

# Measuring effectiveness of anti-corruption programmes

## Indicators for company reporting

### Introduction

Corruption remains a serious challenge for companies in most parts of the world and across all industries. It undermines economic efficiency, disadvantages compliant companies and is detrimental to shareholder value.

Corruption exposes companies to legal and financial risks through penalties and blacklisting. In addition, corruption exposes companies, their investors, and their business partners to significant reputational risk.

To prevent corruption, many companies have developed extensive anti-corruption programmes and communicate their anti-corruption efforts to external stakeholders.

However, there is still relatively limited public reporting on tools, approaches and metrics used to measure the effectiveness of anti-corruption efforts. For investors, such information is important to analyse opportunities and risks to investments.

Therefore, Norges Bank Investment Management has published expectations of companies on anti-corruption<sup>1</sup> which emphasise that companies should disclose how they measure the effectiveness of their anticorruption programmes. These expectations are based on internationally recognised principles such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

Such disclosures could also be useful to build trust with external stakeholders, mitigate reputational risk and identify best practices.

This guidance note contains a set of indicators that companies may wish to consider when reporting on the effectiveness of their anti-corruption efforts to external stakeholders.



<sup>1</sup> <https://www.nbim.no/en/the-fund/responsible-investment/principles/expectations-to-companies/anti-corruption/>

## Approach to developing the indicators

The health sector is vulnerable to compliance risks because of the complexity of its value chain and the size of the financial flows in the sector. Therefore, Norges Bank Investment Management invited a group of health care companies to share knowledge about existing tools and metrics to measure the effectiveness of their compliance efforts, and to identify indicators that could be considered for external reporting purposes. The Basel Institute on Governance received a mandate from Norges Bank Investment Management to facilitate the development of the indicators together with the health care companies.

Companies followed a consensus-based approach to identify indicators for external reporting. Developing the indicators involved semi-structured discussions held separately with compliance experts within each company as well as several working group discussions with all the health care companies. The discussions focused on the effectiveness of the anti-corruption programme; corruption risk assessments; corporate culture; specific risk areas; resources; governance; controls and mitigation measures.

The approach aimed to identify indicators of effectiveness from an objective perspective. The companies that contributed to the development of these indicators consider them to be a relevant contribution to help demonstrate the effectiveness of an anti-corruption compliance programme. However, they are by no means an exhaustive set of indicators; neither with regard to each of the specific areas addressed, nor more generally.

The indicators are grouped into broad themes based on their relevance to the prevention of corruption and are likely applicable beyond the health care sector. It should be noted that the indicators have been developed by the health care companies with their own industry in mind and within a relatively short period of time, which required a pragmatic approach.

Some of the indicators are goal oriented in that the companies will describe how or to what extent they have met the indicator. In some cases, companies may choose to moderate their answers with additional qualitative information. For certain indicators a binary response (Y/N) will suffice, whereas some quantitative indicators ask for data that will help to provide a picture of effectiveness.

The effectiveness of anti-corruption efforts cannot be measured solely on the basis of external reporting. Companies also have different approaches to external reporting which might affect the uptake of these indicators in external reporting. Notwithstanding these factors, the intention of this document is provide a sample of indicators that companies can consult when considering whether to enhance external reporting on the anti-corruption programme.

## Acknowledgements

The indicators were developed through contributions from health care companies that provided input in writing and verbally during February – September 2020. The companies that participated and contributed to the development of these indicators are Alexion Pharmaceuticals Inc, AstraZeneca Plc, Bristol Myers Squibb Co, Eli Lilly and Co, GlaxoSmithKline Plc, Merck KGaA, Novartis AG and Novo Nordisk A/S.

# Culture

An organisation's culture is the key to the effectiveness of an anti-corruption programme. Not only does it influence staff attitudes and behaviour, but it also affects all aspects of the programme's effective implementation. Identifying corporate culture through quantitative indicators is challenging. Nevertheless, companies are attempting to do this. The indicators, when taken together, provide a broad overview as to how a company is attempting to identify *cultural change* within its organisation and the conduct of business.

Indicators	Supporting Information
<p>1.1 A baseline has been established to identify perceptions of the ethical culture/culture of integrity in the company. There is a methodology to measure/gauge changes to the culture over time.</p>	<p>The company would confirm in its disclosures that a baseline has been established as part of a regular global employee survey, which includes specific ethics and integrity question(s) that address how employees perceive the internal culture of ethics and integrity. Over time, the company's approach will enable it to report on the changes relative to the baseline which will be explained in quantitative and qualitative terms. If the company extends its surveys on ethics and integrity to third parties, this could supplement the disclosure.</p>
<p>1.2 The frequency (could be a percentage or absolute number) of references to ethics and compliance communicated internally and/or externally by the defined C-level persons.</p>	<p>The definition of the C-level group would be disclosed. The topics that are included within the concepts of 'ethics' and 'compliance' would also be disclosed. Examples of the types of communications made internally and/or externally could be described as part of the disclosure include interview by CEO in the media where the ethics of the company are discussed; an ethics and integrity dilemma and solution written up for the company's intranet; middle manager's local townhall meetings always including ethics and compliance examples etc.</p>
<p>1.3 Does your performance management framework incorporate how ethics and integrity objectives are achieved (Y/N)?</p>	<p>The company would disclose its performance management process.</p>
<p>1.4 Ethics and integrity are integral components in leadership decisions.</p>	<p>The company would describe how ethics and integrity is integrated at an individual level.</p>
<p>1.5 The company actively engages in anti-corruption Collective Action.</p>	<p>The organisation describes if it participates in Collective Action to combat corruption including: 1. the strategy of those collective action activities; 2. a list of the collective action initiatives in which the organisation participates; 3. a description of the main commitments of these initiatives.</p>

# Risk Management

By conducting regular corruption risk assessments, companies can tailor their compliance programmes and allocate resources accordingly. Quantitative indicators on the effectiveness of anti-corruption measures can be derived from the scope and results of risk assessments. The extent to which companies use the results of risk assessments to refine and inform the anti-corruption programme are also indicative of the effectiveness of the risk assessments. These indicators should therefore be considered a starting point. Companies may wish to consider reporting additional quantitative information about their risk management techniques and the application of the results on their programmes.

Relevant data that is used to assess corruption risks may be held at the country level, as well as the headquarters. Although the digital management of data is developing rapidly, the collection and transfer of some data, particularly in the health care sector can be sensitive. Certain data is also subject to strict laws relating to privacy, and additional challenges may be created when data owners are dispersed throughout a company.

Indicators	Supporting Information
<p>2.1 The company has an anti-corruption compliance risk programme which it uses to give regular updates to senior management and board<sup>2</sup> on how risks are being managed.</p>	<p>The company would describe its compliance risk programme. If this risk programme is included in an Enterprise Risk Management programme, this could be described accordingly. The definition of 'senior management' would be disclosed. The frequency of reporting could be disclosed or explained more fully to elaborate the context.</p>
<p>2.2 The percentage of business functions that are included in the anti-corruption risk assessment.</p>	<p>The meaning/scope of 'business functions' would be defined/described. Where a company reviews less than 100% of its operations, it would disclose why some operations were not within the scope of the anti-corruption risk assessment.</p>
<p>2.3 The company has established anti-corruption compliance KPIs that are used to measure the compliance programme.</p>	<p>The company could define and describe its anti-corruption compliance KPIs more fully.</p>

<sup>2</sup> The reference to the 'board' means the supervisory level of the company, including board committees. Companies should identify the supervisory body to which such reporting is made and clarify its position within the governance of the organisation.

## Third Parties

Certain third parties<sup>3</sup> present the highest risks for bribery in many sectors, including the health care sector. However, there is no uniform definition of a third party. For the purposes of this indicator, the definition of a third party is therefore offered as a guide to the types of third parties that can present increased bribery risks. External reporting on how companies identify risky third parties and how the risks are mitigated and subject to controls are therefore good indicators of how effective an anti-corruption compliance programme is in practice.

Indicators	Supporting Information
<p>3.1 Percentage of third-party reviews conducted</p>	<p>The company could describe how third parties are selected for review, for example with reference to risk ratings. The company could also describe the different types of third-party reviews undertaken to give context to the percentage of thirdparty reviews that have been conducted and that are included in the scope of the company's disclosures.</p>
<p>3.2 How the findings from third-party reviews are addressed</p>	<p>The company describes at a high level its third-party review process and the universe of third parties to which it is applied. The review process could be carried out by the internal audit function or a specialised third-party risk team/function or any other approach that involves an assessment process of either all third parties, or a specific/limited category of third parties.</p> <p>The company may wish to describe how its approach shows the effectiveness of its compliance programme, in relation to bribery risks.</p> <p>The company describes what, if any, are the consequences, follow-up actions or other outcomes arising from its third-party review/assessment process.</p>
<p>3.3 Percentage of third parties that improve their anti-corruption compliance programmes</p>	<p>Some health care companies share the results of the due diligence gathered at onboarding or during contract renewal with the respective third party. This could be described in a qualitative indicator, complemented for example by a quantitative indicator showing the percentage of third parties that improve their anti-corruption programmes.</p> <p>The company will also disclose how it tracks the improvement of its third parties.</p>

<sup>3</sup> For the purpose of these indicators, *third-party* refers to any natural person or legal entity that represents or acts on behalf of the company in relation to any government agency, government official, healthcare organisation, health care professional, patient, patient groups, or payors; or conducts clinical trials on behalf of the company; or sells, distributes, resells, markets, or promotes the company's products on the company's behalf.

# Compliance Function

The compliance function's central role in the ongoing development and implementation of the anti-corruption compliance programme means that it is also central to its effectiveness. The indicator references the governance structure of the function as well as the impartiality of the role, which could equally mean its independence and autonomy in the company. Disclosures that present a clear and accurate picture of the anti-corruption compliance function are what this indicator is seeking to elicit.

Indicators	Supporting Information
<p>4.1 The organisational structure of the company is transparent, including the location of the compliance function within the structure, and it identifies where the Chief Compliance Officer<sup>4</sup> is situated.</p>	<p>The company describes its compliance organisation. It may be appropriate for the company to include further explanations as to the corporate structure and governance of the anti-corruption compliance function.</p>
<p>4.2 The governance structure of the company enables the Chief Compliance Officer to execute her/his responsibilities impartially.</p>	<p>The company describes how the governance structure enables the Chief Compliance Officer to operate impartially. In this context, the term "impartially" refers to the Chief Compliance Officer having appropriate standing and authority to exercise his/her duties.</p> <p>The meaning of 'impartially' within the context of the company could be further explained.</p>
<p>4.3 Ethics and integrity are integral components in all talent and leadership development programmes.</p>	<p>The company discloses information explaining how the integration of ethics and integrity into such programmes is achieved and what it means in practice.</p>
<p>4.4 The program is adequately resourced and empowered to function effectively.</p>	<p>The company explains in its disclosure why the company believes this to be correct.</p>
<p>4.5 The frequency of the board<sup>5</sup> actively reviewing the sufficiency of resources allocated to the global anti-corruption and bribery programme including the compliance function.</p>	<p>The company discloses the frequency in reality as well as the meaning of 'sufficient resources'.</p>

<sup>4</sup> The title Chief Compliance Officer is only illustrative.

<sup>5</sup> The reference to the 'board' means the supervisory level of the company, including board committees. Companies should identify the supervisory body to which such reporting is made and clarify its position within the governance of the organisation.

# Oversight

Oversight and tone from the top are often important drivers of integrity and compliance in an organisation. The board of directors or equivalent supervisory level of the company therefore plays an important role in demonstrating active commitment to the implementation of a company's anti-corruption programme, including regularly monitoring and reviewing the results of the programme.

The divergence (if any) between the formal right or obligation to report to the supervisory level of the company (as set out in constituent company documents or internal policies), as against the frequency of reporting in reality, should be explained as part of this indicator.

Indicators	Supporting Information
5.1 Access by the Chief Compliance Officer <sup>6</sup> to the board <sup>7</sup> including the board committees (i.e. the supervisory level of the company) on a formalised basis and the actual frequency of that access in practice.	This includes not only reference to the company's relevant internal documentation that grants access to the head of anti-corruption compliance to the supervisory level of the company, and what is theoretically permitted, but also a numerical/percentage report on how many times that access was exercised in practice.  The company may give additional clarification on the frequency if it considers it helpful to do so.

<sup>6</sup> The title Chief Compliance Officer is only illustrative.

<sup>7</sup> The reference to the 'board' means the supervisory level of the company, including board committees. Companies should identify the supervisory body to which such reporting is made and clarify its position within the governance of the organisation.