

Anti-corruption

Expectations for companies



Anti-Corruption

Introduction

Our overall vision for the investment area is to achieve “sustainable returns for a sustainable future”. Managing risk is the backbone of our business, and identifying and quantifying environmental, social and governance risk has always been an integral part of our business practice. We believe that active and responsible ownership will play a key role in the allocation of capital, engagement and value creation and thereby achieve a much more rapid transition to a sustainable economy.

SpareBank 1 Forsikring operates in compliance with all applicable laws and regulations, including anti-bribery and anti-corruption laws.

The objective of this document is to provide a transparent overview of our approach, and define our expectations on anti-corruption practices towards companies we invest in.

Definition

Corruption represents one of the serious challenges of modern societies. The political, social, and economic costs caused by corruption are enormous. Corruption undermines political legitimacy, weakens democracy and the moral values of society. It has negative impacts on sustainable development and particularly affects poor communities, can lead to misallocation of capital, exacerbates social division and environmental crisis. Corruption can be regarded as a systematic risk, and a matter that investors and companies should consider alongside other critical systematic risks, such as climate change and social issues. The role of companies is to ensure that their activity do not encourage or support corrupt systems.

In practice, corruption can take many forms, ranging from the offer of small monetary amounts to public servants, politicians or others in exchange for services or contracts to massive fraud involving multiple layers of society including legal institutions and regulatory bodies.

Companies involved in corruption risk suffering from damage to its brand, customer loyalty and reputation as well as exclusion from potential business opportunities and other direct or indirect effects leading to value destruction for the business. This can for example involve large economic penalties and price declines on financial instruments issued by the company and thereby more expensive access to capital markets.

Legal Framework:

- OECD Anti-Bribery Convention (1999)
- United Nations Convention against Corruption (2005)
- Regional and national legislation (ex. Inter-American Convention Against Corruption; Criminal and Civil Law Convention on Corruption in EU, African Union Convention on Preventing and Combating Corruption etc.)
- The Tenth Principle of the United Nations Global Compact (2004), which states “Business should work against corruption in all its forms, including extortion and bribery”.

Expectations of portfolio companies:

New and tougher anti-corruption regulations continue to emerge world-wide. All companies need robust anti-corruption measures and practices to protect their reputation and in the interest of all of their stakeholders. SpareBank 1 Forsikring expects national and international companies to implement serious and effective anti-corruption measures and policies, and risk assessment within their strategies and operations:

- Companies should at any time be in compliance with laws and regulation, regarding anti-corruption. Offering, promising, giving and requiring bribes and other undue advantages in order to acquire and to maintain assignments and other undue advantages, is unacceptable
- Anti-corruption policy commitment:
 - Boards should ensure that companies establish anti-corruption policies and procedures to prevent, identify and address corruption in the organisation
 - Anti-corruption policies should be communicated to employees and business partners, as well as suppliers
 - Companies should establish a code of conduct and appropriate contractual obligations in their relationship with all business partners
- Integrating anti-corruption policy into operations and activities, and the whole value chain (ex. due diligence process, efforts in anti-corruption training to promote ethical business practices and awareness)
- Companies should have an effective compliance function and management system which results in immediate actions if any suspicions occur (internally or suppliers)
- Disclose and report on anti-corruption management – We see a strong role of companies to embrace transparent anti-corruption reporting to tackle corruption risk and contribute positively to sustainable developments. It is no longer enough to simply indicate that they are doing their best, companies must demonstrate how they are mitigating this through their operations. Therefore, we expect companies to make meaningful disclosures on this topic:
 - Companies should disclose their ultimate beneficial owners and relevant information about them
- Companies should engage constructively with policy makers and regulators, industry groups, professional organisations, and be transparent about that procedure

References:

United Nations Global Compact: <https://www.unglobalcompact.org/take-action/action>

“A guide for anti-corruption risk assessment”, The Global Compact: <https://www.unglobalcompact.org/library/411>

Business Against Corruption – a framework for action: <https://www.unglobalcompact.org/library/162>

PRI “Engaging on anti-bribery and corruption”, a guide for investors and companies.

<https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/governance-issues/corruption>