

### **Short WORKSHOP REPORT FORM**

**Number and title of workshop:** WS 4.6 Is there a role for investors in combating corruption?

**Coordinator:** Robert Barrington, Director of External Affairs, Transparency International UK

**Date and time of workshop:** Friday November 12 2010, 0900-1100

**Moderator:** Robert Barrington, Director of External Affairs, Transparency International UK

**Rapporteur:** Robert Barrington, Director of External Affairs, Transparency International UK

#### **Panellists**

Charnchai Charuvastr, President & CEO, Thai Institute of Directors  
Jermyn Brooks, Chair, Business Advisory Board, Transparency International  
Georg Kell, Executive Director, UN Global Compact

#### **Main Issues Covered**

##### **Relationship between institutional investors and corporate corruption**

- Listed companies are moving in the right direction in anti-corruption awareness, but investors are lagging
- Investors need anti-corruption metrics for decision-making – but corporate culture, which is a vital component, cannot be measured
- There is a disconnect in understanding and information flows between companies and investors on anti-corruption issues
- Investors can be part of the solution, but are also part of the problem when they sanction or collude in corruption
- The business case for companies to combat corruption should apply equally to investors, although it may be clouded by short-termism
- The debate on 'Asian values' should not apply to investors in global markets, as Asian companies are aspiring to global values
- Investors are ignoring the corruption risks in their portfolios, which may be significant.

##### **What solutions are there to engaging investors in anti-corruption issues?**

- A mixture of company disclosure, investor awareness and regulatory action is required
- Bribery & corruption needs to be fully integrated into corporate governance
- There may be mechanisms equivalent to those applied to charitable funds and terrorism by which investors are made to assume greater responsibility
- Among the carrots and sticks are blacklisting, white-listing, sanctions against individual executives and putting a systemically-corrupt company out of business
- There have already been some successful collective action and disclosure moves in the investment community, for example the UNPRI and ICGN Guidance.

### **Main Outcomes**

Three calls for action, in the recommendations below.

### **Main Outputs**

A paper will be produced analysing the issues more fully, examining the scope and success of existing initiatives, and proposing practical actions.

### **Recommendations, Follow-up Actions**

**Companies:** this IACC workshop calls on companies to disclose their management of anti-corruption risks using the UNGC Guidance in order to allow investors to understand and analyse the corruption risks in their portfolios

**Investors:** this IACC workshop calls on the investment community to develop greater understanding of corruption risk in investment portfolios and actively engage investee companies to disclose anti-corruption risk management and performance.

**Regulators:** this IACC workshop calls on regulators in all markets to create a level playing field for business by ensuring that effective anti-corruption regulation is in place and matched by adequate penalties and effective enforcement.

### **Workshop Highlights (including interesting quotes)**

'There needs to be an equivalent of the CPI for companies'  
'Bribery & corruption is a gross misuse of shareholder funds'  
'Anti-corruption disclosure remains the most challenging' of the UNGC principles in terms of reporting  
'Bribery & corruption needs a paradigm shift by companies as there has been in Corporate Governance'  
'Asian companies are keen to be part of the global economy and that means adopting global values'  
'Investors are not aware of their current risk exposure to corruption'