

Anti-Bribery and Corruption as a Component of ESG

ESG and Compliance Conference

December 1, 2022

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The views and opinions expressed in this presentation are those of the author alone



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ABC Compliance is part of Sustainability and ESG

UNGC Principle 10

- **Businesses should work against corruption in all its forms, including extortion and bribery**
- "The tenth principle ... commits UN Global Compact participants ... to proactively develop policies and concrete programmes to address corruption internally and within their supply chains."

SDG 16: Peace, Justice and Strong Institutions

- "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels"
- Includes the Anti-Corruption efforts of private business



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The UN Global Compact's 10 Principles include Anticorruption as one of four major topics, along with Environment, Labor Standards, and Human Rights



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Structure of an ABC Compliance Program



→ **An ESG program will follow the same basic structure**



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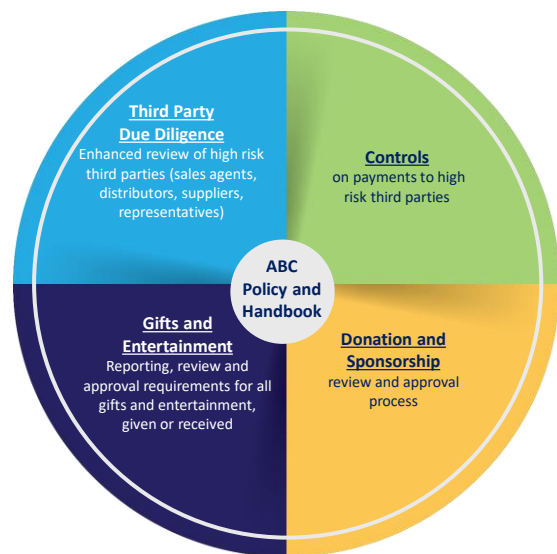
A continuous improvement cycle



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Typical elements of an ABC Compliance Program

- Program goals:
 - To prevent and detect all forms of bribery in the company's business
 - To ensure compliance with the Foreign Corrupt Practices Act, UK Bribery Act, and other laws
 - To meet stakeholder expectations
 - To prevent fraud in the procurement process (passive bribery)



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Supply Chain risk: From ABC alone to ESG

ABC Third Party Due Diligence

- Focuses on bribery and corruption risk only
- Directed to a limited range of suppliers (typically government facing)
- Each company develops and manages its own process

ESG Supply Chain Risk Management

- Focuses on a broad range of risks (environmental, safety, labor practices, ABC, cybersecurity, etc.)
- Includes a broad range of suppliers
- More options for collective review using common materials and a standardized rating system



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An example: Together for Sustainability (TfS)



Next Topic >

In 2018 ICL joined [Together for Sustainability \(TfS\)](#), a joint initiative and global network of 30 chemical companies, that has created the de-facto global standard for environmental, social and governance performance of chemical supply chains. The TfS program is based on the UN Global Compact and Responsible Care® principles. \

As pressure on natural resources increases and issues of social justice are becoming more visible, stakeholders expect companies to promote sustainability not only within their own operations, but also with their suppliers. Large companies such as ICL, which interact with thousands of suppliers around the world, are expected to engage suppliers on sustainability issues and to include sustainability considerations as part of their procurement decisions.



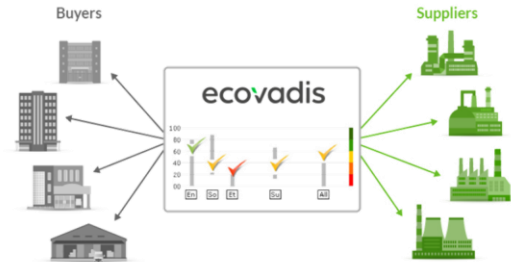
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TfS uses Ecovadis online supplier assessment

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 ENVIRONMENT	 SOCIAL	 ETHICS	 SUSTAINABLE PROCUREMENT
Operations <ul style="list-style-type: none"> Energy & GHGs Water Biodiversity Pollution Materials & Waste Products <ul style="list-style-type: none"> Product Use Product End of Life Customer Safety Advocacy 	Human Resources <ul style="list-style-type: none"> Employee Health & Safety Working Conditions Social Dialogue Career Management & Training Human Rights <ul style="list-style-type: none"> Child & Forced Labor Discrimination & Harassment External human rights issues 	<ul style="list-style-type: none"> Corruption & Bribery Anti-Slavery & Trafficking Data Security 	<ul style="list-style-type: none"> Supplier Environmental Performance Supplier Social Performance

Easy for Buyers, Better for Suppliers

Solving a complex problem:



...to the EcoVadis supplier sustainability network



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ABC in ESG reporting

- Multiple reporting standards exist
 - Global Reporting Initiative (GRI)
 - SASB/Value Reporting Foundation, now part of the IFRS Foundation
 - Task Force on Climate Related Financial Disclosures (TCFD)
- These are used in sustainability reports and other voluntary corporate disclosures



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SASB and TCFD

- The SASB standards are industry based rather than topic based, and focus on financially material information
- They do not specifically mention anti-bribery and corruption
- The TCFD recommendations and guidance focus on climate related disclosures only



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GRI Standard 205

- Anti-Corruption reporting standard, in effect since July 2018
- Disclosure 205-1: Operations assessed for risks related to corruption
- Disclosure 205-2: Communication and training about anti-corruption policies and procedures
- Disclosure 205-3: Confirmed incidents of corruption and actions taken
- Download at: <https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/>



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Disclosure 205-1

Operations assessed for risks related to corruption

Reporting requirements

Disclosure
205-1

The reporting organization shall report the following information:

- a. Total number and percentage of operations assessed for risks related to corruption.
- b. Significant risks related to corruption identified through the risk assessment.

The standard requires

- Quantitative information on ABC risk assessment
- Disclosure of significant risks identified



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Disclosure 205-2

Communication and training about anti-corruption policies and procedures

Reporting requirements

Disclosure
205-2

The reporting organization shall report the following information:

- a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.
- b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.
- c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations.
- d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region.
- e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.

The standard requires

- Quantitative information on training
- Broken down by employee category and region



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Disclosure 205-3

Confirmed incidents of corruption and actions taken

Reporting requirements

Disclosure
205-3

- The reporting organization shall report the following information:
- Total number and nature of confirmed incidents of corruption.
 - Total number of confirmed incidents in which employees were dismissed or disciplined for corruption.
 - Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.
 - Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.

The standard requires

- Quantitative information on confirmed incidents
- Quantitative information on follow up actions (employees dismissed, contracts terminated)
- Disclosure of enforcement actions brought by authorities



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UN Global Compact CoP requirement

- Members of the UN Global Compact publish an annual Communication on Progress (CoP) to report on efforts to work toward the sustainable development goals
- Starting in 2023 a standardized questionnaire will be used to create the CoP
- The questionnaire includes a section on anti-corruption with questions based on SDGs the GRI 205 required disclosures
- Download the questionnaire at <https://www.unglobalcompact.org/participation/report/cop>



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SEC reporting requirements

- The Securities and Exchange Commission has recently taken steps to require listed companies to report on climate change, and cybersecurity
- There are no current or proposed disclosure requirements that would include anti-bribery and corruption measures, other than the requirement to have and disclose a Code of Ethics



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European Non-Financial Reporting Directive

- EU Directive 2014/95/EU requires large “public interest” entities to disclose non-financial information on ESG topics, specifically including measures in place to fight bribery and corruption
- This requirement has been in effect since 2017
- It applies to companies with shares traded on a European stock exchange, having 500 or more employees, and either (i) a balance sheet > EUR 20 million, or (ii) turnover > EUR 40 million



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European Corporate Sustainability Reporting Directive

- The existing NFRD is expected to be replaced in the next few months by a new Corporate Sustainability Reporting Directive
- The CSRD will apply to all listed company (except micro-enterprises) and all large companies even if not listed
- Large companies are those that meet any two of: (i) 250 or more employees, (i) balance sheet > EUR 20 million, and (ii) turnover > EUR 40 million, including subsidiaries of non-EU companies
- The number of companies required to report is expected to increase from about 11,000 to about 50,000



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Conclusion

- Anti-Bribery and Corruption is an integral part of ESG
- Voluntary ESG reporting standards include Anti-Bribery and Corruption metrics
- The functions responsible for ESG reporting and for ABC compliance need to work together
- Consider broadening the focus of your supply chain risk management to include both ABC and ESG criteria



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Thank you very much!

- Questions?

