



# **INVESTING WITH INTEGRITY II:**

## **HOW CORRUPTION UNDERMINES ENVIRONMENTAL AND SOCIAL OUTCOMES**

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**A PRACTICAL GUIDE FOR IMPACT INVESTORS WORKING IN HIGH  
CORRUPTION RISK MARKETS TO SUPPORT COORDINATION ACROSS  
BUSINESS INTEGRITY, ENVIRONMENTAL AND SOCIAL DUE DILIGENCE**

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# 1. GUIDANCE SUMMARY

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## SEE CHAPTER 2

Impact investors often work in **high corruption risk markets** to meet their development aims. This guidance supports impact investors to manage these risks.

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## SEE CHAPTER 3

Impact investors should work to combat corruption because it can **contribute to or exacerbate environmental and social (E&S) risks** and undermine **development outcomes**. It can also create considerable **financial** and **reputational risk** for both investor and investee.



Bribes are paid by an investee company to public officials (regulators, auditors, inspectors) for licences, permits or contracts.

- Other forums of corruption can be used, such as trading favours or political financing.
- Corruption can happen directly or through third parties.

This allows the investee company to evade accountability for environmental and social harms, such as:

- pollution
  - health and safety issues
  - human rights abuses
- 



## SEE CHAPTERS 4 AND 5

To capture these interlinked risks, business integrity (BI) and E&S due diligence should be **coordinated** (Chapter 4), starting with **risk screening** (Chapter 5).





#### SEE CHAPTER 6

Investor due diligence should consider corruption risk areas that present a particularly high risk of negative E&S impact. These may include:

- how an investee **implements its policies**
- the investee's resourcing and its **company culture**
- how the investee manages risks around **permits, licences** and using third parties



#### SEE CHAPTER 7

Coordinating BI and E&S workstreams can help investors:

- make better decisions on whether to invest
- develop stronger **action plans**
- improve their **monitoring and reporting**

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#### SEE CHAPTERS 8 – 10

Three areas where there are particularly high risks of corruption and E&S issues are:

- **Land** (Chapter 8)
- **Labour and working conditions** (Chapter 9)
- **Pollution** (Chapter 10)



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Please see the Annex for useful resources and further reading.

## 2. USING THIS GUIDANCE



### 2.1 Aim of this guidance

This is a guide for impact investors on how corruption can undermine environmental and social (E&S) outcomes, and about how coordinating due diligence across business integrity (BI) and E&S workstreams can help identify these links. Along with our *Investing with Integrity* report,<sup>1</sup> this guidance puts BI at the heart of impact investing.

Our *Investing with Integrity* report found that many impact investors are not fully considering or managing corruption risk, and that this may lead to serious financial and reputational issues. It also highlighted how corruption contributes to or exacerbates the E&S risks that impact investors try to minimise. This guidance goes further to encourage investors to take a coordinated approach to BI and E&S due diligence to protect their investments.

Other advantages to coordination include greater operational efficiencies and increased knowledge sharing. Coordination will also be increasingly important as sustainability reporting requirements evolve (see below), because it helps to make sure the sustainability data reported is accurate and comprehensive.

We recognise that impact investors currently manage BI and E&S with a variety of roles, responsibilities and levels of resourcing. Therefore, this guidance highlights intersections and high-risk areas for anyone in an impact investor who is tasked with managing BI and E&S risks. The approach we advocate also largely applies to environmental, social and governance (ESG) and sustainable investors. In doing so, this guide aims to improve risk culture across the investment community for better E&S, development and financial outcomes.

<sup>1</sup> TI-UK, 'Investing with Integrity' (2022).

## WHAT DO WE MEAN BY BUSINESS INTEGRITY?

Business integrity (BI) covers a broad range of issues, including anti-corruption, anti-money laundering, anti-tax evasion, sanctions controls and counter-fraud measures. It also covers the assessment of associated safeguards (including whistleblowing) and governance structures. This guidance focuses on identifying and mitigating corruption risk.

At Transparency International, we define corruption as “the abuse of entrusted power for private gain” which encompasses both public-private and business-to-business corruption. Private sector corruption includes bribery, embezzlement, extortion, collusion, nepotism, inappropriate political engagement or donations, trading in information, and influence peddling.

Bribery includes small bribes, known as ‘facilitation payments’, which are paid to secure or speed up a routine or necessary bureaucratic action that the payer is entitled to. Such payments are illegal in many jurisdictions, including under the UK Bribery Act 2010, and they have a corrosive effect on the business environment and wider societal trust. Increasingly, companies are following a zero-tolerance policy on bribery, including facilitation payments, throughout their global operations.<sup>2</sup>

## WHAT DO WE MEAN BY IMPACT INVESTING?

The Global Impact Investing Network defines impact investments as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return”.<sup>3</sup> We further look to the Impact Principles,<sup>4</sup> a framework for improving rigour in impact measurement, when we think about the defining characteristics of an impact investor. Accordingly, we consider impact investors to include development finance institutions (DFIs) and private asset managers.

Because of their development aims, impact investors that focus on emerging and frontier markets tend to have a high inherent exposure to risks from corruption. Countries where investments can have the biggest impact – those with high rates of poverty and unemployment – are often heavily afflicted by corruption. However, many of the points raised in this guidance are also relevant to impact investors in developed countries, where corruption is also a serious societal problem.

Finally, we use the term ‘investor’ to include individual people who work in or for an impact investor to support pre-investment due diligence.

<sup>2</sup> Harry Cassin, ‘[How do industry leaders talk about facilitating payments?](#)’ (FCPA Blog, 19 October 2022).

<sup>3</sup> GIIN, ‘[What You Need to Know about Impact Investing](#)’ (accessed February 2024).

<sup>4</sup> Operating Principles for Impact Management, ‘[The 9 Principles](#)’ (accessed February 2024).

## 2.2 Rapidly evolving ESG reporting requirements

Regulatory initiatives for sustainability disclosure and due diligence are evolving in the European Union (including the Sustainable Finance Disclosure Regulation<sup>5</sup> and the Corporate Sustainability Reporting Directive<sup>6</sup>) and in other jurisdictions. Increasingly, companies and financial institutions are having to collect, monitor and disclose sustainability data, including on anti-corruption and anti-bribery matters.

Under the EU Sustainable Finance Disclosure Regulation, those participating in the financial market must publish information on the “adverse sustainability impacts” of their financial products, covering “environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters”.<sup>7</sup> This highlights the relevance of anti-corruption measures to broader sustainable finance objectives.

These developments also underscore the value of coordination across E&S and BI workstreams. A coordinated approach improves organisational efficiency and makes it easier for investment professionals to systematically capture, analyse and report data from across their organisation’s environmental, social and BI workstreams. It also ensures that material corruption risks – including those where materiality is linked to weaker E&S outcomes – are identified, reported and managed appropriately.

## 2.3 What this guidance covers

This guide focuses on corruption risks that are likely to arise in the context of impact investments in high corruption risk markets and sectors. It concentrates on the risks that are most likely to affect investors’ E&S objectives. It sets out:

- an approach to identifying, assessing and managing these corruption risks, supported by case studies and quotes from experienced practitioners
- sample lists of questions to help investors identify risks and ascertain whether these are, or can be, managed
- an overview of the key risks connected to three thematic focus areas: land; labour and working conditions; and pollution prevention

<sup>5</sup> European Commission, ‘[Sustainability-related disclosure in the financial services sector](#)’ (accessed February 2024).

<sup>6</sup> European Commission, ‘[Corporate sustainability reporting](#)’ (accessed February 2024).

<sup>7</sup> European Commission, ‘[Sustainability-related disclosure in the financial services sector](#)’ (accessed February 2024).

<sup>8</sup> TI-UK, ‘[Investing with Integrity](#)’ (2022).

<sup>9</sup> IFC, ‘[IFC ESG Guidebook](#)’ (2021)

## 2.4 Who is this guidance for?

This guidance is for anyone who works in or with an impact investor in an emerging markets or other context where there is a high corruption risk. It is also for asset managers with an ESG focus who work in these contexts.

This guidance will be helpful for investment executives and professionals generally and for specialists in:

- E&S, ESG or sustainability
- BI or compliance
- legal, risk or governance

## 2.5 Background and method

The information in this guide is based on our findings from 31 interviews with impact investors, investees, ESG consultants and other experts held in 2023. It is also based on a workshop with development finance institutions and multilateral development banks, held in the same year.

The guidance is further informed by our report *Investing with Integrity*,<sup>8</sup> the International Finance Corporation’s *ESG Guidebook*,<sup>9</sup> and the wider literature on corruption risk in business, BI and impact investment (see the Annex).

The development of this guide was supported by British International Investment and Swedfund.



# 3. HOW CORRUPTION UNDERMINES E&S OUTCOMES

## KEY POINTS

- Corruption can contribute to or exacerbate environmental and social (E&S) risks and undermine development.
- Corruption scandals harm an investor's reputation and can lead to investment funding being cancelled.



## 3.1 Overview

Corruption undermines development by eroding societal trust, weakening democracy and increasing inequality, poverty and social divisions. By working with investee companies to put in place robust anti-corruption measures, impact investors can:

- improve public sector governance
- reduce poverty
- open up emerging markets to a broader range of investment capital

Anti-corruption should be central to an impact investor's mandate, as it can protect and enhance an investment's development outcomes while spreading good practice in wider markets and sectors.<sup>10</sup>

The impact investors we interviewed highlighted why corruption should be a core concern for the impact investment community. Their reasons included threats to positive E&S impacts, as well as an array of financial, reputational, operational, execution, security, legal and political risks. A central risk is that corruption can result in funding being cancelled altogether:

**If a project has [foreign] public funding coming into it and there is a bribery issue, then there is the possibility funding could be cut, which would kill the project. – Investor**

Next, we focus on how corruption can heighten E&S risks.

## 3.2 How corruption fuels E&S risks

One of the most common types of corruption that fuels E&S risks is when a company bribes a local authority to avoid complying with environmental or social laws or regulations. There are well-documented cases of bribery and corruption facilitating illegal logging, human rights abuses, pollution and land grabs.<sup>11</sup>

Engaging in corruption may allow an investee company to maximise its short-term profits at the expense of the longer-term positive E&S outcomes that impact investors are trying to generate:

<sup>10</sup> TI-UK, 'Investing with Integrity' (2022).

<sup>11</sup> See, for example, Hans Nicholas Jong, 'Corruption Stokes Malpractice in Indonesia's Palm Oil Industry' (2023); Patrick Anderson, 'Cobalt and Corruption: The influence of multinational firms and foreign states on the Democratic Republic of the Congo' (2023); Transparency International Brazil, 'What is the Relationship Between Land Grabbing and Corruption in Brazil?' (2021).

**What is the business prepared to do when it comes to shortcutting systems and waiving certain rules? If shortcuts are being made in the form of seemingly harmless small facilitation payments, are environmental permits maybe also being obtained in a similar manner? Are people being bought off to bypass health and safety requirements?** – ESG consultant

Multiple interviewees flagged that corruption generates significant reputational risks for impact investors, either directly or by heightening E&S risks:

**Your biggest risk is not necessarily the actual investment. Your biggest risk is all the business integrity issues, and our newspapers are full of those every day. And I think there's an appreciation that we really wouldn't want to be associated with the wrong partners in business.**  
– Investor

**A phrase we often use for impact investors is the 'Financial Times test'. What is the reputational impact of going into business with a company attached to ESG risks if that relationship is scrutinised on the front page of mainstream financial news publications?** – ESG consultant

If an instance of corruption is made public, the associated reputational damage may lead to funding for the impact investor being withdrawn. This can threaten the continued existence of the entire investment, and the investor may no longer be able to fulfil its development impact thesis or its E&S mandate:

**If you got your licences through corruption, that becomes very scary because you've just built your whole business without a [legitimate] licence to operate, and that could be the downfall of the company if it comes out. Say you opened up a chain of health clinics, they would all have to shut down. So if it's going to have commercial impact, it will also have social impact.** – Investor



# 4. WHY COORDINATE BI AND E&S WORKSTREAMS?

## KEY POINTS

- Corruption risks and environmental and social (E&S) issues are often linked.
- Due diligence across business integrity (BI) and E&S workstreams should be coordinated to identify these links.

## 4.1 Overview

Our *Investing with Integrity* report found that:

- Often, impact investors do not pay enough attention to corruption risk and carry out only basic BI due diligence before investing.
- Separately, E&S due diligence is often robustly applied in line with the International Finance Corporation's Performance Standards (or a similar risk management framework).
- Impact investors do not always coordinate their BI and E&S workstreams, and when they do there is often room for improvement.<sup>12</sup>

## 4.2 Why does coordination matter?

Impact investors seeking a development impact in emerging markets tend to be exposed to high corruption risks. When an investee company engages in corruption, this can lead to environmental or social issues. It can also enable the investee company to avoid being identified or held accountable for the environmental or social issues it is causing (see the examples in the box below). These issues can cancel out or undermine the intended positive development impact.

Taking a coordinated approach to BI and E&S workstreams helps investors to identify and analyse the potential links between these types of risks. This supports better E&S outcomes and development impact.<sup>13</sup>



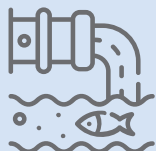
<sup>12</sup> TI-UK, *Investing with Integrity* (2022).

<sup>13</sup> In the corporate world, there have been multiple calls for coordinated assessment of interlinked risks. For example, see OECD and IOE, *Connecting the Anti-Corruption and Human Rights Agendas* (2020).

## Illustrative examples of corruption contributing to or exacerbating E&S risks



- An investee company wants to use informally settled land. Rather than going through the proper processes and compensating the community, the company bribes a local government official to force the community off the land, resulting in hundreds facing homelessness.



- A renewable energy company pays bribes to government authorities to avoid meeting key environmental requirements. This leads to severe water pollution and wildlife habitats being destroyed.



- An investee company pays bribes to workplace health and safety inspectors to avoid scrutiny. This undermines national regulations in place to protect workers, resulting in more incidents and several deaths.



- An investor in public transport finds that vehicles are being dangerously overloaded, creating a health and safety issue. It transpires that ticket sellers have been soliciting bribes in return for tickets.

For more examples of these links, see Transparency International UK's *Investing with Integrity* report.

This coordinated way of working should be understood as a complement to the typical E&S due diligence and core BI due diligence processes. (For useful resources and further reading, see the Annex.)

### 4.3 Coordinating pre-investment due diligence processes

There is no single correct way of coordinating BI and E&S workflows, and this guide does not aim to prescribe one. However, the broad principles include:

- a regular flow of information between BI and E&S workstreams
- clearly assigned ownership of BI and E&S risk
- visibility across functions of the work being done to identify, assess and mitigate risks

Our interviews with impact investors uncovered many ways of coordinating pre-investment processes, both at the screening and due diligence stages and when developing a remedial action plan for holistically mitigating and managing the identified risks. Many impact investors are also enhancing their BI due diligence approaches while improving coordination with their E&S due diligence.

The most effective approach depends on:

- the investor's organisational structure
- the responsibilities and capacities of various departments and functions
- the existing pre-investment due diligence and post-investment workflows
- how the investor prioritises its impact goals

The following models are currently being used by impact investors:

### Coordinated due diligence

BI and E&S due diligence are coordinated across different workstreams, with extensive information-sharing:

**Across all of our due diligence work, if something comes up, we work together to figure out how to deal with it. Across different workstreams this is going give you the best kind of outcome in terms of evaluating a risk and identifying mitigants. There is a business integrity discussion which involves the business integrity lead, the sustainability lead, the general counsel, and the head of compliance. So we do a lot of collaboration between E&S due diligence consultants, BI consultants and legal consultants.** – Investor

### BI integrated into environmental, social and governance (ESG) due diligence

The investor performs an ESG due diligence and fully integrates BI into the governance workstream:

**We call it ESG diligence, we include it in there. Anti-bribery is integrated with governance from the beginning. It's a unified process... And then we put this in ESG action plans, and we make a call about what's appropriate depending on the sector and the stage.** – Investor

In a smaller investor, this integrated process may be carried out by a single person:

**I do both the E&S and the governance and business integrity risk assessments. I think it helps me because when I see the full spectrum it helps me better understand where we need to focus energies on.** – Investor

### Comprehensive risk review by management

Various departments analyse the risks separately, before management and investment committees critically review how those risks interrelate:

**We present our risk analysis to senior management in a way that clarifies that the issues are related, and what the relationship between the problems is. This provides senior management with a good overview. We then talk about each individual risky project component on its own.** – DFI executive

### Separate action plans developed collaboratively

Separate BI (or compliance) teams and E&S teams coordinate to identify crossover issues before producing two separate action plans:

**We in the governance team take due diligence calls jointly with our E&S colleagues and our impact colleagues. It adds value when you have three or four minds looking at the same topic with different lenses. The action plans are separate, but where we do recognise that there are overlaps or potential synergies, we work together. Often we connect with the E&S adviser ahead of time to ensure that a there are no overlaps where two teams are asking for very similar things. We then streamline it, which makes it easier for the client, but also for our own monitoring. For example, the business integrity advisor might optimise a company-wide whistleblower programme.** – DFI executive

## Joint action plan

Different teams in the investor jointly develop an action plan that considers how risks in different categories might interact:

**We advised an impact investor considering an investment in a Latin America-based agro-forestry company. We assessed the investee's policies and procedures and found significant gaps in their anti-bribery and corruption controls, and spoke to local communities to assess the potential human rights risks the investee could be exposed to. This enabled our client to draw up a holistic ESG action plan incorporating financial crime and human rights risks. – ESG consultant**

One investor found that a unified action plan improved accountability over having multiple plans:

**We put together a single action plan and I find that that's a much easier way to manage that workstream. Before I joined the team, they used to have two separate action plans, and it was just difficult to get anything done. When we have a single action plan, sometimes different people are our touchpoints with the company, but it is easier for everybody, including in the companies, to keep track of what has been checked off and what still needs to be done. – Investor**

Ultimately, we found that investors benefit considerably from coordinating their BI and E&S functions to develop a holistic understanding of an issue, its root cause or drivers, and the options available for mitigation.

As well as strengthening decision-making on investment risk and impact, a coordinated approach can help investors to generate stronger financial returns and boost the positive E&S and developmental impacts of their work.

### 4.4 Proactive corruption risk management

A coordinated approach to due diligence is one element of an overall 'proactive corruption risk management' approach in which issues are proactively identified, assessed and mitigated during the investment lifecycle. Proactive corruption risk management encompasses three key elements:

- **Making a proactive and genuine effort** to understand risk and current mitigation. This goes further than meeting the minimum legal and regulatory requirements; it involves building a comprehensive picture of the corruption risks that an investee faces, and assessing its capacity and commitment to managing those specific risks. This proactive approach systematically anticipates risk and puts in place mitigation, rather than responding to unforeseen incidents when they happen.

- **Seeing connections** between BI and E&S factors. E&S issues can be exacerbated by corruption. For example, health and safety inspectors or auditors can be bribed in exchange for issuing the required permits, which allows recurrent safety incidents to be overlooked. By taking a proactive corruption risk management approach to due diligence, an investor should be able to identify where there may be links between BI and E&S issues and make sure any action plan addresses key gaps in risk mitigation. A coordinated approach to due diligence facilitates this.
- **Recognising the value** of BI to an ESG and development impact mandate. This involves recognising that a strong approach to BI helps to create a sustainable business model that benefits the business environment and, ultimately, wider society. Investors should also identify where BI can not only safeguard but also enhance a positive E&S impact. Under this approach, BI is central to a development mandate and drives value creation.

For more information, see Transparency International UK's [Investing with Integrity](#) report.

# 5. COORDINATING CONTEXTUAL RISK SCREENING

## KEY POINT

- Business integrity (BI) risk screening should be informed by and coordinated with environmental and social (E&S) risk screening, given that these risks can interact.



## 5.1 Overview

Assessing the contextual risk factors is a good first step in coordinating the BI and E&S workstreams. Industries with known corruption problems may also have related E&S issues; conversely, the E&S problems in a sector or country may be heightened by corruption.

## 5.2 Using screening tools in a coordinated way

Widely used indices such as Transparency International's Corruption Perception Index<sup>14</sup> are a useful starting point for assessing the corruption risk at the country level. Investors may also use established environmental, social and governance (ESG) risk indices.<sup>15</sup> It is important to understand the method behind these screening tools and whether they incorporate, and give enough weight to, corruption risks. Doing so will help the impact investor to gauge the risks accurately and comprehensively before entering a new market.

## 5.3 Assessing links between contextual factors

Some contextual factors are relevant to both BI and E&S risks.<sup>16</sup> These include a country's or region's:

- political and security situation
- rule of law
- judicial independence
- press freedom
- economic inequality
- strength of civil society

Understanding where extensive links between corruption risk and E&S risks may arise will allow for a holistic screening of the potential investment. These links are explored in detail in the following chapters.

## 5.4 Screening media reports and social media

Media searches are an essential early step in the screening process. However, superficial searches can easily miss red flags:

<sup>14</sup> Transparency International, [Corruption Perceptions Index](#) (2022).

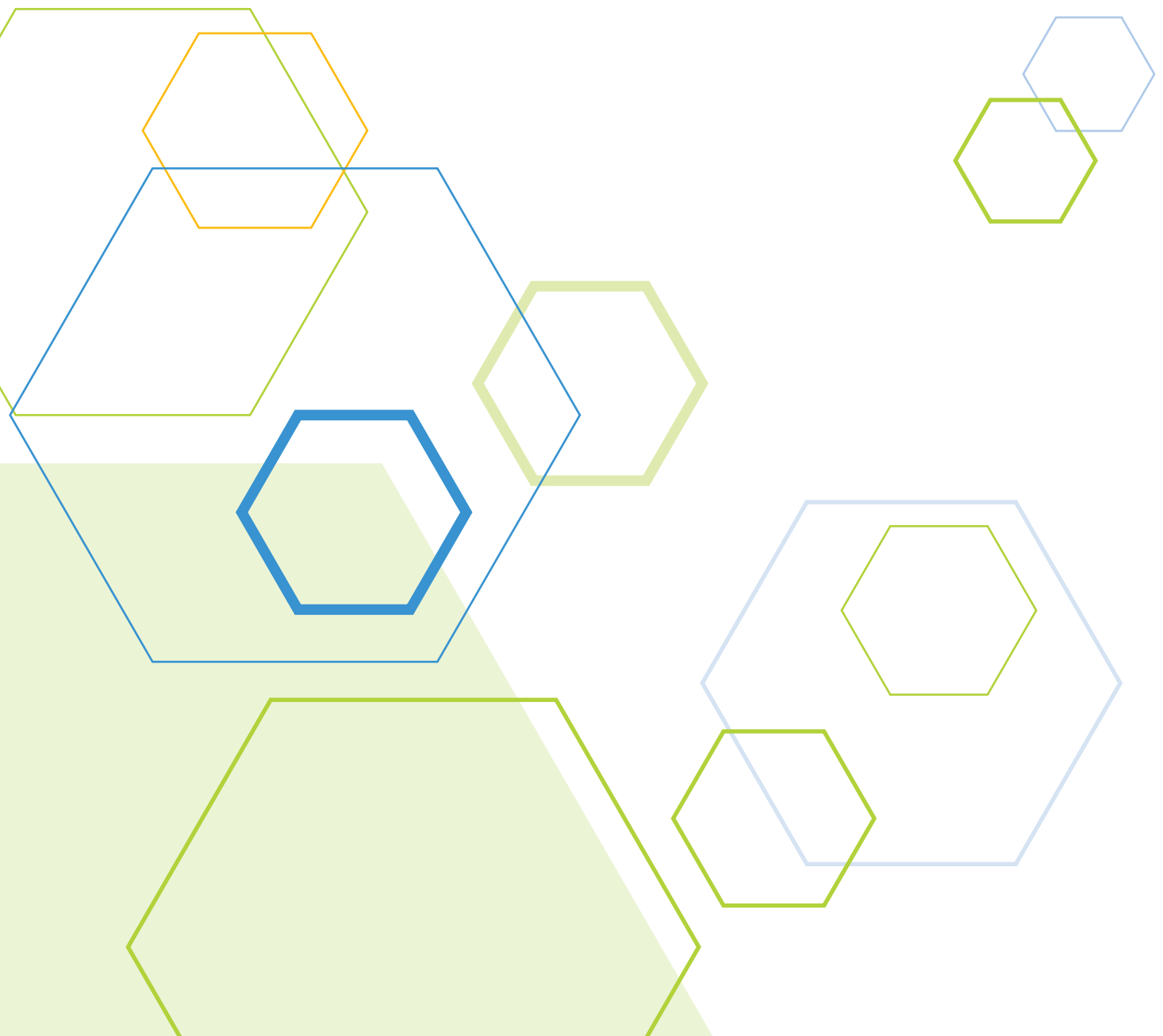
<sup>15</sup> See, for example, Global Risk Profile's [ESG Index](#), Sustainalytics' [Country Risk Ratings](#) and the World Bank's Sovereign [ESG Profiles](#).

<sup>16</sup> For more on E&S screening, see IFC's forthcoming Good Practice Note on Contextual Risk Screening.

**We sit on the due diligence panels of a number of DFIs [development finance institutions] and impact investors focused on emerging markets. A media review is an important first step to assessing any potential integrity and E&S risks. Often such risks can be missed by potential investors because the media reviews are not broad enough in scope – they do not include subscription databases which contain local media outlets, are not always conducted in relevant local languages and they may not include social media, blogs and forums where such allegations can typically first surface. – Due diligence and risk advisory consultant**

## KEY QUESTIONS TO UNDERTAKE A COORDINATED CONTEXTUAL RISK ANALYSIS

- What are the general corruption and E&S risks in this sector and in this country or region?
- What are the specific corruption and E&S risks attached to each kind of activity that this company engages in across its operations, including its joint ventures, subsidiaries and supply chains?
- How might these company-specific corruption and E&S risks be interlinked?





# 6. FOCUS AREAS FOR DUE DILIGENCE

## KEY POINTS

- Business integrity (BI) risk assessments can inform priorities for environmental and social (E&S) due diligence, and vice versa.
- Investors should assess the implementation of company policies and procedures, alongside investee resourcing.
- A strong culture of integrity in a company can significantly reduce corruption and E&S risk.
- Permits, licences and using third parties present particularly high risks.



## 6.1 Overview

This chapter outlines the focus areas for due diligence that emerged from our interviews. The areas to focus on are:

- prioritising areas for due diligence; a vital first step that should be informed by an understanding of how corruption and E&S risks may interact
- assessing how the company implements its policies and procedures, its resourcing, and its broader culture of integrity
- licenses and permits, where corruption can create extensive E&S risks

## 6.2 Prioritising areas for due diligence

Investors taking a risk-based approach to due diligence need to focus on the highest overall risks. This means considering how corruption, E&S and other risks may interact. For example, if it is known that there is a risk of poor working conditions at a garment factory, an investor should be aware that the owners may be bribing labour inspectors to avoid keeping to labour standards.

Investors should consider which specific types of activity a company is engaging in. Even within one sector, the nature and scale of the risks can vary considerably by activity:

**Renewable energy assets have power purchase agreements, and the business lives or dies on that agreement. There's a heightened risk if it's an agreement with a state-owned player – that's a 'big ticket' risk. We verify that that agreement has been awarded legitimately. In the electricity distribution business, there are less 'big ticket' corruption risk items, but lots more regular day-to-day risk items, like getting a permit to dig up a bit of road to put in an electricity line. Once you have built the asset, that risk is over. But there is a mass constant churn of [capital expenditure] in the transmission business, creating the risk of tender collusion and kickbacks from suppliers; that kind of passive bribery risk is a headache. – Investor**

To inform decisions on how to prioritise risks, investors can also actively seek the expertise and perspectives of the investee company:

**What I classify as the highest bribery and corruption risks within the organisation are unlikely to be the risks that an investor is focused on. The investor should go out there and speak to five different people within the organisation and see what actually happens in the organisation, to gain an understanding of the business and where the risks are. Otherwise I will spend my time proving things that do not even apply in my organisation, or taking steps that have little value for the person on the ground in terms of bribery and corruption. – Investee BI officer**

Where E&S breaches are systemic, this may indicate ongoing corruption. It should prompt investors to consider the corruption risks faced by the investee and whether enhanced controls are needed. To successfully identify and assess the corruption risks, an investigation by a third-party provider may be necessary for enhanced due diligence, which may include on-the-ground intelligence.

### Bribes paid by third parties

It is increasingly common for national anti-bribery legislation to cover 'outsourcing' corruption by hiring third parties to pay bribes on a company's behalf. Creating plausible deniability or 'turning a blind eye' to this conduct is not usually a valid legal defence. Even companies that hire third parties in good faith can find themselves exposed to criminal and civil liability and significant reputational risk.

Investors' BI due diligence relating to a company's use of third parties should consider where the E&S risks are highest. For example:

- interactions with public officials
- business activities relating to gaining licences and permits (see section 6.6)
- land, labour or pollution (see Chapters 8–10)

### KEY QUESTIONS FOR INVESTORS WHEN PRIORITISING AREAS FOR DUE DILIGENCE

- Where do company managers and staff see the areas of highest BI and E&S risks?
- Do these assessments consider the potential links between different areas of risk?
- How are these risks currently being prioritised and managed by the investee?
- Is the investor's risk-prioritisation process structured so that potential links between different areas of risk can be identified and analysed, and the risk priorities adjusted to reflect these links?

## 6.3 Assessing the implementation of company policies and procedures

To proactively assess risk, investors need to examine how a company implements its policies, procedures and principles in its day-to-day operations.

Whether a company's BI policies and procedures have been effectively implemented is likely to indicate whether its E&S policies and procedures have also been implemented, and vice versa. This is especially true when considering the effectiveness of management systems used across BI and E&S risks, such as:

- the stakeholder engagement plan
- whistleblowing mechanisms
- conflict of interest policy
- financial controls
- audit

Experienced investors have found large gaps between paper and practice within their investee companies:

**The worst companies were often the ones that just downloaded a very fancy-looking template. And then you asked them, "Have you implemented this?" and they said "Our lawyer looks at this once in a while and that's it."** – DFI executive

**At the end of the day, the paper is the foundation that you build on. You have the paper, but then you have to check how they implement it. Some partners will find these questions really intrusive. But at the end of the day, that's what you have to do.** – DFI executive

To assess implementation, investors should ask companies to provide examples of past BI and E&S challenges and how they dealt with those:

**The safest companies to work with are the ones who can tell you, "We had this incident of corruption last month and this is what we did about it." Not the companies that tell you that there are no problems. I always ask if I company has fired anyone for corrupt activities over the past five or ten years. If the answer is no, that's a red flag.** – Investor

**When I'm looking at the data, if there are no near misses being reported then I believe the system is broken.** – Investor

Investors should then examine how the company responded to those challenges. What qualifies as appropriate and adequate can vary by context, notably by company size. The key things to consider are whether past responses demonstrate that the company took the issues seriously, attempted to put them right, and attempted to prevent a recurrence, and how successful those attempts were.

### KEY QUESTIONS FOR INVESTORS WHEN ASSESSING IMPLEMENTATION OF COMPANY POLICIES AND PROCEDURES

- Do policies on BI or E&S appear to have been tailored to the company's operations?
- Does the company have any recorded BI or E&S issues?
- Do the company's past responses show that they took the issues seriously?
- Did the company try to prevent the issue recurring? How successful were these attempts?

## 6.4 Assessing investee resourcing

Investors should assess the technical qualifications and professional competencies of everyone who is responsible for the company's BI and E&S control systems. The expertise available in a company is vital for underpinning the effectiveness of its policies and procedures:

**Is the chief compliance officer a person parachuted in from somewhere else in the organisation? [Do they] have the expertise?** – DFI executive

It can be challenging for companies to find the right expertise in these specialist areas. In these cases, it is important to understand:

- the individual's commitment to operating with integrity
- the individual's understanding of their responsibilities
- the investee company's plans to upskill or train them

### KEY QUESTIONS FOR INVESTORS WHEN ASSESSING INVESTEE RESOURCING

- Does the investee have the capacity, know-how and resources to manage the full range of priority risks, across all areas of risk?
- Who currently has ownership of different areas of risk in the investee, and are the lines of responsibility clearly defined?

## 6.5 Assessing company culture

A company that fosters an ethical culture is less likely to engage in activities that involve corruption<sup>17</sup> or cause E&S issues<sup>18</sup>. Therefore, it is worth informally assessing the potential investee's culture.

**There's no question that culture is the cheapest way to make sure that people are doing things correctly.** – Investor

A hallmark of a strong ethical culture is that the company encourages employees to speak up about poor business practices, which means whistleblowing mechanisms need to be in place and used.<sup>19</sup> Investors may also benefit from speaking with lower-level employees to assess the norms and prevalent practices in day-to-day operations. Often, these informal conversations in the absence of superiors can throw light on how a company goes about achieving its commercial objectives. Reviewing social media and anonymous employee review websites can also give valuable insights.

An emphasis on culture, supported by broad principles of conduct, is especially relevant for smaller businesses that do not yet have a full set of policies and procedures in place:

<sup>17</sup> TI-UK, 'Values Added' (2022).

<sup>18</sup> Christof Miska, Ilona Szöcs and Michael Schiffinger, 'Culture's Effects on Corporate Sustainability Practices' (2018).

<sup>19</sup> TI-UK, Global Anti-Bribery Guidance: 'Whistleblowing' (2017).

**The companies that did well were principles based. We had a couple of smaller clients; they didn't have an elaborate compliance policy or anything like that. But they did have a really clear statement from the founder or the CEO saying "these are our principles: don't bribe, don't steal, et cetera." And they would have basic control mechanisms. For example, they didn't use certain types of intermediaries because they were aware of the risk.** – DFI executive

Using the findings from E&S due diligence processes can also provide valuable insights into whether a company is committed to ethical business:

**During a site visit, we saw that employees were using machetes barefoot and leaving chopped vegetation to rot by the side of the river. There was no concern for workers' health and safety, and they were polluting the water. It didn't matter how good their climate impacts might be, this was simply not a company that we wanted to work with.** – Investor

## KEY QUESTIONS FOR INVESTORS WHEN ASSESSING COMPANY CULTURE

- Did the pre-investment screening or existing E&S assessment documents flag any BI or E&S issues that may indicate a lack of commitment to 'doing things the right way'?
- What do informal conversations with lower-level employees reveal about the company's culture? Can employees explain what the company values and policies are, and how they translate into their everyday work?
- Does the company's leadership set out a clear set of core values? Are these relevant to BI standards, E&S standards, or both?
- What are the company's incentive programmes, and could they go against the company's stated values?

## 6.6 Licences and permits: A high-risk area for corruption and E&S risk

Obtaining licences and permits can present a high corruption risk. At the same time, there is considerable potential for corruption to heighten the risk of E&S issues when bribes are being paid for licences or permits and the proper E&S procedures are not being followed. For example, if a factory that lacks proper health and safety management systems is still granted an operating licence, injuries and deaths will be more likely. It is crucial for investors to understand these risks and how they can be mitigated.

Some government agencies in charge of issuing licences or permits actively try to extort bribes or deliberately make the process slow and difficult to incentivise bribery. The relevant laws may change frequently, making it difficult for companies to keep up. Therefore, investors should develop a detailed understanding of how the relevant licences are granted:

**It is important to understand the institutional framework and capacity of the government body. This can give a lot of hints on how licences are given, inspection, monitoring, reporting, etc. Also, are there unclear rules for the licensing process, with room for interpretation, or a quota system for number of licences permitted?** – ESG consultant

When performing due diligence on companies that already have licences, investors should assess how the company obtained each licence and carefully check the underlying paperwork.

- If the company has delegated obtaining licences to an agent or intermediary, this presents an especially high risk.
- A licence obtained without a corresponding paper trail, or within an unusually short time, also raises a red flag.

## Bribe requests for a licence from a government ministry

This case study illustrates how requests for bribes for licences can happen and how investors can work with companies to prepare for such a scenario.

An investee company needed a licence from a government ministry for a key project to go ahead. The company employee who was sent to apply for the licence sat in the waiting room for a week, repeatedly being told that the minister was busy:

**You lose a staff member for a week, maybe two, and eventually you're given five minutes with the minister... [who says] "It's difficult to grant licences. What's in it for me?" Or "It's a long process, and you're at the back of the queue. How would I be incentivised to push you forward?" You are told that [investors from other countries] pay, and that it's common practice.** – General Counsel

The company refused to pay a bribe, and the employee was told to return the following day, and then the next day. Eventually, on a Saturday, the company was granted the licence.

Strategies that investors and investees can use in such scenarios include:

- **Preparation:** Expecting the wait, expecting the demand for a bribe (or a request for hospitality), and being aware that they may be asked to overpay for the licence, and planning accordingly.
- **Dialogue:** Explaining that a bribe cannot be paid because the project would lose its funding. Noting that this would be a breach of the investor's national legislation and/or the local legislation. Emphasising the benefit that the project or investment will bring to the country. Avoiding accusations of immorality.
- **Escalation:** If engaging with a lower-level employee, it may be possible to escalate the matter to a supervisor if the supervisor can be identified.
- **Direct engagement:** Not relying on third parties to secure the licence, because this increases the risk of bribery.

For more strategies that companies can use when faced with demands for a bribe, see Transparency International's publication [Resist: Resisting Extortion and Solicitation in International Transactions](#).<sup>20</sup>

When assessing and prioritising the risk posed by corruption in licensing processes, investors should take into account the findings of their E&S due diligence and E&S impact assessments. If obtaining a licence required securing consent from a local community, investors may need to check directly with community members whether the process was carried out legitimately, without undue influence or coercion.

It is important for investors to distinguish between the two main corruption scenarios involving licences and permits, each of which has negative impacts (see Table 1).

<sup>20</sup> Transparency International, 'Resist: Resisting Extortion and Solicitation in International Transactions' (2011).

**Table 1: Negative impact of corruption on E&S**

Corruption scenario	Likely impact
The company pays bribes to cover up and perpetuate its non-compliance with E&S laws and regulations (for example, during monitoring and inspection visits) to gain or retain a licence or permit.	High impact on E&S outcomes. Risk increases when using third parties.
A public official refuses or delays granting or renewing a licence or permit to extort a 'facilitation payment' from a compliant company.	Paying the bribe reinforces corrupt practices in the country, which ultimately harms development impact.

## 6.7 Licences and permits: Preventative risk mitigation

A key strategy for mitigating risks around licences and permits is to adjust operations or projects in a way that systematically assesses and reduces the corruption risk. Examples include:

- systematically mapping out the licences and permits required before launching a new project or expanding operations
- restructuring operations to minimise the need for licences
- keeping an inventory of all licences and permits, together with an archive documenting how each licence and permit was obtained
- using a notification system that alerts staff before a licence expires, so that renewals are applied for in a timely manner
- horizon-scanning and systematically tracking all proposed and upcoming new regulatory requirements
- having a clear policy on whether, when and how intermediaries may obtain licences and permits on the company's behalf

### CASE STUDY

#### Reducing high-risk interactions with public bodies

A BI officer working for a renewable energy company routinely and systematically works to reduce risk around permits:

**When we are selecting a site and conducting an ESG assessment, we will also capture the regulatory requirements, not only for the construction phase but also for the operation and maintenance phase. Say, for example, there is a railway crossing and close proximity to an airport. We will try to shift that site, or select a new site which is free of all these things. So we eliminate the need for approval from the railway department and the airport authority. We can often completely eliminate the need to interact with certain authorities. Reducing the number of clearance permits required also helps to speed up project implementation and increases our productivity.**

## KEY QUESTIONS FOR INVESTORS RELATED TO LICENCES AND PERMITS

- Which licences could lead to negative E&S impacts if the conditions were not met or the standards were not adhered to?
- How will the number, type and geography of requirements for such licences evolve as the company expands?
- Is the company horizon-scanning for new E&S standards and related licensing requirements?
- How is the company managing relationships with third parties that obtain licences and permits on its behalf?

# 7. COORDINATING ACTION PLANS AND MONITORING

## KEY POINT

- Coordinating business integrity (BI) and environmental and social (E&S) workstreams can help investors to make better decisions on whether to invest, develop stronger action plans, and improve their monitoring and reporting.



## 7.1 Overview

This chapter gives guidance to investors on other touchpoints in the pre-investment process (beyond due diligence) where coordinating BI and E&S workstreams can help them to manage risk more effectively to increase financial returns and improve E&S outcomes.

## 7.2 Deciding whether to invest

After the due diligence process, the investment team prepares a proposal for review by the investment committee or equivalent body. That proposal should:

- identify potential areas of high overall risk across environmental, social and governance (ESG) issues
- clearly explain how BI risks may be driving E&S risks, and vice versa
- discuss whether and how the various risks could be mitigated and managed

## 7.3 Action plan

Investors should take a coordinated approach to drawing up an action plan that incorporates BI and E&S risks and considers the links between them. They should prioritise the most material risk areas across the company's operations, based on the company's distinct risk profile:

**Failing to appreciate the specific risks of an organisation and imposing a blanket set of policies and safeguards is counterproductive because it overburdens the company and diverts resources away from managing the highest risks. What is the value added of this task? It's about defining what the company wants to achieve, and then they can develop a way to achieve that. Make sure to give people practical examples that they can apply in their day-to-day work.** – Investee BI officer

**We support our clients in prioritising: These are the non-negotiables, and this is how you can fix them. These are some things that are maybe not ideal, be aware of them, work on them. What we try not to do to our clients is send them a list of a million things that are unfeasible or impractical.** – ESG consultant



## Action plan governance

It is crucial for investors to put in place appropriate governance surrounding the action plan. This entails establishing effective oversight from both a BI and an E&S perspective.

In practice, this can be challenging because it depends on a good understanding of how roles, responsibilities and mandates are split between various committees (such as audit, risk and ESG committees) and how they should intersect, collaborate and coordinate their work.

From our interviews, we found that investors currently tend to either have one body that oversees progress on BI and E&S issues or have different committees or functions that closely coordinate their work.

For smaller companies, investors can formulate an initial action plan to lay solid foundations that will enable progressive improvement on key BI and E&S dimensions over time:

**Businesses want to improve. But you can't go from zero to hero overnight. You have to work with the resources and the capacity that you have. I think a realistic approach is, what's level 1? What's level 2? What does level 5 look like? Let's all understand what the gold standard is, but let's also understand what the journey looks like.** – ESG consultant

If required, investors should develop a capacity-building plan to strengthen the investee's ability to mitigate risk across all dimensions. This may include providing guidance and training to the investee. It could even involve the investor providing secondments to mentor investee staff and develop their capacity.

### 7.4 Monitoring and reporting

Alongside the action plan, investors should create a monitoring and reporting plan to ensure ongoing and effective implementation of both BI and E&S risk mitigation. It is vital to proactively monitor both dimensions to understand how the risks faced by the investee are changing, and whether the investee's approach to managing these risks needs to evolve:

**Your policies can't be stagnant. They have to adapt. And every time you have a bribery incident, you have to revisit the policies.** – General Counsel

In the ownership phase, impact investors should move to a dynamic risk assessment process that is coordinated across BI and E&S risks. For example, if E&S improvements are not being realised as expected, it might be advisable to assess whether corruption is a contributing factor.

#### KEY QUESTIONS FOR INVESTORS RELATED TO ACTION PLANS, MONITORING AND REPORTING

- What risks is the company most concerned about overall, and why? What potential mitigation measures does the company consider most effective, and why?
- Is the company accounting for how risks in one area might interact with risks in another area, and is it prioritising its controls accordingly?
- Is there clear ownership of, and oversight over, BI and E&S policies and processes? Are the functions involved sharing information and coordinating their work?
- What additional risk mitigation and management measures would add the most value, and how can they be translated into practice?
- Is the company transparent about company operations and performance equally across all areas of financial performance and risk? (Lack of transparency in some areas can be a red flag.)

# 8. THEMATIC FOCUS AREA: LAND

## KEY POINTS

- Land transactions typically present a high corruption risk and substantial environmental and social (E&S) risks.
- Impact investors should carefully analyse how corruption risks relating to land can increase the risk of E&S issues.



## 8.1 Overview

This chapter guides investors on how to look at land transactions through a corruption risk lens. Land transactions can present a high corruption risk, and incidences of corruption in land transactions can lead to severe E&S issues. At the same time, the business activities and projects that are supported by impact investors often require land to be purchased or land use to be changed. If resettlements are required, this adds complexity and risk to the project.

The International Finance Corporation's *Performance Standard 5: Land Acquisition and Involuntary Resettlement* provides a common framework for E&S due diligence in this area.<sup>21</sup> British International Investment's ESG Toolkit provides an overview of land-related E&S risks that investors are likely to encounter in emerging markets and flags relevant guidance and resources.<sup>22</sup>

## 8.2 Land transactions and corruption risks

Land purchases and land conversion can present a high corruption risk. Land transactions in emerging markets often combine several features that make them a fertile breeding ground for corruption:

- a high-value and finite resource
- unclear ownership
- conflicting formal and informal rules
- multiple actors involved, including local power brokers and government officials

At the national level, government corruption correlates strongly with citizens' perceived insecurity of land tenure.<sup>23</sup>

The Food and Agriculture Organization of the United Nations notes that corruption in land transactions tends to generate far worse social impacts than other forms of corruption. These negative social impacts typically affect the poorest and most vulnerable parts of society:

<sup>21</sup> IFC, 'Performance Standard 5: Land Acquisition and Involuntary Resettlement' (2012).

<sup>22</sup> BII, ESG Toolkit for Financial Institutions, 'Land acquisition and involuntary resettlement' (accessed February 2024).

<sup>23</sup> Prindex, Comparative Report (2020).

**Land corruption requires force to maintain [and those] who have claimed that land in bad faith must often then corrupt other government institutions to defend it. This may require leveraging local police, national security forces, the courts, land administration officials, and other state institutions to guard the land; threaten and intimidate the rightful owners; formalise and register the land as theirs; or help them to avoid or eschew legal prosecution... Land corruption by elites often involves stealing the primary or sole asset of the most poor and marginalised members of society. For rural families, what is being stolen is their home, as well as their source of their livelihood, food and water security, and connection to culture, community, ancestry, and spirituality... [leaving its victims] primed for violence.<sup>24</sup>**

Other negative E&S impacts of corruption in land transactions include:

- tenure insecurity for marginalised groups
- environmental pollution
- species loss
- loss of government revenue
- erosion of the rule of law
- increased violence and civil conflict<sup>25</sup>

Previous research by Transparency International has found that land-related corruption negatively impacts women significantly more than men.<sup>26</sup>

Impact Investors should identify areas where the risk of negative E&S impacts (including on human rights) from land-related corruption is most salient, based on the scale, scope and potential for remedy. They should then prioritise these areas for systematic due diligence measures.

One priority is extensive due diligence to establish the true ownership and market value of the land in question. There is often a dispute or lack of clarity about who owns a parcel of land, who has the right to decide whether to sell it, and who is entitled to the proceeds of a sale:

**When investors do not complete due diligence to ascertain the situation on the ground, or are swayed by officials' false reassurances, private sector actors may themselves become implicated in land corruption, potentially opening themselves up to prosecution, lawsuits, and reputational damage. – Food and Agriculture Organization of the United Nations<sup>27</sup>**

In addition, to develop a full picture of the risks it is vital to understand how communities use the land, irrespective of who owns it. Strong gender, ethnic and other disparities in land ownership and land use, and the types of benefits that different groups derive from access to land, can complicate the picture:

**Vulnerable people with genuine economic interests in the land can get overlooked in the land acquisition process. This is a negative social impact and causes business continuity risks, reputational risks, etc. If a company's activities result in the displacement of people, the level of corruption risk increases even further, even before the potentially very severe downstream E&S risks are taken into account. – DFI executive**

Companies involved in land transactions have to engage with multiple stakeholders, including officials from a variety of government bodies, their commercial counterparts, local communities, and intermediaries such as land brokers. This creates multiple opportunities for corruption, which in turn can exacerbate the related E&S risks.

## Government officials

National and local governments often play a key role in land transactions. Businesses sometimes buy land directly from government bodies, but officials' claim that the government owns the land may be questionable from both a legal and social perspective.

Government officials also act as gatekeepers for approving land sales or land use conversions, which provides opportunities to extort bribes and other 'favours' from the business seeking approval.

<sup>24</sup> UNFAO, 'Tackling Land Corruption by Political Elites' (2022).

<sup>25</sup> Ibid.

<sup>26</sup> Transparency International, 'Women, Land and Corruption: Resources for practitioners and policy-makers' (2018).

<sup>27</sup> UNFAO, 'Tackling Land Corruption by Political Elites' (2022).

**Any brownfield acquisition that we are doing, we will do a very, very detailed business integrity due diligence process irrespective of the size of the company and the scope [of the project]. We check whether all the permits, licences and approvals are in place for such projects before we take a collective decision together with the ESG [environmental, social and governance] team on whether we should go ahead or not.** – Investor

Often, the competencies of different institutions, ministries and levels of government are not clearly delineated, and there is weak rule of law, further increasing the risk of corruption. In addition, corruption within the justice system and administrative complaints mechanisms can prevent victims of injustices related to land corruption from seeking and receiving reparations.

## Commercial counterparts

Land is often bought from locally powerful players, who tend to be closely connected to government officials and may exert significant power over local communities. To close a lucrative sale, local elites (sometimes in collusion with officials) might bribe community leaders or coerce community members to obtain community 'consent' to the transaction.

When land is bought from less powerful individuals, there is a risk of exploitation by the buyer. Even when the negotiation processes appear to be legitimate, the outcomes of the negotiation and whether the buyer fulfils their commitments merit close scrutiny:

**Sometimes land becomes an issue even if there's a willing seller – willing buyer scenario. You need to perform legal due diligence to establish that there are no encumbrances or historical liabilities. If the company claims it paid a fair price for the land, is there some document? Is it complete and detailed, with all elements required by law? Also, if the company paid different prices for different land parcels, there should be a table in the document detailing why and on which basis different prices were paid.** – ESG consultant

## Local communities

In some countries, land is held collectively by local communities. In practice, this can mean that community leaders – who may owe their position to local officials – have the power to allocate the land within the community. These leaders can abuse their entrusted powers for private gain by selling communal land to companies without consulting or compensating the individuals affected and share the proceeds with corrupt local officials.<sup>28</sup>

**Some companies may be incentivised to pay bribes to landowners to accelerate the land acquisition process. This can exacerbate pre-existing tensions within local communities residing on the land, as some may be perceived to be unduly favoured over others. This can lead to social conflict and operational risks.** – DFI executive

The complexities and delays involved in obtaining free, prior and informed consent from communities can also generate corruption risks:

**The 'social time' needed to address community concerns can often exceed the 'technical time' required to construct or complete a project, especially in projects that require large tracts of land. Business models that depend on timelines that do not allow sufficient time for consultation with local stakeholders should be regarded as a red flag. Companies may feel pressure to use corruption as a shortcut to gaining local 'consent', generating or further exacerbating the risk of negative E&S impacts including environmental damage, involuntary displacement, and loss of livelihoods.**<sup>29</sup>

Be aware that resettlement has social impacts not only on the people being resettled but also on the communities in the areas that people are moving to.

## Land brokers

Companies frequently outsource community engagement processes to land brokers. Impact investors should include such brokers in the scope of their due diligence efforts:

<sup>28</sup> 'The quest for secure property rights in Africa' (*The Economist*, 12 September 2020).

<sup>29</sup> Shift, 'Red Flag 3. Project timelines that undermine consultation with communities' (2021).

**Clearing land and converting it is high risk, as it often requires using land brokers for help navigating that process and to help compensate local communities. These intermediaries may be paying bribes. So we've initiated an enhanced due diligence effort for intermediary land brokers. – Investor**

## 8.3 Questions related to land transactions

### KEY QUESTIONS

- Does the investee understand the ownership history of the land going back at least five years, and do they have the relevant documents?
- Have there been local disputes about land ownership or land demarcation during previous land transactions in the area?
- Were agents used to compile parcels of land?
- Has there been a fair and independent assessment of the land's value?
- Are the stakeholder engagement plan, consultation meetings and decisions fully documented?

### QUESTIONS RECOMMENDED DEPENDING ON THE SPECIFIC CIRCUMSTANCES

- Does the national land-related legislation fall short of international standards in any areas?
- Has there been local violence, including gender-based violence, relating to the land?
- What reputation do the landowners have for integrity?
- How prevalent is corruption at the country's land administration authorities? (This may vary by district.)
- Has the company previously received requests for bribes from land administrators or local authorities?
- Which key actors are involved in resettlement or restoration of economic livelihood schemes? What is their reputation for integrity?
- How transparent are resettlement or economic livelihood schemes? Are there allegations that benefits have not reached key stakeholders?
- Has the company undertaken an independent audit of resettlement or economic livelihood schemes?
- Have complaints of bribery and corruption been made against the company through resettlement grievance or whistleblowing mechanisms? If so, what procedures were followed?

**Table 2: Land transactions: corruption risks, checks and controls**

Business process	Example activities	Potential corruption issue	Corruption risk factors	Example checks/controls
Land acquisition and leasing	Seeking approvals from land registry/ administration/ planning agencies for land acquisition or leases	<ul style="list-style-type: none"> <li>Land registry, administration or planning agencies systemically demand bribe payments to support transactions</li> <li>Land use conversion and planning processes are corrupted</li> </ul>	<ul style="list-style-type: none"> <li>Unclear history of land ownership, occupation and use</li> <li>Allegations of impropriety against landholders</li> <li>Incomplete documentation</li> <li>Quicker approval processes than regulatory guidelines in contexts where corruption is a known issue</li> <li>Improper access to environmental agency, or conflicts of interest</li> </ul>	<ul style="list-style-type: none"> <li>Land contract disclosure</li> <li>Land corruption risk mapping</li> <li>Escalate to legal and/or compliance department for enhanced due diligence and KYC checks</li> <li>Screen for not only existing registered community land rights but also pending applications and unrecognised land rights</li> </ul>
	Purchasing land from owners who are either vulnerable or very powerful, e.g., politically exposed persons (PEPs)	<ul style="list-style-type: none"> <li>PEP seller obtained land improperly</li> <li>Intermediaries or local officials exploiting vulnerable sellers</li> </ul>	<ul style="list-style-type: none"> <li>Land title held by PEP</li> <li>Hidden PEP ownership in corporate vehicle for holding land</li> <li>Opaque corporate structure</li> </ul>	<ul style="list-style-type: none"> <li>Escalate to legal and/or compliance for enhanced due diligence and KYC checks</li> <li>Beneficial ownership checks</li> </ul>
	Contesting land disputes in court	<ul style="list-style-type: none"> <li>Agents making bribe payments in court processes</li> </ul>	<ul style="list-style-type: none"> <li>Court disputes are resolved unusually quickly</li> </ul>	<ul style="list-style-type: none"> <li>Check legal requirements on land acquisition, ownership, holding and use</li> </ul>
Resettlement	Forcible evictions	<ul style="list-style-type: none"> <li>Corrupt officials coercing residents to secure their 'consent'</li> </ul>	<ul style="list-style-type: none"> <li>Weak rule of law</li> <li>Powerful locals can act with impunity</li> </ul>	<ul style="list-style-type: none"> <li>Interview relocated individuals</li> </ul>
	Arranging compensation	<ul style="list-style-type: none"> <li>Brokers or powerful locals pocket compensation money</li> </ul>	<ul style="list-style-type: none"> <li>Resettled population is illiterate or lacks ability to challenge abuses</li> </ul>	<ul style="list-style-type: none"> <li>Interview relocated individuals</li> <li>Review fees to intermediaries or third parties</li> </ul>
	Restoring livelihoods	<ul style="list-style-type: none"> <li>Written or unwritten agreements are not delivered on</li> </ul>	<ul style="list-style-type: none"> <li>Lack of detailed and legally binding commitments</li> </ul>	<ul style="list-style-type: none"> <li>Interview relocated individuals</li> <li>Review agreements</li> </ul>

Business process	Example activities	Potential corruption issue	Corruption risk factors	Example checks/controls
Using agents and intermediaries	Acquiring land through agents or intermediaries, including brokers	<ul style="list-style-type: none"> <li>Land aggregators obtaining land through bribery or coercion</li> </ul>	<ul style="list-style-type: none"> <li>Agents or intermediaries (including brokers) are used for managing regulator relationships</li> <li>Agent has a poor reputation</li> <li>Land title transferred to project through an intermediary</li> <li>Agent is politically connected</li> <li>Payments made to agents serving no clear business purpose</li> <li>Unexplained fees</li> </ul>	<ul style="list-style-type: none"> <li>Review third-party relationships</li> <li>Policy requirements for third parties</li> <li>Company agent policy</li> <li>Land contract disclosure</li> <li>Land corruption risk mapping</li> <li>Check land transfers that preceded stakeholder engagement</li> </ul>
Community engagement	Stakeholder engagement and decision-making process	<ul style="list-style-type: none"> <li>Local leaders or politicians abusing their entrusted power e.g. by allocating land or places on compensation schemes for patronage purposes</li> <li>Fraudulent signatories, manipulating the 'free, prior and informed consent' process</li> </ul>	<ul style="list-style-type: none"> <li>Limited evidence of community consultation</li> <li>Limited transparency around community engagement</li> <li>Falsified documents, fake signatures</li> <li>Local leaders with poor reputation or limited local legitimacy</li> </ul>	<ul style="list-style-type: none"> <li>Review and expand community consultation</li> <li>Grievance and whistleblowing mechanism</li> </ul>
Engaging with government agencies	Planning and implementing resettlement and livelihood restoration	<ul style="list-style-type: none"> <li>Corruption in constructing local facilities, infrastructure and community support services</li> <li>Corruption in government resettlement agencies</li> </ul>	<ul style="list-style-type: none"> <li>Behind-closed-doors decision-making by resettlement agencies</li> <li>Leadership of resettlement agencies has a poor reputation or there are known past integrity issues at the agency</li> <li>Substandard construction or outcomes from the resettlement scheme</li> </ul>	<ul style="list-style-type: none"> <li>Expand community consultation</li> <li>Financial controls and audits of resettlement programme and compensation schemes</li> <li>Grievance and whistleblowing mechanism</li> <li>Company controls covering government affairs</li> </ul>

# 9. THEMATIC FOCUS AREA: LABOUR AND WORKING CONDITIONS

## KEY POINTS

- Labour-related issues and corruption risks are often very closely linked.
- Impact investors should ensure that labour-related red flags in environmental and social (E&S) screening and due diligence trigger a search for corresponding business integrity (BI) risks, and vice versa.



## 9.1 Overview

Many exploitative and abusive labour practices can be sustained only with corruption. Ongoing exploitative and abusive labour practices in a company can indicate that bribes have been paid to public officials (for example, labour inspectors), either by the company itself or by a third party supplying the workforce.

The International Finance Corporation's *Performance Standard 2: Labor and Working Conditions* provides a common framework for assessing impacts in this area.<sup>30</sup> The United Nations *Guiding Principles on Business and Human Rights* and the International Labour Organization's *Core Labor Conventions* also provide key guidance.<sup>31</sup>

## 9.2 Labour, working conditions and corruption risks

Investors should treat exploitative and abusive labour practices detected during E&S due diligence as signalling a high corruption risk.

**A company was accused of horrifically mistreating female staff, including sexual assaults. And we would wonder, how did they get away with it for so long? It turned out that they bribed the labour inspectors every time they came around. In a lot of cases, there would be this E, S or G [environment, social or governance] risk, and then you look at it a little bit more and it was connected to corruption.** – DFI executive

Conversely, any indication of bribes paid to labour inspectors should, at the very least, trigger an E&S due diligence focused on working conditions. More generally, if a company with a large workforce that includes labour sourced through intermediaries is engaging in any bribery within its operations, a wider review of the company's labour practices is probably needed.

In general, impact investors should ensure that labour-related red flags in BI screening and due diligence trigger a search for corresponding E&S risks, and vice versa.

<sup>30</sup> IFC, 'Performance Standard 2: Labor and Working Conditions' (2012).

<sup>31</sup> BII, ESG Toolkit for Financial Institutions, 'Human Rights' (accessed February 2024).



## Exploitative labour practices

Exploitative practices include:

- denying workers fair compensation
- denying employees mandatory medical benefits
- forced labour
- child labour<sup>32</sup>

Companies or managers often bribe (or intimidate) police and labour inspectors to prevent inspections from being carried out, secure advance warning about upcoming inspections, or get officials to ignore violations during inspections.<sup>33</sup> Meanwhile, corruption at a higher level can lead labour inspectors in certain regions to be under-resourced or cause the judiciary to disregard complaints.<sup>34</sup>

According to the United Nations Development Programme, ongoing forced labour usually relies on corruption:

**Many contemporary forms of slavery [including forced labour] rely on corruption to operate, as corruption often facilitates exploitation and abuse. Most importantly, corruption and contemporary forms of slavery both thrive in social, political and economic environments that allow perpetrators to act with impunity.**<sup>35</sup>

The International Labour Organization notes that corruption can even enable obvious exploitative practices that involve clear violations of national laws to continue unchallenged (and therefore undocumented) for a long time:

**Problems of detection are partly due to corruption on the part of labour inspectors... This contributes to distrust in the institution of labour inspection, reduces the number of complaints to the labour inspectorate, and thus the effectiveness of the inspectorate. This regulatory failure results in the labour inspectorate acting as a conduit for reproducing inequality instead of reducing it.**<sup>36</sup>

## Human trafficking and migrant labour

Unlike many other E&S issues, which can arise even without corruption, human trafficking consistently involves corrupt practices.<sup>37</sup> According to the United Nations Office on Drugs and Crime:

**Corruption is one of the core drivers of human trafficking. The crime simply could not be committed on a large scale without corrupt officials abusing their position of authority and accepting bribes of money, favours or material goods.**<sup>38</sup>

Transparency International's previous research supports this assessment:

**All three stages of trafficking [recruitment, transport and exploitation] rely on pay-offs to police, judges and ministers at all levels. Corruption assists the victim's movements within a country and across borders. When trafficking is discovered, corruption results in laws and judicial processes being disregarded. In many countries employers of trafficked victims bribe police or other officials to overlook the crime.**<sup>39</sup>

However, once the trafficked individuals have arrived at their workplace, corrupt practices can involve the private as well as the public sector:

<sup>32</sup> Dipankar Gupta, 'Labour and corporate corruption' (India Today, 27 July 2011).

<sup>33</sup> CTOC, 'Emerging Knowledge and Practice Regarding the Prevention of and Response to Corruption in the Context of Trafficking in Persons' (2023). Also see Bernd Treichel, ILO, 'The Ten Steps for Strengthening Labour Inspection' (2005).

<sup>34</sup> UNDP, 'Corruption and Contemporary Forms of Slavery: Examining relationships and addressing policy gaps' (2021).

<sup>35</sup> Ibid.

<sup>36</sup> ILO, 'Literature Review on the Governance of Work' (2019).

<sup>37</sup> See UNODC's forthcoming global study on links between corruption and trafficking in persons and entry points for corruption along the trafficking chain, which aims to identify how anti-corruption interventions could help prevent or detect cases of trafficking.

<sup>38</sup> UNODC, 'How Corruption Facilitates, Fuels and Fosters Human Trafficking' (29 September 2023).

<sup>39</sup> Transparency International, 'Corruption and Human Trafficking' (2011).

**Corruption can enable the continued exploitation of victims of trafficking for forced labour... where supervisors or internal inspectors are bribed to ignore the exploitative conditions to which workers are subject or the fact that some employees are undocumented migrants. Furthermore, private sector actors such as labour recruiters and accommodation providers may accept bribes.<sup>40</sup>**

Corruption also facilitates a wider range of abusive practices involving migrants, who have not necessarily been trafficked.

**Migration for work and recruitment of workers across and within borders is a complex and multilayered process that is plagued with corruption and exploitation. Migrant workers often pay unscrupulous third parties exorbitant fees to access jobs; fall victim to false promises; or are compelled to work in unsafe work environments with little or inadequate pay.<sup>41</sup>**

## Health and safety

Unsafe working conditions can plunge families into deep poverty if the breadwinner is injured at work or becomes ill because of dangerous or unsanitary workplace conditions or exposure to toxic substances. Corruption can undermine the safety of a working environment if, for example, kickbacks result in substandard materials being used:

**The most critical area where you know you can potentially see a business integrity risk happen and impact your people is from a health and safety perspective. In some of the businesses that we are into, like waste management, there are a lot of health-related perils. If you use substandard materials, while the risk itself started off as a business integrity risk, the facility is substandard and that led to an accident. Now that becomes super-critical because there is human life at risk.** – Investor

## 9.3 Questions related to labour

### KEY QUESTIONS

- Are employment contracts and payment terms documented and transparent?
- Have agents been used in worker recruitment? If yes, how have they been selected and what are their contractual obligations?
- Have employees, contractors or suppliers made complaints about abuse?
- What are the internal whistleblowing and grievance procedures for employees, and have they been used?

### QUESTIONS RECOMMENDED DEPENDING ON THE SPECIFIC CIRCUMSTANCES

- How prevalent is corruption in the country's labour and building regulatory authorities, and in local government?
- How is labour usually contracted in the sector locally, and does the company's approach differ from typical practices?
- Do workers report that payments have been withheld or that their documents have been seized?
- Are labour agents' contracts based on lump sums, rather than on itemised billing (which would provide more transparency)?
- Has the company previously received requests, or been suspected of receiving requests, for bribe payments from regulatory authorities or local government?
- Do the relevant authorities have a reputation for extorting bribes from companies?
- Are there gaps in documentation on the company's building regulations, and might these put workers' health and safety at risk?
- What policies and procedures does the company use to manage interactions with inspectors?

<sup>40</sup> CTOC, 'Emerging Knowledge and Practice Regarding the Prevention of and Response to Corruption in the Context of Trafficking in Persons' (2023).

<sup>41</sup> OSCE, 'Model Guidelines on Government Measures to Prevent Trafficking for Labour Exploitation in Supply Chains' (2018).

**Table 3: Labour and working conditions: corruption risks, checks and controls**

Business process	Example activities	Potential corruption issue	Corruption risk factors	Example checks and controls
Obtaining permits and licences	Obtaining permits and licences for construction or specific business activities	<ul style="list-style-type: none"> <li>Improper influence or bribery during labour/premise inspections</li> </ul>	<ul style="list-style-type: none"> <li>Close relationship between company and inspecting authorities</li> <li>Problems with documents and paperwork</li> </ul>	<ul style="list-style-type: none"> <li>Company anti-corruption policy</li> <li>Process risk mapping</li> </ul>
Managing audits, inspections and investigations	<p>Labour inspections</p> <p>Investigations of health and safety violations or accidents</p> <p>Investigations of harassment or discrimination claims</p>	<ul style="list-style-type: none"> <li>Improper influence or bribery during inspections</li> </ul>	<ul style="list-style-type: none"> <li>Close relationship between company and inspecting authorities</li> <li>Problems with documents and paperwork</li> </ul>	<ul style="list-style-type: none"> <li>Company anti-corruption policy</li> <li>Process risk mapping</li> </ul>
Recruitment and employment	Relying on migrant workers	<ul style="list-style-type: none"> <li>Abusive labour practices enabled by corruption (especially during recruitment and transportation)</li> </ul>	<ul style="list-style-type: none"> <li>Allegations of workplace abuse</li> <li>Duplicate or suspicious wage or worker identity documents</li> <li>Evidence of worker fees (recruitment, processing, placement fees, debt bondage)</li> </ul>	<ul style="list-style-type: none"> <li>Review worker documents</li> <li>Check that codes of conduct and policies are in line with the International Labor Organization Convention</li> <li>Check the company's approach (including training) to gender-based violence safeguarding, and discrimination</li> </ul>
	Hiring other workers	<ul style="list-style-type: none"> <li>Sextortion<sup>42</sup></li> <li>Abusive labour practices</li> <li>Employing politically exposed persons or their relatives</li> </ul>	<ul style="list-style-type: none"> <li>Missing employment contracts</li> <li>Relying on home workers</li> </ul>	<ul style="list-style-type: none"> <li>Worker dialogue and engagement</li> <li>Training</li> <li>Written employment contracts detailing pay, benefits and grievance and whistleblowing mechanisms</li> </ul>
Managing third parties (e.g. recruitment agencies, suppliers)	Recruiting workers through third parties	<ul style="list-style-type: none"> <li>Abuse, including extortion, of migrant workers by recruitment agencies</li> </ul>	<ul style="list-style-type: none"> <li>Relying on migrant workers</li> <li>Confiscation of workers' documents</li> <li>Workers receive a small share of the contract</li> </ul>	<ul style="list-style-type: none"> <li>Supplier code of conduct</li> <li>Third-party monitoring and environmental, health and safety audits</li> <li>Grievance and whistleblowing mechanism</li> </ul>
	Using supplier certifications	<ul style="list-style-type: none"> <li>Bribes paid to an auditor</li> <li>Fraudulent certification</li> </ul>	<ul style="list-style-type: none"> <li>Audit report fails to flag concerns where concerns were raised previously</li> </ul>	<ul style="list-style-type: none"> <li>Worker dialogue and engagement</li> </ul>

<sup>42</sup> Defined by the International Association of Women Judges (2015) as the "the abuse of power to obtain a sexual benefit or advantage. Sextortion is the form of corruption in which sex, rather than money, is the currency of the bribe."

# 10. THEMATIC FOCUS AREA: POLLUTION

## KEY POINTS

- Companies creating large-scale pollution may also be engaging in corruption.
- Coordinating business integrity (BI) and environmental and social (E&S) due diligence processes can help impact investors to detect red flags.

## 10.1 Overview

Investors should take into account the potential links between corruption risks and pollution-related E&S risks during their pre-investment due diligence. Bribery in this area can allow companies to violate environmental and health and safety laws with impunity, which can have major consequences for E&S issues. These negative impacts can generate substantial reputational and financial risks for impact investors.

Polluting air, water or land (including through pesticides) can have significant negative impacts on biodiversity, the environment, and the health of workers and communities. The International Finance Corporation's *Performance Standard 3: Resource Efficiency and Pollution Prevention* provides a common framework for assessing E&S impacts in this area.<sup>43</sup> Where national pollution prevention and control rules are permissive, the standard requires E&S frameworks to be based on more demanding global benchmarks.

Under the performance standard, a company's responsibility for pollution does not stop at the factory gates. A company that is disposing of hazardous waste via third parties should obtain 'chain of custody' documentation and find out whether licensed disposal sites are operating to acceptable standards.



## 10.2 Pollution and corruption risks

Corruption can significantly increase the risk of harmful – often illegal – levels of pollution.<sup>44</sup> For example, bribes paid to regulatory officials can result in dangerous levels of pollution being classified as harmless.<sup>45</sup> At each stage of the project cycle, corruption can facilitate polluting business practices.<sup>46</sup> However, the evidence suggests that curbing corruption can result in companies making stronger efforts to reduce pollution.<sup>47</sup>

<sup>43</sup> IFC, 'Performance Standard 3: Resource Efficiency and Pollution Prevention' (2012).

<sup>44</sup> UNODC, 'Preventing and Combating Corruption as it Relates to Crimes That Have an Impact on the Environment' (2021).

<sup>45</sup> Sharon Learner, 'New Evidence of Corruption at EPA Chemicals Division' (The Intercept, 18 September 2021).

<sup>46</sup> TNRC, 'The Impacts of Infrastructure Sector Corruption on Conservation' (2021).

<sup>47</sup> Zhifang Zhou et al., 'Anti-Corruption and Corporate Pollution Mitigation: Evidence from China' (2023). Also see Maoyong Cheng and Yutong Yao, 'Does Anti-Corruption Contribute to Improving Environmental Pollution in China?' (2023).

## High-pollution power plant construction linked to bribery

According to a report by a coalition of NGOs, a consortium led by a Brazilian company allegedly paid US\$ 39.5 million in bribes to secure a contract to build a large power plant in the Caribbean. The subsequent design and construction were substandard, with inadequate filtration systems and no waste management plan.

To date, more than 600,000 tonnes of toxic waste have been dumped in the open, polluting the nearby soil and water. Reportedly, some farmers have had to abandon their land, and local fishing activity has been affected by the disappearance of marine life. There are strong indications that air and water contamination generated by the plant are affecting the health of local children.

The report concluded that “the corruption that surrounded the construction of the [plant] could have been a determining factor in the violations of children’s rights”.<sup>48</sup>

There are many documented cases of polluting firms easing regulatory pressures by bribing government officials.<sup>49</sup> Often, paying bribes to inspectors is the only reason companies are able to continue breaking the law over a long period:

**Inspectors come from [the capital city], leave with suitcases of money, and issue orders like this: They don’t demand that you eliminate violations, remove the waste, or reclaim the polluted tundra. They say, “Write that you buried your [waste], and continue to bury it in the same way.”**<sup>50</sup>

Corruption also enables companies to use pesticides in an illegal and harmful way at several stages:

- import (by bribing customs officials to overlook banned pesticides)
- procurement (kickbacks to companies’ procurement staff)
- storage (by bribing warehouse managers to store dangerous chemicals)
- application and disposal (by bribing inspectors).<sup>51</sup>

Corruption that results in pollution does not always involve public officials. For example, a company may bribe a private sector consultant to produce

a favourable environmental impact assessment or favourable test results.

Persistent large-scale pollution that breaches national laws and regulations is often only possible if bribes are paid. Coordinating E&S and BI due diligence processes can help impact investors to detect problematic practices that otherwise might be missed:

**In some cases, we picked up media stories about environmental damage caused by companies we were involved with. We closely followed these cases as they developed, looked at court records, spoke with law enforcement and locals on the ground. And we got confirmation that actually these guys also were bribing everyone. It’s not an accident. It’s part of the business model. So finding these environmental violations would be the trigger that eventually reveals that this company also has a horrific business integrity track record. But on the face of it, initially, there wouldn’t be necessarily an obvious link to bribery and corruption. – DFI executive**

<sup>48</sup> FIDH, ‘Punta Catalina Thermolectric Power Plant, Body of the Crime: Violations of children’s rights in the Dominican Republic and the Caribbean’ (2023).

<sup>49</sup> Yanlei Zhang, ‘Greasing Dirty Machines: Evidence of pollution-driven bribery in China’ (2019).

<sup>50</sup> Sergei Khazov-Cassia, ‘How Russian Oil Companies Illegally Dump Massive Amounts of Toxic Waste’ (RFE/RL, 2021).

<sup>51</sup> OSCE, ‘Counteraction to Counterfeit and Contraband Pesticides: Methodology’ (2015).

## 10.3 Questions related to pollution

### KEY QUESTIONS

- Has the company previously been accused of causing pollution?
- Has the company previously been accused of bribing environmental inspectors?
- Can the company document that its facilities were designed and constructed in compliance with national environmental standards and requirements?
- How does the company select and monitor the activities of third parties responsible for waste management and other pollution risk areas?

### QUESTIONS RECOMMENDED DEPENDING ON THE SPECIFIC CIRCUMSTANCES

- If national pollution laws and regulations are permissive, does the company adhere to global standards?
- How prevalent is corruption in the relevant environmental agencies and regulators? What forms of corruption are present?
- Which specific environmental licensing and permitting processes are most vulnerable to corruption?
- Has the company previously received (or been suspected of receiving) requests for bribe payments from environmental agencies and regulators?
- What policies and processes does the firm use to manage interactions with regulators?
- Have any environmental compensation schemes, which mitigate negative environmental impacts of the investment, been properly carried out?
- Are there allegations that benefits have not reached key stakeholders?

**Table 4: Pollution: corruption risks, checks and controls**

Business process	Example activities	Potential corruption issue	Corruption risk factors	Example checks and controls
Obtaining permits and licences (environmental agencies and municipal authorities)	Obtaining permits and licences (e.g. for waste, emissions, effluence, hazardous materials, pesticides)  Obtaining permits and licences to use resources, such as water or gravel	<ul style="list-style-type: none"> <li>• Improper influence to obtain licences and permits</li> <li>• Bribes paid to obtain licences and permits</li> </ul>	<ul style="list-style-type: none"> <li>• Quicker approval processes than regulatory guidelines in contexts where corruption is a known issue</li> <li>• Conflicts of interest between investee, investee's professional service providers (e.g. lawyers) and environmental agency</li> <li>• Use of agents to obtain approvals</li> </ul>	<ul style="list-style-type: none"> <li>• Company anti-corruption policy and training</li> <li>• Independent assessment of regulatory requirements</li> <li>• Company builds lead time into licence application processes</li> <li>• Environmental assessment report and monitoring reports</li> </ul>
Engaging with regulators	Reporting on environmental impact assessments	<ul style="list-style-type: none"> <li>• Falsified reporting on emissions or effluent, including by a third party</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental agency managers or staff have a poor reputation for integrity, or there are known past integrity issues at the agency</li> <li>• Conflicts of interest between investee, investee's professional service providers (e.g. lawyers) and environmental agency</li> </ul>	<ul style="list-style-type: none"> <li>• Company anti-corruption policy and training</li> <li>• Clear policy for engaging with officials during monitoring site visits</li> <li>• Independent assessments of regulatory reporting</li> <li>• Monitoring community complaints and grievances</li> </ul>
Engaging with law enforcement	Resolving breaches of regulatory standards	<ul style="list-style-type: none"> <li>• Improper influence or bribery to avoid or minimise penalties</li> <li>• Bribes paid to customs for waste destined for export</li> </ul>		<ul style="list-style-type: none"> <li>• Company anti-corruption policy and training</li> </ul>
Managing third parties (outsourcing common for waste management, management of hazardous materials, capital investment)	Waste disposal carried out by third parties	<ul style="list-style-type: none"> <li>• Falsified or fraudulent documents</li> <li>• Waste management links to organised crime</li> <li>• Bribes paid to auditors</li> </ul>	<ul style="list-style-type: none"> <li>• No register of third parties</li> <li>• Use of third parties with no clear track record</li> <li>• Politically connected third parties</li> <li>• Unexplained fees</li> </ul>	<ul style="list-style-type: none"> <li>• Review third-party relationships and incentive structures</li> <li>• Policy requirements for third parties, such as a supplier code of conduct and/or training</li> </ul>

# ANNEX: USEFUL RESOURCES AND FURTHER READING

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## CORE BUSINESS INTEGRITY GUIDANCE

Impact investors looking for a place to start with a 'core' approach to business integrity (BI) due diligence, which provides the basic requirements for risk management, should consult the following resources published by British International Investment (BII):

- [Governance and Business Integrity Due Diligence Monitoring Checklist](#)
- [Business Integrity Toolkit](#)
- [Business Integrity Toolkit: Corporate Governance section](#)
- [Sector Profiles](#) (key BI risks by sector)

## TOOLKITS AND CHECKLISTS

### **Anti-Corruption Toolkit for Small and Medium Sized Companies (G20)**

A simple toolkit for small and medium-sized enterprises on setting up and managing an anti-corruption system.

<http://g20.org.tr/wp-content/uploads/2015/12/Anti-corruptionToolkit-for-SMEs.pdf>

### **Business Principles for Countering Bribery: Small and medium enterprise edition (Transparency International)**

Contains model anti-bribery principles for companies, and provides practical guidance for developing anti-bribery programmes.

<https://www.transparency.org/en/publications/business-principles-for-countering-bribery-small-and-medium-enterprise-sme>

### **A Compliance & Ethics Program on a Dollar a Day: How small companies can have effective programs (SCCE)**

Practical ideas for building an effective compliance and ethics programme in a small business.

<https://www.corporatecompliance.org/compliance-ethics-program-dollar-day-how-small-companies-can-have-effective>

### **Contextual Risk Screening for Projects: Good practice note (IFC)**

A hands-on manual covering nine contextual risk dimensions, with lists of questions for investors to ask.

<https://www.ifc.org/en/home> [publication expected 2024]



## TOOLKITS AND CHECKLISTS (CONTINUED)

### **Corporate Anti-Corruption Benchmark (TI-UK)**

A comprehensive self-assessment tool for larger companies that measures the performance of anti-corruption programmes.

<https://www.transparency.org.uk/corporate-anti-corruption-benchmark>

### **ESG Toolkit for Financial Institutions: Land acquisition and involuntary resettlement (BII)**

Key issues related to land transactions and relevant guidance for investors in emerging markets.

<https://fintoolkit.bii.co.uk/es-topics/land-acquisition/>

### **ESG Toolkit: Human rights (BII)**

Guidance for integrating human rights concerns into existing E&S due diligence approaches.

<https://toolkit.bii.co.uk/esg-topics/human-rights/?pdf=368>

### **Global Anti-Bribery Guidance Portal (TI-UK)**

A compendium of anti-bribery and corruption best practices for companies, with a global overview of relevant national laws and links to additional resources.

<https://www.antibriberyguidance.org/>

### **Good Practice Guidelines on Conducting Third-Party Due Diligence (PACI)**

Detailed guidance covering multiple stakeholder types, with a ready-to-use sample questionnaire.

[https://www3.weforum.org/docs/WEF\\_PACI\\_ConductingThirdPartyDueDiligence\\_Guidelines\\_2013.pdf](https://www3.weforum.org/docs/WEF_PACI_ConductingThirdPartyDueDiligence_Guidelines_2013.pdf)

### **Handbook on Land Corruption Risk Mapping (SLE, two publications)**

A detailed handbook, plus case studies and templates to support the mapping process.

<https://edoc.hu-berlin.de/bitstream/handle/18452/3869/270-1.pdf?sequence=1>

<https://edoc.hu-berlin.de/bitstream/handle/18452/3868/270-2.pdf>

### **ISO37001 standard**

The standard provides guidance on setting up an anti-bribery and corruption management system.

<https://www.iso.org/standard/65034.html>

## TOOLKITS AND CHECKLISTS (CONTINUED)

### **Tools to Enhance Access to Effective Grievance Mechanisms and Enable Effective Remedy (Equator Principles and Shift)**

Detailed guidance on establishing and implementing effective project-level grievance mechanisms.

[https://equator-principles.com/app/uploads/Tools-Access-to-remedy\\_FINAL.pdf](https://equator-principles.com/app/uploads/Tools-Access-to-remedy_FINAL.pdf)

## TRAINING RESOURCES

### **Doing Business Without Bribery online training (TI-UK)**

A free 30-minute online course that provides comprehensive anti-corruption training for front-line staff.

<https://www.doingbusinesswithoutbribery.com/>

### **RESIST: Resisting Extortion and Solicitation in International Transactions (Transparency International et al.)**

A training tool to help companies to prevent, and employees to counter, bribe extortion and solicitation. Based on 22 frequently encountered scenarios.

<https://www.transparency.org/en/publications/resist-resisting-extortion-and-solicitation-in-international-transactions>

## FURTHER READING

### **The Bribery Act 2010: Quick Start Guide (UK Ministry of Justice)**

A quick guide on the UK law for businesses.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/832012/bribery-act-2010-quick-start-guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832012/bribery-act-2010-quick-start-guide.pdf)

### **Due Diligence Guidance for Responsible Business Conduct (OECD)**

Due diligence recommendations for multinational enterprises (multiple languages).

<https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

### **Environmental and Social Due Diligence: Mitigating risks, identifying opportunities (BII)**

A good practice note with useful tips and case studies.

<https://toolkit.bii.co.uk/wp-content/uploads/2018/12/CDC-good-practice-ESDD-risks-and-opportunities.pdf>

### **ESG Topics: Modern slavery (BII)**

Covers risk assessment, screening, due diligence, monitoring, reporting and remedy. Contains several tools.

<https://toolkit.bii.co.uk/es-topics/managing-the-risk-of-modern-slavery/>

## FURTHER READING (CONTINUED)

### **Human Rights Due Diligence for Private Markets Investors: A technical guide (UNPRI)**

Includes sample metrics for human rights issues and a list of useful resources.

<https://www.unpri.org/download?ac=18682>

### **Investing with Integrity (TI-UK)**

This report explores the realities of implementation in impact investing in emerging and frontier markets, and discusses challenges and how impact investors can best respond.

<https://www.transparency.org.uk/investing-with-integrity-impact-investors-anti-corruption>

### **Make it Count (TI-UK)**

How companies can measure the effectiveness of their approach to anti-corruption.

<https://www.transparency.org.uk/make-it-count-anti-bribery-corruption-measuring-effectiveness-guidance-companies>

### **Managing Risks Associated with Modern Slavery (BII et al.)**

Covers policies, risk assessment, mitigation, remedy, monitoring and reporting. Contains several tools.

<https://toolkit.bii.co.uk/wp-content/uploads/2018/12/CDC-DFID-EBRD-IFC-Managing-Risks-Associated-with-Modern-Slavery-December-2018.pdf>

### **MDB General Principles for Business Integrity Programmes**

Includes 30 BI elements and safeguards for entities participating in MDB-funded projects.

[https://lnadbg4.adb.org/oai001p.nsf/0/B5C750A670D1FD5A4825896E00177886/\\$FILE/MDB%20General%20Principles%20for%20Business%20Integrity%20Programmes.pdf](https://lnadbg4.adb.org/oai001p.nsf/0/B5C750A670D1FD5A4825896E00177886/$FILE/MDB%20General%20Principles%20for%20Business%20Integrity%20Programmes.pdf)

### **Performance Standards on Environmental and Social Sustainability (IFC)**

A framework for environmental and social impact widely used by impact investors.

<https://www.ifc.org/content/dam/ifc/doc/2023/ifc-performance-standards-2012-en.pdf>

## FURTHER READING (CONTINUED)

### **Red Flag 12. Land use in countries in which ownership is often contested (Shift)**

Contains due diligence lines of enquiry, mitigation examples, and links to tools and resources.

<https://shiftproject.org/resource/redflag-12/>

### **Tainted Lands: Corruption in large-scale land deals (ICAR and Global Witness)**

Outlines relevant global standards and best practices for companies and investors.

<https://www.globalwitness.org/en/campaigns/land-deals/tainted-lands-corruption-large-scale-land-deals/>

### **United Nations Guiding Principles on Business and Human Rights: Reporting Framework (UNGP)**

A tool enabling investors to review companies' understanding and management of human rights risks.

<https://www.ungpreporting.org/>

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