anti-corruption declarations: statements of intent to secure anti-corruption compliance. They are short term and can be signed by companies, governments and sub/contractors. For example, direct contractors of AVA GmbH signed an anti-corruption declaration when working with AVA GmbH once they were selected (not on the tender stage) (World Bank 2008).
- Certifying business coalitions: companies that join such a coalition need to show a clear commitment to anti-corruption, including abiding by ethical business standards. Compliance is ensured through independent auditing. Thailand's Collective Action Coalition Against Corruption (CAC), for example, certifies companies that have been verified as implementing standards to prevent corruption.
- Principle-based initiatives: they aim to integrate transparent practices into the corporate culture of a country. For example, the [WEF Partnering Against Corruption Initiative](#) (World Bank 2008).
- Education and training: conducted as a part of collective action efforts to build awareness and capacity around fighting corruption.

Companies can also sign the “[anti-corruption call to action](#)” to get governments to highlight anti-corruption and good governance. The action is aimed at encouraging governments to enact policies that support and recognise companies' efforts in tackling corruption ([Call to Action FAQ](#)).

## GRI standards

The GRI standards specify that responsible business conduct entails fighting bribery, bribe solicitation, extortion and other forms of corruption (GRI 2 2021). Reporting on this topic



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includes the disclosure of several items (GRI 205, 2016:7):

- risk assessment procedures for corruption
- how conflicts of interest are managed
- how the organisation ensures that donations and sponsorships are not a disguised form of bribery
- how is training and communication on anti-corruption designed to address the actors at high risk of corruption
- when and how often the training takes place
- collective actions to fight corruption

Organisations also need to report on the identified corruption risks, including the “number and percentage of operations assessed for risks related to corruption” (GRI 205, 2016:8). They also need to report on the number of people who have received training on anti-corruption as well as details on the number of employees and governance body members who know the organisation’s anti-corruption policies and procedures (GRI 205, 2016:9).

Importantly, the GRI anti-corruption topic standard requires organisations to report on actual corruption incidents, providing information on the number and nature of such occurrences, the incidents where employees were dismissed or disciplined for corruption, the number of occurrences where contracts were terminated or not renewed for this reason and corruption legal cases brought against the company or its employees (GRI 205 2016:10). Reporting on those topics, however, is left to the organisations as they are the ones that identify the impacts they report on (GRI 1 2021).

Although, anti-corruption is mentioned as an example of a material topic for GRI standards and is itself a topic standard (GRI 205, 2016), an organisation could, theoretically, explain why it has considered it not as material (hypothetically, for example, if no corruption risks are foreseen) and thus not reported on or provide other reasons (confidentiality, for example) for not disclosing the information (GRI 3 2021). Furthermore, an organisation can comply with the reporting requirement by stating a particular policy, practice, and so on, does not exist, as the “disclosure does not require the organisation to implement the item (e.g., developing a policy), but to report that the item does not exist” (GRI 205, 2016:5).

For the GRI standards, corruption includes “practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. It can also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice” (GRI 205, 2016:4). GRI posits companies should adhere “to integrity, governance and responsible business practices” but refers to the OECD (specifically the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997; Good Practice Guidance on Internal Controls, ethics, and Compliance, 2010; Guidelines for Multinational Enterprises, 2011) and the UN (Reporting Guidance on the 10<sup>th</sup> Principle against Corruption, 2009 in cooperation with Transparency International) for those concepts and does not develop them in the standard.

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To illustrate the wide difference on reporting the GRI allows for, GRI Index reports for some enterprises were examined. In general, it seems that more emphasis is put on the environmental issue and diversity than on corruption. Different companies also offered varying levels of information per the GRI standards. For instance, Shell's GRI Index reports on the actions the company has engaged in to fight corruption, per the UN Global Compact Principle 10. It reports having an anti-bribery and corruption programme and a zero-tolerance policy for bribes in any form (Shell 2016). The company also reports on communicating on these issues and establishing mandatory anti-bribery procedures and controls, which are regularly revised. The company discloses violations of their code of conduct, although which exactly were corruption incidents is not stated (Shell 2016).

IBM's report, on the other hand, is even more brief than Shell's, and mostly links to other reports instead of including the relevant information (IBM 2019). Walmart follows a similar strategy and has a [table](#) with the standards with links to the relevant documents for each one of them, in the case of anti-corruption, their ESG priorities and their standards of ethics and compliance. The summary report does not give information on anti-corruption specifically (Walmart 2022).

The BMW index does not report on operations assessed for risks related to corruption for confidentiality reasons, but does give information on its compliance code (BMW 2019). Sustainalytics' GRI report does not address either corruption or bribes (Sustainalytics 2020).

Sika's GRI report covers the company's policy on bribery and corruption and details the guidance it

provides its employees on gifts, entertainment and donations (Sika 2019). Sika also states that it has a web-based reporting platform for reporting serious misconduct in a confidential manner. They do not have any corruption cases reported for any of their legal entities. Sika's report is more extensive and includes reporting on its supplier code of conduct that requests any Sika supplier to also abide by a zero-tolerance policy to corruption and bribery. Volkswagen's 2021 report is also more detailed and covers a number of anti-corruption activities undertaken by the company (Volkswagen 2022).

As this small sample shows, reporting on corruption diverges greatly and is up to the company to highlight, or obscure, this topic.

## OECD

The OECD guidelines for multinational enterprises address combating bribery, bribe solicitation and extortion (OECD & ISO, 2017:17). According to the guidelines, companies should not offer bribes nor facilitation payments. Companies should have adequate controls and programmes to prevent and detect bribery, and their commitment to combat corruption should be made public. The guidelines also mention that any worker who reports to either management or authorities on any illegal practices, should not be punished for it.

## European Union

The EU recommends that the companies required to report under EU regulation should address anti-corruption and anti-bribery matters. The directive posits that the non-financial statement should contain information on the company's policies and due diligence by, for example, detailing relevant governance aspects as well as the outcomes of those policies (EU 2017/C 215/01). Specifically,

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“companies are expected to disclose material information on how they manage anti-corruption and bribery matters and occurrences” (EU 2017/C 215/01). The focus is on the anti-corruption and anti-bribery mechanisms and does not pretend that a company will disclose actual corruption acts. As a recommendation, the EU suggests, for example, disclosing information on anti-corruption policies, criteria used for risk assessments, internal control processes, trained employees and whistleblowing mechanisms (EU 2017/C 215/01).

## Balance of the provisions

Beyond the problem of reporting incentives (why would a company report on actual corruption cases that could tarnish their reputation or have legal consequences?), the standards do not necessarily oblige companies to release the relevant information. Furthermore, as with many other ESG topics, no single ESG anti-bribery standard has been developed, which is a major obstacle for the ESG to address this problem (Brown 2022).

The problems with ESG assessments also affect the anti-corruption issue. Comparability between ESG assessments is difficult as “these (ESG reporting) frameworks do not provide reliable measures that are comparable between companies in the same or different sectors” (Lokuwaduge & Heenetigala 2016:439), which is further aggravated by the fact that companies disclose different information (Lokuwaduge & Heenetigala 2016; OECD 2021).

ESG ratings providers are often not transparent in the methods used in their calculations (OECD 2021), and ESG scores can vary greatly between ESG providers (Boffo & Patalano 2020:27). Even when ESG rating providers make use of ESG

frameworks like the GRI, the consistency of their metrics is not clear (Boffo & Patalano 2020:31).

Since anti-corruption can be a very delicate issue, it is likely that divergences in the topic are quite wide and that companies could use this lack of consistency to decide what to report and what ESG service to use. ESG data is not audited, and without a global governing body, companies can engage in “greenwashing” – mislead in their ESG reports by, for example, disclosing large quantities of data to try to hide their less impressive ESG scores (Pei-yi Yu & Chen 2020).

Finally, other than the UN Global Compact, which uses the UNCAC, the detail of what can constitute corruption and what forms it can take does not appear to have any prominent place in ESG frameworks and standards, which gives companies even more discretion.

## Potential entry points

**Reporting:** a key component for integrity is comprehensive public reporting (Transparency International 2016:6). In that sense, besides strengthening legal reporting requirements, like the EU directive, ESG standards (and with them ESG ratings and indexes) should tend towards a more unified set of reporting requirements that truly addresses all relevant issues.

**Unified standards:** the most important step to ensure that ESG can really make a difference in investment is to have a unified set of standards. Important progress is being made in that direction as more companies promote a global baseline set of standards that could draw on the standardisation process of financial accounting (Open Letter 2021). There are also calls for the establishment of an independent body that could

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ensure objectivity and due process (Open Letter 2021). The development of a comprehensive corporate reporting system, as CDP et al. (2020) propose, could provide one index and standard by which investors can evaluate all companies. On a similar note, developing policies that ensure “global transparency, comparability and quality of core ESG metrics in reporting frameworks, ratings and definitions” (OECD 2021:4) will go on to strengthen existing ESG standards and not just the anti-corruption element.

**Anti-corruption programmes:** companies should be required to develop anti-corruption programmes that reflect the company’s anti-corruption approach (also applied to companies’ agents and intermediaries) (Transparency International 2016:11, 18). A corporate website in at least one international language with transparent information should become the standard communication tool for market multinationals (Transparency International 2016:10). Currently, GRI allows for companies to mention where in their documents the relevant information can be found, but ESG reporting could require all information to be available in a single platform. To assess reporting, ESG could include an assessment following the [Transparency International reporting questionnaire](#) (Transparency International 2016:36-37).

**Good practices:** encouraging good practices like transparent accounting and bookkeeping can serve as preventive measures that can mitigate the risks of corruption, while the protection of whistleblowers is an important aspect that enables the detection of corrupt acts (Lee-Jones 2018). Currently, most ESGs do not contain a detailed list of the practices and policies companies should, at a minimum, have to fight corruption, but rather leave it to the companies to report on the specifics

of what they do. Public reporting should also be taken as an opportunity for companies to assess their practices and eventually improve them (Transparency International 2016:6).

**Corporate transparency:** due to their objective, ESG standards promote corporate transparency, and some providers could benefit from incorporating the good practices and recommended guidelines to improve it beyond organisational governance and an anti-corruption practices disclosure (an overview of corporate transparency can be found [here](#)). Importantly, companies should also provide transparent lists of their subsidiaries and any type of related entity, regardless of materiality (Transparency International 2016:11, 24), and beneficial ownership should be verified through ESG standards.

Reports should be disaggregated at the level of the country of operation instead of being presented in a consolidated statement for multiple jurisdictions and territories (Transparency International 2016:11, 30). It is also important to evaluate how companies react to violations and misconduct and what remedial and corrective actions are taken (Brown 2022). As previously mentioned, the main challenge in terms of reporting is the ramifications of publishing information regarding actual acts of corruption. Although, for example, Shell (2016) disclosed violations of its code of conduct, it does not provide more details. Likely, companies would be more willing to give very general information that does not carry liability.

**Anti-bribery:** enterprises should prohibit any form of bribery, direct or indirect, implement a programme to do so (Wilkinson 2015:4) and

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prohibit facilitation payments (Transparency International 2016:10). Companies should have written policies and procedures on anti-bribery that take into account the particular characteristics and context of the company (Brown 2022). Similarly, anti-bribery training should be tailored to the company's needs (Brown 2022). Additionally, companies should have clear gift and entertainment policies, vet third parties and business partners, and engage in active monitoring and auditing (Brown 2022).

**Corporate culture:** the board should be committed to integrity, transparency and accountability, and enterprises should try to create a culture in which bribery is not tolerated and that fosters individual accountability (Wilkinson 2015:4). Their commitment to anti-bribery should be clear and unequivocal, acting as role models for the organisation (Brown 2022). ESG assessments should include an evaluation of the level of bribery risk of activities, taking into account both the risk the context entails (country or industry) and the risks the organisation generates due to its business model, products or market (Brown 2022).

**Political activities:** none of the ESG standards mentioned appear to address companies' political activities. Improving ESG standards to tackle corruption should include a requirement to disclose this information. Self-regulation and voluntary initiatives are key to addressing the risks entailed by lobbying (Jenkins & Mulcahy 2018), and including more detailed guidelines on this topic in ESG standards could be a good incentive for companies to implement good measures.

In summary, ESG standards are an important improvement for making investments that consider more than just financial returns. However, ESG

ratings will benefit greatly from more consistency between reporting frameworks for ESG and transparency in ESG scoring (Boffo & Patalano 2020:8). This provides an opportunity for including practices and guidelines regarding anti-corruption that should be reported on and unified into a set of minimum anti-corruption policies companies should comply with.



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