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## **Integrity & Compliance Task Force**

### **Advocacy 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 freedom, 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



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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 actions, 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 needs 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 actions, 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.