B20 ANTI-CORRUPTION POLICY PAPER

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Executive summary

Corruption is a major barrier to global economic growth, with both government and business recognizing the negative impact on efficiency fair competition and progressive development. The vast majority of companies are seeking new ways to secure sustainable, ethical growth. With regulatory enforcement becoming more robust in many jurisdictions and growing international cooperation among law enforcement agencies, businesses around the world are becoming increasingly aware of the corruption issues.

Anti-corruption has been one of the priorities of both the G20 and B20 in recent years. The B20 has consistently highlighted the problem of corruption and presented specific recommendations to help tackle this issue, with a focus on enhancing international cooperation and assisting at the enterprise level.

To maintain this momentum, the B20 China Anti-Corruption Forum was held in Beijing on 27 April 2016. The Forum, which had as its theme "***Combating Corruption to Foster Sustainable Growth***", brought together leaders from business, government and academia. The wide-ranging presentations and panel discussions featured 20 senior executives from leading developed and emerging markets companies exchanging perspectives on the challenge of anti-corruption, before an audience of approximately 200 delegates. The specific panels held at the Forum were in relation to:

- Building Capacity for Compliance and Anti-Corruption Efforts.
- Sharing Anti-Corruption Experience between Multinational Corporations and Emerging Market Companies.
- Shaping a Better Anti-Corruption Policy Environment.

A consensus was reached by the delegates at the Forum that an effective anti-corruption environment helps to foster sustainable growth. The panels and presentations made it clear that the business community recognizes its legal and social responsibilities in this regard and is willing to cooperate with government to jointly tackle corruption and promote a zero tolerance approach.

The dialogue at the Forum, and substantive consultations with business in recent months, has shaped this Anti-Corruption Policy Paper.

The B20 recommends that G20 leaders:

1. Encourage stronger international anti-corruption cooperation to foster sustainable growth.
2. Promote a more transparent environment for business in an effort to bolster competition.
3. Support capacity-building to enable stronger anti-corruption compliance efforts.

Recommendation 1: Encourage stronger international anti-corruption cooperation to foster sustainable growth

Through the use of increasingly complex methods, corrupt entities and individuals are exploiting international borders in order to hide the proceeds of corruption or avoid prosecution. In particular, corruption often requires access to the international banking system and often exploits complex and opaque corporate structures. It is therefore essential for law enforcement agencies to be able to cooperate across borders and have access to all relevant information in the fight against corruption.

Such collaboration will help create a level playing field and increase the likelihood of businesses being able to resolve cross-border regulatory and law enforcement actions more efficiently – the business community is highly supportive of this approach.

Cross-border cooperation in enforcement is growing stronger. International cooperation is essential to the successful investigation and prosecution of corrupt conduct, and to the recovery of the proceeds of corruption. With increasingly robust regulatory enforcement, growing international regulatory cooperation, and considerable stakeholder interest in business integrity, the likely reputational and financial cost of engaging in corrupt practices will increase.

Value

The G20 has stated its commitment to reducing the incidence of corruption and building a global culture of intolerance towards corruption. Enhanced international cooperation will contribute to the creation of a truly level playing field for business, while enhancing the ability of countries to address corruption within their borders.

Actions

1.1 Encourage stronger international cooperation in the enforcement of anti-corruption laws, including those that have been adopted in accordance with international conventions and related G20 High-Level Principles.

1.2 Continue to encourage more dialogue between government and business in an effort to promote better understanding of best practice in anti-corruption - both in the public and private sectors.

Recommendation 2: Promote a more transparent environment for business in an effort to bolster competition

Greater transparency in beneficial ownership, public procurement and customs – supported by sophisticated digital platforms and more accessible data – can both create a foundation for more robust corporate competition and contribute to economic development.

Beneficial ownership transparency has become a global priority for governments, regulators and industry organizations because of its importance in driving sustainable economic growth and hindering illegal conduct. Opaque corporate structures promulgate mistrust, and enable illegal activity including terrorist financing, money laundering, tax evasion and corruption. The different approaches to the disclosure of ultimate beneficial ownership information reduce transparency over the control of assets and entities.

Due to the large financial amounts involved, and the complexity of relationships between private and public sectors, public procurement is extremely vulnerable to corruption and other misconduct. In particular, the focus should be on improving transparency of public procurement, implementing strict public investment and procurement supervision, and assessing effective methods to promote whistleblowing. It is essential that individuals who suspect corruption and other wrongdoing are encouraged to report it and are protected from any retaliation or discrimination.

Business recognizes that it too has an obligation to continue to invest in anti-corruption compliance programs. G20 members should consider collaborating on a common framework for effective compliance programs, which could include corporate attestation as to the existence and effectiveness of these programs in order to be eligible to participate in public procurement processes. Creating transparent electronic procurement ("e-procurement") platforms on which companies compete for public contracts would add further transparency, control and accountability while contributing to economic growth and efficiency.

International trade – the free-flow of goods and services across borders – continues to be a priority for governments and business alike. Yet the consequences of corruption in customs are significant, leading to inefficient economic decisions, illegal conduct and delays in the movement of goods and services across borders. Customs-related corruption is increasingly in the spotlight given the interplay of various regional economies with established and emerging economies, the complexity of supply chains sourcing from various points around the world, and the importance placed on sound corporate governance by consumers of transport and logistics services. As in procurement, transparent electronic customs systems can reduce opportunities for corruption and are worthy of further study by G20 members.

Value

In reviewing the G20 anti-corruption priorities from prior years, it is evident that enhanced beneficial ownership transparency, public procurement and customs have been key topics of focus.

Beneficial ownership transparency is important to protect the integrity of the global financial system. Such transparency will contribute to a reduction in corruption, and should eventually decrease demand for bribes by public officials through providing law

enforcement with an additional mechanism for investigation, asset recovery and the denial of safe haven to corrupt officials. This will ultimately lead to increased trade, development assistance, and investment.

Effective anti-corruption programs and transparent e-procurement systems provide known advantages: increasing the efficiency of procurement processes; increasing participation and competition in tender processes, delivering better value for public money; advancing the selection of appropriate service providers, improving the use of public funds; rewarding qualified contractors; and improving the reliability of government procurement records.

As with procurement, an increase in the number of customs transactions conducted and recorded electronically will reduce the risk of corruption by limiting the human factor. The multiple benefits from the digitization of customs processes include faster clearance times for legitimate trade, improved ability to detect illicit consignments and enhanced monitoring of customs performance and compliance with relevant rules and procedures.

Actions

2.1 Work together with business to promote beneficial ownership transparency and ensure better adherence among the private sector to the new policies and regulations.

2.2 Promote integrity in public procurement by adopting transparent e-procurement systems and encouraging best practice in effective corporate compliance programs.

2.3 Support transparent electronic customs clearance pilot programs to reduce the risk of corruption and promote trade.

2.4 Ensure that whistleblower protection laws are in place and effective, and consider introducing provisions to reward whistleblowers for reporting corruption and other wrongdoing.

Recommendation 3: Support capacity-building to enable stronger anti-corruption compliance efforts

The business community has consistently identified the need to provide concrete practical training materials on anti-corruption compliance as one of the priorities to advance G20 and B20 work in this area.

Many companies have voiced a concern about the gap between the anti-corruption principles laid out in statutes and the realities they face in the field. SMEs, in particular, continue to struggle with the implementation of new legal and ethical standards. Compliance officers and their teams are in need of solid and pragmatic support, and a growing number of companies would benefit from down-to-earth practical technical assistance, in the form of anti-corruption compliance training and toolkits. In particular, companies would benefit from technical assistance relating to third-party due diligence programs, whistleblower reporting systems, and best practice in internal investigations.

These programs and best practice guidance promote high standards of integrity in both business-to-business and business-to-government transactions. Such support is important in assisting companies in their efforts to comply with legal obligations and with the numerous anti-corruption regulatory frameworks in the jurisdictions in which they operate.

Companies are increasingly interconnected in a global marketplace. They need to foster a culture of integrity not only within their companies but also in their external business relationships with supply chain partners and other third parties. In particular, third-party risk management and compliance is a key priority for large and small companies alike. Companies that operate internationally or that are considering expanding their business into foreign jurisdictions often require third parties to provide services. It is this engagement of third parties that presents significant risks because the company has little control over the third party's actions, but can be held liable for their unlawful activities.

SMEs are often on the receiving end of numerous and varied anti-corruption training requirements from large multi-national companies. The training requirements can be overwhelming and SMEs may not have sufficient resources to meet them. SMEs may be required to undertake training on similar topics, which can be a drain on resources for smaller companies and, in some cases, the training messages may be inconsistent. In such situations it may be advantageous if the SME can demonstrate that it has already undertaken appropriate training.

In summary, both businesses and governments need to implement training and compliance programs that build capacity and recognize ethical behavior within their work force. Responsible employers are already doing this, but inconsistent regulation among G20 countries complicates the compliance process and leads to higher costs.

Value

Practical measures for anti-corruption training and capacity-building, not only improve integrity in the work place, but also bring the benefits of increased competiveness, profitability and efficiency to both businesses and to growing markets in need of investment.

For companies of all sizes, in all markets, raising corporate compliance standards and implementing best practices and compliance programs to counter bribery and corruption

lead to enhanced business opportunities, help to protect a company's reputation and foster sustainable growth.

Actions

3.1 Bolster incentives for companies to both build best-practice compliance programs and self-report compliance breaches.

3.2 Provide companies, SMEs in particular, with training programs and toolkits to identify and address third-party risk management and compliance.

Special thanks

We would like to thank EY LLP, the knowledge partner, and International Chamber of Commerce, the network partner, for their contributions to the B20 China Anti-Corruption Forum and B20 Anti-Corruption Policy Paper.

Anti-Corruption Forum Speakers and Moderators

Name	Organization	Position
Andrey BUGROV	Norilsk Nickel	Deputy Chairman of the Board of Directors and Vice President
CAI Wei	G20 ACWG	Co-Chair
	Central Commission for Discipline Inspection	Deputy Director General
CHEN Zhengrong	B20 China Host Committee	Secretary General
	CCPIT	Deputy Secretary General
Chris COSTA	EY LLP	Global Chief Operating Officer, Fraud Investigation & Dispute Services
Graeme GUNN	OECD	Legal Analyst, Anti-Corruption Division
LIU Fengming	General Electric, China & Mongolia	General Counsel and Vice President
MA Jianrong	JD.com	Vice President
Richard MORGAN	Anglo American	Head of Government Relations
Arnaud MORIN	L'Oreal China Co., Ltd.	CFO
Azlan NAGELI	SABIC	Chief Asia Pacific Counsel
PENG Shenying	POWERCHINA	Corporate Counsel
Lida PREYMA	BMO Capital Markets	Director of Global AML Risk Management
Mukund RAJAN	Tata Sons Limited	Member of Group Executive Council, Brand Custodian and Chief Ethics Officer
David SEATON	FLUOR Corporation	Chairman and CEO
Davinder SINGH	Drew & Napier LLC	CEO
	International Chamber of Commerce	Vice Chairman, Commission on Corporate Responsibility and Anti-Corruption
Mini VANDEPOL	Baker & McKenzie LLP	Partner & Chair of Global Compliance & Investigations Group
WANG Junlin	Yingke Law Firm	Senior Partner
WANG Zhongfu	China Potevio Co., Ltd.	Senior Vice President
YU Ping	B20 China Host Committee	Vice Chair and Sherpa
Tayfun ZAMAN	Turkey Ethics and Reputation Society	Secretary General
ZHANG Jianwei	Sinotrans	Vice Chairman
ZHANG Yanling	Bank of China	Former Executive Vice President
ZHOU Hanhua	Chinese Academy of Social Sciences	Professor, Law Institute

Distribution of Anti-Corruption Forum Delegates

229 delegates from 174 organizations attended the B20 China Anti-Corruption Forum

Country	#	Country	#	Country	#
Australia	3	India	1	South Africa	1
Brazil	1	Italy	3	Turkey	3
Canada	2	Japan	1	United Kingdom	12
China	77	Republic of Korea	1	United States	30
France	8	Russia	3	European Union	9
Germany	8	Saudi Arabia	1	Other*	10

* Switzerland, Singapore, Ethiopia, Kenya, Lebanon, and the United Arab Emirates.