By:

INDONESIAN CHAMBER OF COMMERCE AND INDUSTRY

B20 INDONESIA 2022 BUSINESS

ADVANCING INNOVATIVE, INCLUSIVE AND COLLABORATIVE GROWTH

INTEGRITY AND COMPLIANCE TASK FORCE

POLICY PAPER

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FOREWORD BY THE TASK FORCE CHAIR

The COVID-19 and the recent global crisis have made it harder for businesses to act with integrity. Even before the pandemic took hold, businesses faced significant pressures. Trade wars, sanctions and export controls, fraud and political upheaval, all weighed heavily on companies. While compliance programs have grown in scale, organizational leaders appear to have become more tolerant of unethical behavior, particularly among themselves.

New laws, stricter enforcement of existing regulations and tougher penalties mean it is now imperative to focus on improving corporate integrity. In doing so, businesses should not just focus on the traditional aspects of integrity, such as fraud, bribery and corruption, but also on new measures including Environmental, Social, and Governance (ESG) criteria. Importantly, business leaders must convey to the entire organization that improving integrity is vital not just because regulation requires it, but because it is the right thing to do.

As we emerge from the pandemic and begin the process of rebuilding the economy and recalibrating work processes, business leaders have an unprecedented opportunity to place a renewed focus onto raising standards of integrity and fair competition in business. To achieve this objective, strong collaboration and relationship are needed between governments, businesses, societies as well as the joined forces through the Collective Action initiatives. These are the key to success.

Ultimately, business integrity enables successful organizations to stay true to their missions, keep their promises, respect laws and ethical norms, foster public trust and increase resilience in times of crisis. In turn, this allows them to build capital, both financial and reputational.

Sincerely,

Haryanto T. Budiman

Task Force Chair

TASK FORCE COMPOSITION

TASK FORCE LEADERSHIP

WHY INTEGRITY & COMPLIANCE MATTERS

Che Sidanius
Co-Chair
Global Head of Financial Crime & Industry Affairs, Refinitiv

"Integrity and Compliance sit at the heart of promoting financial stability while protecting consumers and investors, alike. Developments in the virtual asset space and the impact that environmental crime has on biodiversity and sustainability, are just two examples of key issues that warrant action between the B20 and the G20. Pragmatic recommendations to implement beneficial ownership reform and establishing public & private information sharing programmes are important components in promoting such a collective response."

Daniel Malan
Co-Chair
Assistant Professor of Business Ethics, Trinity College Dublin

"Integrity and compliance are critical to shape responsible, ethical, and sustainable business conduct in an unpredictable and fast-changing world. I believe that the continued promotion of sustainable governance, as well as recommendations to promote transparency and disclosure, will play an important role to achieve a sustainable and ethical future."

Gemma Aiolfi
Co-Chair
Head of Compliance, Corporate Governance, and Collective Action, Basel Institute on Governance

"The imperative for all sectors of society to work together to address corruption related problems that affect us all is greater than ever. We, therefore, call on the B20 companies and G20 governments to work together to address common corruption risks by fostering, facilitating, and engaging in anti-corruption Collective Action."

Ignacio Stepancic
Co-Chair
Global Compliance Officer, Grupo Bimbo

"The way in which companies and organizations look at the challenges in terms of integrity is essential to be able to generate ethical environments that can achieve business sustainability, but especially, respect for the rights of each individual, being able to provide them with tools for personal and professional development. This is one of the most important values of the dialogues we have had within the B20."

Klaus Moosmayer
Co-Chair
Member of the Executive Committee and Chief Ethics, Risk and Compliance Officer, Novartis International AG

"The dialogue between B20 and G20 on Integrity and Compliance is crucial for an inclusive approach towards the challenges we are facing as a society. Promoting sustainable governance in business to support ESG initiatives is therefore a key recommendation by our Task Force towards the G20 leaders and should be a true Collective Action of the private and public sectors."

Reynaldo Goto
Co-Chair
Chief Compliance Officer, BRF Global

"Business Leaders are required to promote responsible business with coherent attitude, consistent voice, and clear purposes. Integrity and Compliance are more relevant in a society with political polarization associated with extreme digital exposure. Sustainable governance, agile and modern technologies are some of our key recommendations to face these challenges."

Xu Niansha
Co-Chair
Vice President, China Machinery Industry Federation

"Integrity and compliance have become increasingly significant and indispensable in the challenging business community and human society. The government and business circle should stick together and promote the development of integrity and compliance, to address common challenges and to achieve shared aspiration of humankind."

TASK FORCE COORDINATION GROUP

DEPUTY CHAIR

Paolo Kartadjoemena
Deputy Chair
Senior Executive Vice President Corporate Transformation, Bank Negara Indonesia

POLICY MANAGER

Amelia Susanto
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Vice President Financial Institutions Group, Bank Central Asia

Knowledge Partner

EY Building a better working world

Network Partners

ICC International Chamber of Commerce – The world business organization
Basel Institute on Governance
Business at OECD
IFAC International Federation of Accountants
The Institute of Internal Auditors Global
World Economic Forum

RECOMMENDATIONS: EXECUTIVE SUMMARY

Recommendation 1 – Promote sustainable governance in business to support Environmental, Social, and Governance (ESG) initiatives

Promote standardized approach and measures, compliance efforts, effective monitoring, and independent assurance towards implementation of sustainable governance.

Policy action 1.1: Improve sustainable governance measures

Assessing underlying sustainable governance enablers (e.g., regulatory requirements) and components (e.g., metrics, compliance efforts), that are applicable for business in various sectors. This will include initiatives to enhance diversity and inclusion, which helps broaden perspectives and further strengthen compliance efforts.

Policy action 1.2: Optimize sustainable governance compliance disclosures and monitoring

Ongoing efforts of integrating and standardizing sustainable governance by promoting and accelerating the adoption of a high quality, globally converged, and accepted sustainability reporting standard and maximizing sustainable governance compliance monitoring and independent assurance initiatives (e.g., tools, infrastructures, governance).

Recommendation 2 – Foster Collective Action to alleviate integrity risks

Optimize fundamental safeguards of integrity and transparency when interacting with business networks and government parties.

Policy action 2.1: Cultivate and strengthen integrity through Business-to-Business (B2B) collaboration

Supporting and preserving integrity-based relationships to mitigate third party risks (e.g., suppliers, business partners, customers) in order to ensure resilient value chain and supply chain networks.

Policy action 2.2: Facilitate integrity in Business-to-Government (B2G) interactions

Upholding fundamental safeguards of integrity in accessing public services even during crises or emergencies when regulatory protocols are relaxed and when providing economic incentives, including economy boost-driven stimulus packages.

Policy action 2.3: Promote inclusiveness between public-private sector entities to ensure trust, transparency, and high standards of integrity

Promoting effective and transparent interactions between public-private sectors (including State-Owned Enterprises – SOEs, and Micro, Small, and Medium Enterprises – MSMEs) in the enforcement of measures to mitigate integrity risks.

Recommendation 3 – Foster agility in counteract measures to combat money laundering/terrorist financing risks

Adapt and enhance integrity framework based on changing landscape of Money Laundering (ML) / Terrorist Financing (TF) risks alongside enhancement of governance and collaborative works to promote effectiveness of the counteraction measures.

Policy action 3.1: Refocus on money laundering/terrorist financing risk factors identification

Enhancing the ability and efficiency of ML/TF risk threats identification which are being driven as a result of the impact of the new predicate crimes emergence from pandemic, the increase in electronic communications, and the change in economic landscape. Refocusing should be based on a Risk Based Approach (RBA) relevant and specific to each industry and institutional context.

Policy action 3.2: Improve beneficial ownership transparency

Improving data availability, supporting infrastructure, regulatory governance, and collaborative work between parties/nations to maintain integrity in Beneficial Ownership (BO) transparency which respect individual privacy expectations and rights.

Recommendation 4 – Strengthen governance to mitigate exacerbated cybercrime risks

Optimize existing organizational resources to minimize exacerbated cybercrime risk and encourage systemic cybercrime resilience and collaboration.

Policy action 4.1: Rectify organizational governance structure

Refining and operationalizing governance mechanism, structure, and resources are required to better respond to cyber-attack incident (e.g., post-incidents detection and investigation tools and mechanism) amidst economic instability and accelerated shifts in digital business models. The focus of refinement should be applied in all industry sectors, starting with those sectors which are most affected by the changing economic landscape (e.g., healthcare, financial services, and the energy industry) and further considered to be applied in MSMEs.

Policy action 4.2: Extend multi-stakeholder cooperation for better cybercrime response

Developing cybercrime response synergic supports from private and public networks within and cross borders.

INTRODUCTION

As the world changes, so do fraud schemes as we know them. This ripple effect continues to have an impact on integrity and compliance paradigms, which require continued adjustments to adapt to this evolving challenge in corporate and public sector environments. Such changes and needs are further accelerated by global events like the recent Corona Virus Disease of 2019 (COVID-19) pandemic which significantly affected the way people and business behave. The pandemic made people to adopt remote working styles frequently and transformed business operating models significantly (e.g., increases online transaction platforms, changing suppliers)[1]. Apart from upending economies and societies and disrupting business and supply chains, the pandemic also reinforced global economic and societal gaps and disparities – thus prompting a new sense of urgency to build more inclusive and fairer economies and ensuring that good governance and integrity form the cornerstones of sustainable policy making in the future.

In addition to the impact of COVID-19, multiple global and country specific initiatives are further changing the way businesses execute their operations. As an example, Indonesia's financial sector has been encouraged to adopt digitalization and integration of databases in line with Indonesia Payment System Blueprint (SPI) Vision 2025 established by the regulator[2]. Indonesia's National Anti-Corruption Strategy (*Stranas PK)* 2021-2022 also puts technology and database integration as a key priority[3]. At the international level, many global forums (e.g., Group of Twenty – G20[4], Financial Action Task Force – FATF[5], European Union – EU[6]) and many regulatory/principles-based enforcement frameworks (e.g., United Kingdom - Bribery Act, United States - Foreign Corrupt Practices Act, ISO 37001) further emphasise the various aspects of integrity and compliance challenges and areas of focus (e.g., ML/TF, Beneficial Ownership Transparency, General Data Protection Regulation – GDPR in line with data privacy and cross-border transactions, anti-bribery and anti-corruption when dealing with third party and government officials).

Whether we take into account COVID-19 as a sole factor or consider it together with its after-effects (e.g., remote working style, placing massive reliance on digital or tech-driven platforms), both fundamentally demonstrate the escalation of existing integrity and compliance risks and the emergence of new ones. These are the challenges that faced by businesses today where the risks from/changing operations and business models make it imperative upon them to adopt multiple global and country specific initiatives which support integrity and compliance based programs and improvements.

In addition to the above, we see escalation trends in other existing issues such as illicit trade (e.g., illegal wildlife trade, counterfeits trade, illegal drugs trade), human rights abuse

1 "Privacy in the Wake COVID-19, Remote Work, Employee Health Monitoring and Data Sharing"; *EY and International Association of Privacy Professionals*; January 2021.
2 "Indonesia Payment Systems Blueprint (SPI) Vision 2025"; *Bank Indonesia*; November 2019.
3 "Indonesia's National Anti-Corruption Strategy (Stranas PK) 2021-2022"; *The Corruption Eradication Commission of the Republic of Indonesia (KPK)*; July 2021.
4 "G20 High-Level Principles on Beneficial Ownership Transparency"; *G20*; February 2014.
5 "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation"; *FATF*; March 2022.
6 "General Data Protection Regulation (GDPR)"; *European Union*; January 2016.

and violations (e.g., inequality, intolerance, discrimination, child and forced labor, human trafficking), and conflicts in some parts of the world. To understand the scale of various illegal activities, the World Bank predicted that the cost of illegal logging, fishing, and wildlife trade alone at staggering $1-2 trillion per year[7]. The phenomenon cannot occur at the global scale without the risk of having financial crime and corruption entailed, from bribing government officials to laundering the illegally gained money through international financial systems[8]. Corruption at such a massive scale also has devastating and long-lasting impacts on human rights by disturbing the availability, quality and accessibility of goods and services for supporting human rights obligations, undermining the functioning and legitimacy of state institutions, weakening the rule of law, marginalizing and discriminating groups and individuals, and harming the human rights of business workers and communities[9]. Thus, there is also strong correlations between a country's high levels of corruption and its widespread human rights violations[10]. In addition, numerous countries are now facing growing levels of food insecurity, as per March 2022 world food prices surged at the fastest pace ever, jumping nearly 13% to a new record high[11, 12]. This global food crisis may be caused by the supply chain disruptions due to recent conflicts and the prolonged pandemic. Such crisis phenomenon may further contribute to an increase in corruption risk.

Operating with compliance and integrity-based activities has always been a pivotal priority and challenge for businesses to maximize values whilst achieving long-term sustainability. However, in the global market factors and circumstances that we face today, compliance and integrity is now more important than ever. It is now essential for businesses and corporate entities to rethink their strategies and priorities and make ethics, integrity and compliance goal a cornerstone of their growth and resilience strategies.

In line with the above, the integrity and compliance role has been expanded to a broader concept from promoting sustainable governance in public-private sectors to inclusion, combating money laundering/terrorist financing, and mitigating cybercrime risk. One essential component of sustainable governance is assuring business integrity. Strong sustainable governance including business integrity provides the foundation for developing and fostering measures to mitigate cybercrime risks and to counter ML/TF risks. As sustainability reporting become increasingly important to reflect the company's performance in ESG activities, it is crucial for G20 countries to promote and accelerate the adoption of a high quality, globally converged, and accepted sustainability reporting standards.

Aligning with the past exceptional outcomes of G20 presidencies while reflecting to the current situation, Business 20 (B20) members have agreed to call for stronger actions from the G20 on four key areas: (1) promote sustainable governance in business to support ESG initiatives; (2) foster Collective Action to alleviate integrity risks; (3) foster agility in counteract measures to combat money laundering/terrorist financing risks; (4) strengthen

7 "Illegal Logging, Fishing, and Wildlife Trade: The Costs and How to Combat it"; *World Bank Group*; October 2019.
8 "Financial Crime in illegal wildlife trade"; Gretta Fenner; *Basel Institute on Governance*; November 2019.
9 "Connecting the Business and Human Rights and the Anti-Corruption Agendas"; *United Nation Human Rights Council*; June 2020.
10 "CPI 2021: Corruption, Human Rights, and Democracy"; *Transparency International*; January 2022.
11 "COVID-19 Brief: Impact on Food Security"; *U.S Global Leadership Coalition*; March 2022.
12 "Food Security Update: Rising Food Security in 2022"; *The World Bank*; July 2022.

governance to mitigate exacerbated cybercrime risks. Subsequently, B20 members have delivered concrete actionable and measurable policy actions for each recommendation that deserve urgent consideration.

B20, along with the G20, can notably support the United Nations target in achieving the Sustainable Development Goals (SDGs). The B20 recommendations and proposed action plans fully promote SDGs, specifically goal 1 (No Poverty), 4 (Quality Education), 5 (Gender Equality), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), 10 (Reduced Inequality), 12 (Responsible Consumption and Production), 15 (Live on Land), 16 (Peace, Justice, and Strong Institutions), and 17 (Partnership for the Goals).

The business integrity, compliance and sustainable governance concepts as previously introduced by the B20 are all fundamental pillars for contributing to the achievement of the three priorities of the Indonesian G20 Presidency, namely global health architecture, digital transformation, and sustainable energy transition.

EXHIBIT 1: ALL INTEGRITY AND COMPLIANCE TOPICS LINK TO THE SDGS AND INDONESIA'S G20 PRINCIPLES

Below figure shows a mapping of each policy action correlation with SDGs and G20 Indonesia principles.

RECOMMENDATION 1

Promote sustainable governance in business to support ESG initiatives

Promote standardized approach and measures, compliance efforts, effective monitoring, and independent assurance towards implementation of sustainable governance.

POLICY ACTIONS

Policy Action 1.1 – Improve sustainable governance measures – Assessing underlying sustainable governance enablers (e.g., regulatory requirements) and components (e.g., metrics, compliance efforts), that are applicable for business in various sectors. This will include initiatives to enhance diversity and inclusion, which helps broaden perspectives and further strengthen compliance efforts.

1. The G20 should encourage business entities to operate based on sustainability principles. This may include:
    - adopting sustainable governance in corporate governance rules and goals,
    - encouraging entities to determine and expand the extent of their contribution towards SDGs respective to each entity's capability, for instance by creating more diverse workforce and enhancing access to work,
    - reporting on their contributions, in addition to their existing legal reporting obligations.

2. The G20 should encourage business entities to put sustainable governance as high priority on the management agenda. This may include:
    - ensuring appropriate Board composition, including adequate representation of independent directors,
    - ensuring proper and transparent process for Management Board appointment,
    - ensuring continuous enhancement of the skills, capacities and expertise of the Management and Supervisory Board, managers, and employees,
    - including integrity and compliance topics in periodic meeting of Management Board and Supervisory Board,
    - ensuring a diverse workforce throughout all levels of hierarchy.

3. The G20 should encourage business to strengthen Board capacity and capability through empowering the role of Audit and Risk Committees (including by legislative measures where necessary) as oversight committees to provide strategic guidance and ensure implementation of sustainable governance (for example in the procurement and integrity of supply chain process). This may include:
    - onboarding at least one Audit and Risk Committees member who is an independent person possessing relevant compliance, governance, internal control, accounting, and sustainability expertise in monitoring the effectiveness of controls related to sustainability and compliance with laws, rules, regulations, and codes of conduct,
    - striving for diversity equality in composition of the Audit and Risk Committees.

4. The G20 should foster companies to prioritize corporate integrity and assure effective compliance and internal audit functions resulting in corporate culture and shared values in line with sustainability principles. Such programs (especially that implemented in MSMEs) should be reasonably designed and proportionately considered various aspects such as the size, industry, nature, and complexity of the organization. These may include:

- adopting Anti-Bribery Anti-Corruption (ABAC) measures, such as establishing compliance universe[13], standard procedure to implement ABAC and periodic monitoring, implementation of ABAC training for the stakeholders, and publication of corruption cases,
- establishing or enhancing compliance function that possesses relevant sustainability expertise within the company to understand the compliance risks, assess and monitor the compliance activities, institute compliance risk mitigations, and protect ethics advice and reporting mechanism. Compliance functions should monitor company culture and take steps to proactively foster a culture of compliance and ethics in coordination with leadership, human resources, and risk functions,
- supporting compliance and internal audit roles by investing in individuals who possess the appropriate skill set (in area of governance, risk management, internal control) for their tasks to increase transparency and accountability in fighting against corruption (e.g., hiring competent personnel and providing quality training),
- enacting anti-corruption and compliance policies with transparency to promote integrity and communication.

5. The G20 should provide a sustainable governance framework that accommodates the roles, responsibilities, and interests of stakeholders toward the business entities in dealing with sustainability challenges and dynamic changing expectation. This may include establish a mandate for key stakeholders to adopt sustainable business model and sharing of experiences and good practices from/to stakeholder.

Policy Action 1.2 - Optimize sustainable governance compliance disclosures and monitoring – Ongoing efforts of integrating and standardizing sustainable governance by promoting and accelerating the adoption of a high quality, globally converged, and accepted sustainability reporting standard and maximizing sustainable governance compliance monitoring and independent assurance initiatives (e.g., tools, infrastructures, governance).

1. The G20 should promote and accelerate the adoption of a high quality, globally converged, and accepted sustainability reporting standard recognized by all G20 member states and ensure that business entities, are equally obliged to establish sustainable governance based on the standard.

2. The G20 should foster the development of high-quality international assurance standard on sustainability-related information, then later adopt the standard to promote the sustainability disclosure credibility and put in place measures to require businesses in disclosing their compliance with the sustainability reporting standard. This may include:
   - promoting assurance through external audit and mandating an internal audit function to provide assurance on the effectiveness of governance, risk management and internal controls to the Audit Committee independent of management,
   - providing clear information and guidance on expectations and fostering compliance monitoring initiatives and its implementation in the business.

13 Compliance universe is a list of regulations that must be complied by the company and use to monitor the company's compliance over the regulations.

3. The G20 should ensure the sustainability reporting standard:
    - promotes comprehensive, transparent, and authentic reporting disclosures with clear accountability on progress against long-term value goals,
    - addresses significant ESG matters/risks including company risk factor that clearly identify the principal risks faced by the company (as opposed to generic sector risks), the increased risk on society and environment because of the company business model, the Board appetite in respect of these risks, the historical risks, and the response to those changes,
    - reflects harmonized existing anti-corruption reporting requirements which considers the needs of all stakeholders, including the private sector,
    - gives clarity to reporting organizations and enables them to provide reasonable and meaningful information about business entities' compliance efforts,
    - includes measures to govern, manage and address risks related to ABAC,
    - supports the adoption of integrated reporting practices for more transparent output and outcome-based impact related reporting in both financial and non-financial terms,
    - promotes the consistent adoption of digital reporting technology and taxonomies in integrated reporting to increase disclosure efficiency for businesses, the investors, and other stakeholders who are using the information.
4. The G20 should extend the need for the global sustainability reporting standards to key stakeholders, so that business can:
    - align their expectations with the convergence plan, set tangible commitments, and report on them,
    - integrate risk assessment and materiality consideration to fully understand the impact of sustainability practices on stakeholders, regardless of whether this presents a financial or reputational risk to the company.

KEY PERFORMANCE INDICATOR[14]

GOOD GOVERNANCE SCORE	OWNER: G20 COUNTRIES	
The good governance score relies on two key elements: executive capacity and executive accountability. *Source: Sustainable Governance Indicators*	**Baseline** **6.51** *(2022)*	**Target** **6.71** *(2025)*

ADOPTION OF GLOBAL SUSTAINABILITY REPORTING STANDARD	OWNER: G20 COUNTRIES	
Partial or fully adoption of a high quality, globally converged, and accepted sustainability reporting standard by G20 Countries in their national law/regulation. *Source: Issuer of global sustainability reporting standard*	**Baseline** **Issuance of global sustainability reporting standard** *(2022)*	**Target** **25%** *(5 years after the issuance of global sustainability reporting standard)*

SDGs IMPACT

Recommendation 1 contributes to the achievement of UN's SDG **1: No Poverty, 4: Quality Education, 5: Gender Equality, 8: Decent Work and Economic Growth, 9: Industry, Innovation, and Infrastructure, 10: Reduced Inequalities, 12: Responsible Consumption and Production, 16: Peace, Justice and Strong Institutions, 17: Partnerships for the Goals.**

Policy action 1.1 aims to tackle SDG **1.5** and SDG **8.3** by expanding the implementation for MSMEs who are relatively more vulnerable to economic shocks. It also supports SDG **1.a** and SDG **17.16** by encouraging cooperation among stakeholders to achieve sustainable development and sharing good practices from/to stakeholders. In addition, policy action 1.1 seeks to empower equal opportunities for leadership and ensure effective participation at all levels which are in line with SDG **5.5**, SDG **10.2**, SDG **10.3**, and SDG **16.7** by ensuring a diverse workforce throughout all levels of hierarchy, especially for Audit and Risk Committees. The policy action also underpins SDG **4.7** and SDG **16.5** by encouraging ABAC training for stakeholders and supporting the role of compliance and internal audit through quality training to substantially reduce corruption and ensure corporate integrity. It also contributes to the achievement of SDG **12.6**, SDG **17.9** and SDG **10.5** by encouraging business entities to operate based on sustainability principles and encouraging them to adopt sustainability in corporate governance rules and goals that reflect to existing sustainability initatives. Finally, policy action 1.1 is in accordance with SDG **9.4** and SDG **16.6** by pushing digital reporting technology and taxonomies in integrated reporting to increase disclosure efficiency for businesses, the investors, and other relevant stakeholders.

14 For further details please see the relative Annex

Policy action 1.2 aims to tackle SDG **12.6**, SDG **12.8**, and SDG **16.6** by encouraging businesses to communicate and disclose sustainability-related information to provide stakeholders with relevant and meaningful information. It also supports SDG **4.7** and SDG **17.16** by socializing the importance of global sustainability reporting standards to key stakeholders to support the achievement of the sustainable development goals. In addition, policy action 1.2 seeks to promote the consistent adoption of digital reporting technology and empower a diverse role of Audit functions to ensure disclosure efficiency and effectiveness which are in line with SDG **8.2** and SDG **8.3**. Finally, the policy action underpins SDG **1.b**, SDG **10.5**, **16.b** and SDG **17.14** by accelerating and strengthening the implementation of existing globally converged, and accepted sustainability reporting standard that are recognized by all national, regional and international levels in order to achieve sustainable development.

G20 INDONESIA PRIORITY IMPACT

Recommendation 1 commits towards the achievement of the G20 Indonesian Presidency principle: **Sustainable Energy Transition and Digital Transformation.**

Policy action 1.1 supports Sustainable Energy Transition principle by promoting business operation based on sustainability principles, prioritizing sustainable governance agenda in decision making, building corporate culture that aligned with sustainability principles, and extending sustainability practices to the stakeholders. While integrating sustainable governance measurements into their organization framework, business will accelerate the transition toward cleaner energy sources.

Policy action 1.2 addresses Sustainable Energy Transition principle through adopting global sustainability reporting standard that also be overseen by compliance function, internal audit, and external audit. Policy action 1.2 also promotes Digital Transformation principle with utilization of digital and integrated reporting standard and taxonomies to increase efficiency for business and information sharing.

CONTEXT

Governance is foundational to achieve long-term value by aligning and driving both financial, environmental, and societal performance, as well as by ensuring accountability and building legitimacy with stakeholders[15]. Good governance practices have strong positive impacts for business, such as fewer instances of bribery, fraud and corruption over time translating to lower costs of capital, lower volatility, and overall competitive advantage. Meanwhile, investors may avoid a company known to have poor governance practices to shield themselves from the elevated risk of a scandal. Research found that companies in the top 20% in terms of strong governance outperformed the bottom 20% by 15% over two years. On the flip side, governance shortfalls at 14 companies recently cost shareholders a total of $490 billion in value one year later[16].

As risks evolved, business is required to advance its practices to sustainable governance. Sustainable governance is a governance practice which adopts embodiment of sustainable development orientation in the business models and in the decision-making processes of Boards and management. It includes governing mechanisms (e.g., sustainability reporting, Boards decision-making process, remuneration of individual Boards, shareholder rights) designed to promote sustainable development[17] and ensures that business decisions focus on long-term sustainable value creation rather than short-term financial value[18]. The pandemic has increased the expectations of business leaders that realizing success requires multi-stakeholders, long-term orientation. They realize that sustainable corporate governance is a crucial key enabler to embed a long-term focus – and one that is within their control to change. 78% of survey respondents agree that a focus on sustainable and inclusive growth has been critical to building trust with our stakeholders in today's uncertain times[19].

EXHIBIT 2: ESG AREA OF SCOPE[20]

ESG standards help companies to better measure and manage their exposures to ESG-related risks and to become better corporate citizens by measuring, disclosing, and managing the environmental and social impacts they create. These standards generally encompass the following:

Environmental, e.g., waste management, emissions impact, energy efficiency, air and water pollution, environmental protection, and biodiversity loss and restoration.

Social, e.g., human rights, labor rights, working conditions, health and safety, employee relations, employment equity, gender diversity and pay gaps, anti-corruption, and impact on local communities.

Governance, e.g., ownership and structural transparency, shareholder rights, board of directors' independence and oversight, diversity, data transparency, business ethics, and executive compensation fairness.

15 "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation: Consultation Draft"; *WEF*; January 2020.
16 "Governance: Navigating - and Matering the 'G' in ESG"; Kezia Farnham; *Diligent*; January 2020.
17 "Developing a Framework for Sustainability Governance in the European Union"; James Meadowcroft, Katharine N. Farrell & Joachim Spangenberg; *International Journal of Sustainable Development;* July 2005
18 "Sustainable Corporate Governance Initiative: Summary Report – Public Consultation"; *European Commission*; May 2020.
19 "Will there be a 'Next' if Corporate Governance is Focused on the 'Now'?"; *EY*; February 2021.
20 "The Future of Sustainability Reporting Standards: The Policy Evolution and the Actions Companies can Take Today"; *EY*; June 2021.

Adequate integration of sustainable governance practices, in term of ESG, in risk management and proper reporting of initiatives undertaken are becoming significantly important[21]. With the changing global landscape backed by regulatory demands, stakeholder capitalism, and changing preferences among consumers, businesses are gradually understanding the importance of incorporating non-financial parameters in the assessment and conduct of business operations as well as their disclosures in reporting. A public stance on ESG issues which was once considered a public relations strategy is now becoming increasingly important for long-term competitive success. Strong sustainability practices in business may lead to benefits, such as premium valuation of share price[22] and improved stock liquidity, better comparative performance caused by the COVID-19 slump[23] and improved recovery, higher index for corporate bonds and equities[24] and, last but not the least, good reputation and greater trust among investors and shareholders[25].

EXHIBIT 3: DEFINING THE 'G' IN ESG: GOVERNANCE FACTORS AT THE HEART OF SUSTAINABLE BUSINESS

Effective corporate governance is essential to ensuring that ESG enthusiasm translates into concrete action and systemic change. Behind each breach of a company's environmental or social commitments lies ineffective corporate governance. Further, corporate governance affects the integrity of ESG disclosures, determining whether ESG indicators are ethically pursued and reported.

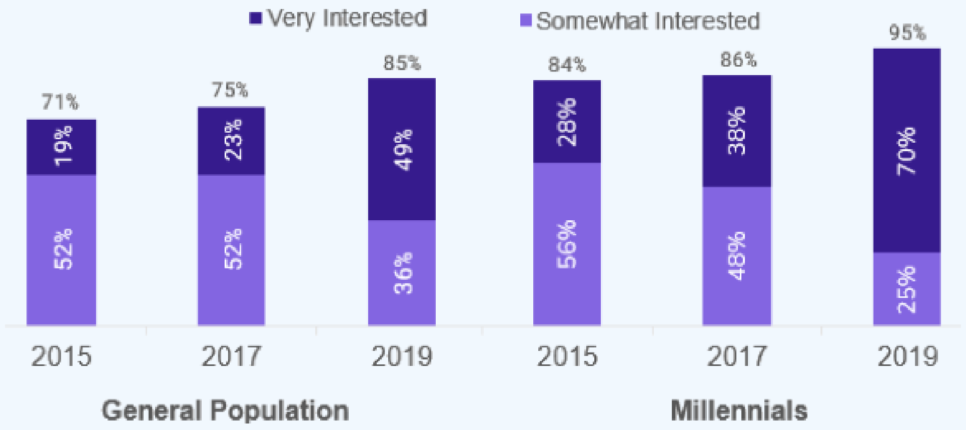
To this end, the World Economic Forum (WEF) Partnering Against Corruption Initiative[26] and Global Future Council on Transparency and Anti-Corruption[27] have developed the following basic list of factors[28] that should be included within the G in ESG. Although presented in list form, treating the factors below as a checklist will render the exercise meaningless. If thoughtfully deployed, however, the enumerated factors will help ensure that the G in ESG is adequately represented in rating and reporting frameworks while simultaneously increasing the likelihood that companies are delivering on their environmental and social commitments as well.

Factors	Example sub-factors, key indicators
Business ethics	Purpose, values, culture, integrity beyond compliance, ESG integration, pursuit of and reporting on KPIs
Board composition	Competencies, diversity, structure, committees, oversight capacity, independence
Corporate leadership	Tone, knowledge, experience, power allocation, compensation, decision-making processes, independence and empowerment of compliance function
Risk and crisis management	Preparedness, mitigation, past performance, regulatory compliance, segregation of duties, audit independence, shareholder rights, information governance, cybersecurity
Resource allocation	Capital allocation, personnel allocation, mergers and acquisitions
Incentive Structures	Compensation, promotion, reporting structures, defined prohibited misconduct, disciplinary measures
Political Responsibility	Lobbying, amicus briefs, campaign finance, political contributions
Transparency	Ownership, subsidiaries/holdings, open contracting, lobbying, charitable donations, countries of operation, verifiability of disclosures
Anti-corruption and integrity	Training and communications, whistle-blower protocols, due diligence, risk assessments, public procurement, government relations, gifts and entertainment, conflicts of interest, remuneration and payment procedures, record-keeping, financial controls, reporting and accounting, contractual obligations, public commitments, past incidents, internal investigation and remediation
Tax strategy	Tax compliance, anti-tax avoidance, tax disclosures
Fair competitive practices	Anti-collusion, anti-exclusion, anti-monopoly, anti-coercion, market-based pricing
Stakeholder Engagement	Understanding corporate impact and stakeholder priorities, pursuing stakeholder-centred practices
Supply/value chain	ESG integration, transparency, contractual obligations, countries of operation

21 "Disclosure of ESG Initiatives Imperative to the Evolving Global Scenario"; *EY*; August 2021
22 "How to Realize the Full Potential of ESG+"; *EY*; July 2021.
23 "ESG Stocks did Best in COVID-19 Slump"; Ashim Paun; *Hong Kong and Shanghai Banking Corporation (HSBC);* March 2020.
24 "Enterprise Risk Management Applying Enterprise Risk Management to Environmental,Social and Governance-related Risks"; *COSO-WBCSD;* October 2018.
25 "APEC SME Innovation Forum with ESG"; *APEC*; March 2022
26 "Partnering Against Corruption Initiative (PACI)"; *WEF*; 2022
27 "Global Future Council on Transparency and Anti-Corruption"; *WEF*; 2022
28 "Defining the 'G' in ESG: Governance Factors at the Heart of Sustainable Business"; *WEF*; June 2022.

EXHIBIT 4: INVESTOR INTEREST IN SUSTAINABLE INVESTING[29]

Survey results from individual investors reaffirm that sustainable investing has entered the mainstream. Both interest and adoption of sustainable investing continue their steady climb, further emphasizing that sustainable investing is here to stay. While the gap between interest and adoption persists, it also signals opportunities for investment professionals as sustainable investing matures and grows more sophisticated.



Internal and external stakeholders today expect business entities to implement robust compliance programs to mitigate bribery, corruption, and other enforcement risks in their operations. Beyond those requirements, which have been codified in national anti-corruption laws, societies call on companies to be transparent with regard to their internal compliance measures and investors take those efforts into account as part of the broader ESG information collection for their investment decisions. Specifically, investors who are signatories to the Principles for Responsible Investment "believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation, [which] ... will reward long-term, responsible investment and benefit the environment and society as a whole"[30]. Hence, these investors are committed amongst other things to:

- incorporate ESG issues into investment analysis and decision-making processes, and
- seek appropriate disclosure on ESG issues, which include bribery and corruption, by the entities in which they invest.

However, current ESG frameworks and standards have also contributed to the marginalization of corruption risks through: (1) inconsistent terminology; (2) inconsistent framing; (3) inconsistent reporting recommendations; and (4) the over-greening of ESG. In order to more adequately and accurately incorporate corruption risks into investor decision-making processes, there are factors to consider, such as three recommendations promoted by the WEF Global Future Council on Transparency and Anti-Corruption. First, all actors within the investor universe should center integrity within their own commitments, processes, policies, and incentives. Second, corruption risks must be embedded into reporting and rating frameworks in a coherent, comprehensive, and standardized manner. Finally, increased investor-driven collective action on the mainstreaming of corruption risks within investor decision-making processes is needed[31].

29 "Sustainable Signals: Individual Investor Interest Driven by Impact, Conviction, and Choice"; *Morgan Stanley*; January 2019.
30 "PRI: Principles for Responsible Investment"; *UNEP Finance Initiative & United Nation Global Compact*; 2021.
31 "Investing in Integrity in an Increasingly Complex World: The Role of Anti-Corruption amid the ESG Revolution"; *WEF*; June 2022.

In the effort to guide the G20 towards a tangible and impactful change, the B20 Integrity and Compliance Task Force seeks to draw attention to two key priority actions in promoting sustainable governance in business to support ESG initiatives:

1. Improve sustainable governance measures
2. Optimize sustainable governance compliance disclosures and monitoring

POLICY ACTION 1.1: IMPROVE SUSTAINABLE GOVERNANCE MEASURES

Sustainable governance practices are important factor for investments across all industries and markets. Investors are increasingly interested in business that adopted ESG principles, as in the first quarter of 2022 global sustainable funds attracted USD 96.6 billion of net new money[32]. As a result, business entities are expected to integrate sustainable governance principles to meet the demand. These principles may cover implementation of sustainable government in Board, management, and stakeholder level.

At the Board level, oversight structures may provide: the full Board overseeing ESG integration into strategy and enterprise risk management[33]; the Audit and Risk Committees overseeing ESG disclosure processes and controls and obtaining internal and external assurance over sustainability reporting; the Compensation Committee overseeing the alignment of ESG goals to executive pay[34]; and the Nominating and Governance Committees overseeing ESG governance, stakeholder expectations and related expertise of the Board. Moreover, communicating the Board's processes and structures for governing ESG – as well as the experiences, activities and education that enhances the Board's competencies in this area – is vital to building stakeholder confidence in the Board's leadership and oversight[35, 36].

Within the context of the recent movements focused on racial justice and minority issues[37] in addition to the existing gender equality issues, sustainable governance measures need to also focus on diversity equality to be more effective, particularly in company management and key compliance functions. A more gender equal and inclusive top-management not only improves opportunities for

32 "Global Sustainable Fund Flows: Q1 2022 in Review"; Hortense Bioy; *Morningstar*; May 2022.
33 "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation"; Consultatin Draft, *WEF*; January 2020.
34 "GRI 2: General Disclosures"; *GRI*; November 2021.
35 "Five Ways Boards can Unlock ESG's Strategic Value"; *EY*; December 2020.
36 "Consultation Paper on Sustainability Reporting"; *IFRS*; September 2020.
37 "ESG Adoption Increases Globally, While COVID-19 Impacts how Investors Look at Social Factors Global Asset Management Survey Finds"; *RBC Global Asset Management*; October 2020.

women but also boosts the financial performance of a company along with increased transparency. At the same time, companies with more women on the Boards composition are more likely to institute strong governance structures with a higher level of transparency[38].

The Boards must ensure there is a clear articulation by management of the ESG risks that are applicable to the organization, the external laws and regulations, the internal policies and procedures, the relevant performance measures, and reliable, authentic, comparable data. The aim is to reflect achievement of compliance with those internal requirements and expectations. Both management and Board require assurance regarding the achievement of the ESG compliance objectives. A mapping of responsibilities and accountabilities across the organization is required to capture the respective roles, departments, and their activities to embrace ESG and demonstrate compliance[39].

EXHIBIT 5: JUST TRANSITION[40]

Just Transition is a vision-led, unifying and place-based set of principles, processes, and practices that build economic and political power to shift from an extractive economy to a regenerative economy. A sustainable transition and a sustainable supply chain cannot prescind from the consideration that no one should be left out or behind. The transition itself must be just and equitable, redressing past harms and creating new relationships of power for the future through reparations.

Key policy areas constitute a basic framework to address the environmental, economic and social sustainability challenges of a just transition for all simultaneously include: (1) macroeconomic and growth policies, (2) industrial and sectoral policies, (3) enterprise policies, (4) skills development, (5) occupational safety and health, (6) social protection, (7) active labor market policies, (8) rights, and (9) social dialogue and tripartism.

A just transition to sustainable development can power a human-centred approach to the future of work that transforms economies and societies, maximizes opportunities of decent work for all, reduces inequalities, promotes social justice, and supports industries, workers and communities. Just transition matters for all countries, at all levels of development. G20 governments may impose such vision to all the strategic companies of each country, and request demonstration to the same of their commitment to an energy transition that is socially fair and that, through tangible solutions, preserves the environment and provides everyone with access to the energy they need.

At present, governance towards the role of Audit and Risk Committee and Compliance Function is varied across sectors. Whilst responsibilities of Audit and Risk Committees for overseeing compliance over external regulations are strictly regulated in some sectors (e.g., publicly listed companies), other sectors (e.g., non-publicly listed) may not have the requirement as mandatory. Some regulations also do not explicitly mandate governance over Compliance Function (e.g., existence, position, extent of roles, and/or composition of the function in the organization). Strengthening the role and composition of Audit and Risk Committees and Compliance Function in addition to existed Internal Audit Function are critical to mitigate integrity and compliance issues.

38 "The Time is Now: Addressing the Gender Dimensions of Corruption"; *UNODC;* December 2020.

39 "Internal Audit and Compliance: Clarity and Collaboration for Stronger Governance"; *The Institute of Internal Auditors*; January 2022.

40 "Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All"; *International Labor Organization;* 2015.

While the Boards have an important role to embed sustainability into the business strategy of the company and to monitor the correct implementation of it, the compliance function, which based on its insights and knowledge on both business activities and legal obligations, can help the Boards carry the oversight functions alongside the finance, internal audit, and external audit functions. The compliance function should also be involved in the processes of identifying the goals, defining the methodology to assess the achieving of the goals, identifying the right key people to be involved in the process, and should be a focal point for the ESG function. The compliance function may provide support in the definition of an adequate regulatory framework, checks the adequacy of the system, designs, and performs periodical risk assessment, all in order to avoid greenwashing episodes. Therefore, the compliance function should be independent, autonomous, and transparent within the organizational structure of entity[41].

EXHIBIT 6: THE THREE LINES MODEL[42]

The Three Lines Model describes how the accountability of the governing body, actions by management, and independent assurance by internal audit provide the foundation for effective governance. Together, they need to work effectively through appropriate coordination, communication, and collaboration to ensure their activities are appropriately aligned without undue overlap, duplication, and gaps, and without conflict or incompatibility.

1. **First line roles** include providing products and services to clients or customers and providing the support needed to do so in compliance with requirements and expectations.
2. **Second line roles** provide specialist oversight and advice, assess risk (particularly on a collective or portfolio basis), and perform risk management activities (including monitoring, surveillance, and testing), credibly challenging the first line.
3. **Third line roles**, internal audit, provides independent assurance, including assurance on how well the second line credibly challenges the first line.

As each organization assigns responsibilities for the aspects of compliance according to their own circumstances, subject to any prescribed external requirements, it must analyze how well the specific roles and responsibilities assigned across the organization align with the Six Principles of the Three Lines Model.

41 "Measuring Effectiveness of Anti-Corruption Programmes"; *Norges Bank;* November 2020.

42 "Global Perspectives & Insights: Internal Audit and Compliance: Clarity and Collaboration for Stronger Governance"; *The Institute of Internal Auditors*; January 2021.

Principle 1: Establish governance requirements

The governing body is ultimately accountable for ensuring the organization behaves in accordance with accepted standards and societal norms. Management must manage risk associated with compliance and noncompliance according to the appetite expressed by the governing body. Internal audit provides assurance to management and the governing body on the adequacy and effectiveness of controls for compliance and advice for continuous improvement and innovation.

Principle 2: Maintain adequate governance oversight

Principle 2 defines the roles of the governing body for: governance, overseeing management, establishing and overseeing an effective internal audit function. The governing body is ultimately responsible for governance and ensures there are appropriate structures and processes in place. This includes arrangements for compliance as well as oversight of the role of internal audit.

Principle 3: Define management roles over the first and second line

Principle 3 describes management roles (both first- and second-line roles that may be blended or separated depending on resources, goals, regulation, etc.). Accordingly, the characteristics of roles across the lines may be articulated as follows:

- First line roles: achieving compliance with laws, regulations, behavior codes, organizational policies, etc., in providing products and services. Compliance remains the responsibility of management.
- Second line roles: individual compliance roles and departments establish frameworks, perform oversight, provide advice, monitoring and surveillance, undertake testing, challenge management, and generally may hold management operational decision-making, risk-owning powers.
- Third line roles: internal audit provides independent assurance on compliance, the effectiveness of management's efforts to achieve compliance, and the work of the compliance role or department to monitor and provide compliance risk management oversight and control, but not vice versa. Internal audit has no management decision-making responsibilities and reports independently to the governing body.

Principle 4: Define the role of the third line

Principle 4 describes internal audit's role as the provider of independent assurance and advice. Internal audit maintains accountability to the governing body and independence from the responsibilities of management. This is critical to understanding assurance roles and the distinct position of internal audit within the governance structure.

Principle 5: Maintain third line independence

Internal audit as the third line has several characteristics that help to define its independence. These include an independent functional reporting line to the governing body or a governing body committee, and, importantly, independence from risk management functions.

Principle 6: Create and protect value through collaboration

Effective governance not only requires appropriate assignment of responsibilities but also strong alignment of activities through coordination, collaboration, and communication. Governing body roles, together with first, second-, and third-line roles, collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of stakeholders.

When it comes to risk, anti-corruption is still a major ESG issue compared to other ESG concerns. Anti-corruption remains as top ESG concerns for institutional investors for the last two consecutive years[43]. Accordingly, organizations are expected to put corporate integrity as their top priorities. Management should clearly convey among all levels of the organization the importance to act with integrity and ensure active tone from the top to inform corporate culture and influencing behaviors. Formal programs, training, procedures, and policies are some examples that management can do to embrace the importance of integrity in the organization[44, 45, 46]. Business entities with strong policies and practices on corruption, fraud, and business ethics have better position to manage and mitigate their challenging issues.

EXHIBIT 7: COLLECTIVE ACTION - APEC SME INNOVATION FORUM WITH ESG BUSINESS STRATEGY[25]

Asia-Pacific Economic Cooperation (APEC) initiates APEC SME Innovation Forum with ESG Business Strategy - An Opportunity and Sustainability in Post COVID-19 Era that has objectives:

- to identify best practices relating to promoting the voluntary adoption and diffusion of ESG management and supporting their development and utilization through appropriate financing policies, and discuss relevant policies affecting Small-Medium Enterprises (SMEs) in APEC;
- to enhance understanding of benefits and challenges of the ESG management industrial ecosystem; and
- to build interest for further action including making collective action to introduce the concept of ESG for SMEs.

The forum highlights SMEs' key challenges as they try to recover from crises post-COVID-19. Its next agenda is to propose policy actions and recommendations to address such challenges by discussing the effectiveness of best practice frameworks regarding ESG-centric business that will help SMEs in sustainable strategy development as well as identification of financing opportunity window for the utilization of the ESG management for SMEs especially in developing economies.

43 "COVID-19 Puts Spotlight on Range of ESG Issues, RBC Global Asset Management Survey Finds"; *RBC Global Asset Management; 2021.*
44 "Is this the Moment for Emerging Markets to Prioritize Integrity?"; *EY Global Integrity Report;* 2021.
45 "The Rise and Role of the Chief Integrity Officer: Leadership Imperatives in an ESG-Driven World"; *WEF*; December 2021.
46 "Integrated Reporting - International Framework"; *International Integrated Reporting Council* (IIRC); January 2021.

POLICY ACTION 1.2: OPTIMIZE SUSTAINABLE GOVERNANCE COMPLIANCE DISCLOSURES AND MONITORING

Today's sustainable governance disclosure schemes do not serve businesses or their stakeholders as well as it could, often lacking the comparability of relevant ESG information, in which is a barrier in the transition to a more sustainable economy[47]. The high number of guidelines about what ESG information should be disclosed by business entities resulting in limitation to focus on quality of ESG disclosures. Companies must also respond to varying requests for voluntary disclosures and assessment processes set by ratings providers as the broader investment community and shareholders are calling on companies to provide greater transparency around sustainability risks. As a result of these different processes and requirements, there are often significant variations in the information disclosed about a company's ESG performance. It is thus not surprising that there is a disconnect between the increased focus on evaluating ESG performance from investors and the availability and efficacy of standardized nonfinancial data provided by companies[19]. Adoption of standardized ESG data collection and reporting criteria and assurance of the information presented, are required to make fully informed decisions.

47 "Disclosure of ESG Initiatives Imperative: 2021 Highlight"; *EY*; August 2021.

EXHIBIT 8: VOLUNTARY AND MANDATORY ESG REPORTING PROVISIONS[48]

The figure shows the numbers of voluntary versus mandatory reporting provisions broken down by region and the growth in total numbers of reporting provisions since the mid-2000s. It displays the historical dominance of mandatory approaches as well as the relatively higher volume of voluntary provisions tracked by 2020. In parallel, there has been a push for stricter requirements for mandatory reporting to advance reliable and comparable disclosure in more developed markets.

While there is a uniform understanding about the importance and necessity of company reporting on the status and maturity of compliance programs as one core element of their ESG commitments and transparency, the current environment does not allow the private sector to build on a harmonized international reporting framework recognized as a reliable source to confidently share and explain internal compliance efforts. This lack of disclosure alignment leads to a significant burden and requires considerable efforts for companies because of different expectations coming from various stakeholders. By contrast, harmonized expectations would help organizations to establish robust, stable, and future-proof data collection and reporting processes. This would provide them with needed certainty that the shared information meets external stakeholder expectations. Due to the absence of such a framework, a relatively small number of companies report on their compliance systems, measures, approaches, and metrics used to assess the effectiveness of compliance efforts.

EXHIBIT 9: COLLECTIVE ACTION - MEASURING EFFECTIVENESS OF ANTI-CORRUPTION PROGRAMMES[49]

A working group on anti-corruption consisted of multinational pharmaceutical companies, that is established by the Norges Bank Investment Management and facilitated by the Basel Institute on Governance has published expectations of companies on anti-corruption which emphasise that companies should disclose how they measure the effectiveness of their anti-corruption programmes based on United Nation Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

48 "Sustainability Reporting Policy: Global trends in Disclosure as the ESG Agenda goes Mainstream"; *GRI & The University of Stellenbosch Business School*; July 2020.

49 "Measuring Effectiveness of Anti-Corruption Programmes"; *Norges Bank Investment Management;* November 2020.

Culture

1.1. A baseline has been established to identify perceptions of the ethical culture/culture of integrity in the company. There is a methodology to measure/gauge changes to the culture over time.
1.2. The frequency (could be a percentage or absolute number) of references to ethics and compliance communicated internally and/or externally by the defined C-level persons.
1.3. Does your performance management framework incorporate how ethics and integrity objectives are achieved (Y/N)?
1.4. Ethics and integrity are integral components in leadership decisions.
1.5. The company actively engages in anti-corruption Collective Action.

Risk Management

2.1. The company has an anti-corruption compliance risk programme which it uses to give regular updates to senior management and board on how risks are being managed.
2.2. The percentage of business functions that are included in the anti-corruption risk assessment.
2.3. The company has established anti-corruption compliance Key Performance Indicators (KPIs) that are used to measure the compliance programme.

Third Parties

3.1. Percentage of third-party reviews conducted.
3.2. How the findings from third-party reviews are addressed.
3.3. Percentage of third parties that improve their anti-corruption compliance programmes.

Compliance Function

4.1. The organisational structure of the company is transparent, including the location of the compliance function within the structure, and it identifies where the Chief Compliance Officer is situated.
4.2. The governance structure of the company enables the Chief Compliance Officer to execute her/his responsibilities impartially.
4.3. Ethics and integrity are integral components in all talent and leadership development programmes.
4.4. The program is adequately resourced and empowered to function effectively.
4.5. The frequency of the board actively reviewing the sufficiency of resources allocated to the global anti-corruption and bribery programme including the compliance function.

Oversight

5.1. Access by the Chief Compliance Officer to the board including the board committees (i.e. the supervisory level of the company) on a formalised basis and the actual requency of that access in practice.

One of the most significant developments in accounting and reporting in decades, the International Financial Reporting Standards (IFRS) Foundation formally announced the establishment of the International Sustainability Standards Board (ISSB) at the 2021 United Nations Climate Change Conference (COP26) in Glasgow. With over 614 jurisdictional ESG provisions issued, policy developments should take into account existing standards and guidance to avoid disproportionate reporting burdens on companies[48]. The ISSB is poised to bring much needed consistency and comparability to ESG reporting standards. Building on existing frameworks and endorsed by the Group of Five[50], the WEF International Business Council and the International Organization of Securities Commissions, the ISSB will be tasked with developing and maintaining global sustainability-related financial reporting standards that are relevant to enterprise value. The ISSB plans to develop a global baseline of sustainability disclosure standards and help consolidate what has long been described as an "alphabet soup" of standard-setters. The B20 supports ISSB's work on the global baseline of sustainability reporting standards, that is the recently released two exposure drafts[51, 52]. The baseline should be practical, flexible, proportionate, ultimately suitable for MSMEs, and enable jurisdictions to implement the baseline and a more extensive approach to supplement the baseline[53]. The publication of a general sustainability and climate exposure drafts reflect the immediate priorities of many stakeholders and should be finalized considering their opinions. At the same time, it is important to ensure reporting that addresses specific Social and Governance topics, such as anti-corruption, is appropriately addressed in the near term.

EXHIBIT 10: UPDATE ON SUSTAINABILITY REPORTING STANDARDS DEVELOPMENT

In the recent years, ESG issues have remained a topical focus – both at the WEF in Davos, Switzerland and in a flurry of headlines – including controversies related to composite ESG ratings and a high-profile investigation into greenwashing within the financial services sector. Jurisdictions and global bodies recognize the importance of sustainability information that is transparent, comparable and based upon trusted data and rigorous methodology. They continue to develop and implement regulations and policies to build trust into the sustainability information ecosystem – for corporate disclosures, and sustainable index funds.

Global

An important step taken by the IFRS Foundation to ensure unification of the sustainability reporting standards is through consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF) into the Foundation by June 2022[54]. With the public consultation on its first draft standards set to close at the end of July 2022, the IFRS Foundation's ISSB is focused on standing up its organization and outlining its vision to establish a global sustainability disclosure baseline. On 18 May 2022, the ISSB outlined the necessary steps required to establish a comprehensive global baseline of sustainability disclosures. It is noted that, the future success of the global baseline would depend on combined action by public authorities to incorporate it into their jurisdictional reporting requirements, and market demand through investors and others encouraging use of the ISSB's IFRS

50 The "Group of Five" are CDP (formerly, the Carbon Disclosure Project), the CDSB, the GRI, the IIRC and the Sustainability Accounting Standards Board (SASB). SASB and IIRC merged in June 2021 to create the Value Reporting Foundation.

51 "Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information"; *IFRS*; March 2022.

52 "Exposure Draft IFRS S2 Climate-related Disclosures"; *IFRS*; March 2022.

53 "G7 Finance Ministers and Central Bank Governors´ Petersberg Communiqué"; *G7 Germany*; May 2022.

54 "IFRS Foundation Announces International Sustainability Standards Board, Consolidation with CDSB and VRF, and Publication of Prototype Disclosure Requirements"; *IFRS*; 2021.

Sustainability Disclosure Standards[55].ISSB also communicated plans for the future role, governance, and development of the VRF's announced that the Integrated Reporting Framework will become part of the materials of the IFRS Foundation[56]. On 29 July 2022, the public consultation on the ISSB exposure drafts is closed. Furthermore, IFRS Foundation staff have released a request for feedback on the staff's draft of the IFRS Sustainability Disclosure Taxonomy[57]. The aim of the Taxonomy is to enable digital consumption of sustainability disclosures prepared using the forthcoming IFRS Sustainability Disclosure Standards. The request for feedback closed on 30 September 2022.

The Global Reporting Initiative (GRI) Standards still remains the most widely used sustainability reporting standards[58]. With the launch of the revised GRI Universal Standard in 2021, it provides the first and only reporting standards to fully reflect due diligence expectations for organizations to manage their sustainability impacts, including on human rights, as set forth in intergovernmental instruments by the United Nations (UN) and OECD. The Universal Standards apply to all organizations and comprise of three Standards: GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, and GRI 3: Material Topics 2021 and will be effective for information published on or after 1 January 2023[59]. On 24 March 2022, the IFRS Foundation and GRI have signed a Memorandum of Understanding stating that their respective standard-setting boards, the ISSB and the Global Sustainability Standards Board, will seek to coordinate their work programmes and standard-setting activities to further ensure compatibility and interconnectedness of investor-focused baseline sustainability information that meets the needs of the capital markets, with information intended to serve the needs of a broader range of stakeholders[60].

The IFRS Sustainability Disclosure Standards are different from existing sustainability disclosure framework because it is built on different initiatives, based on a building blocks approach. When implemented, the building blocks approach will create a linkage between financial reporting (IFRS Accounting Standards by International Accounting Standards Board and other Generally Accepted Accounting Principles) and sustainability-related financial disclosures (IFRS Sustainability Standards by ISSB), supplemented by sustainability reporting standards or other jurisdictional requirements (including GRI Standards by GRI). The [draft] IFRS Sustainability Disclosure Standards would require an entity to explain the connections between different pieces of information, including between various sustainability-related risks and opportunities and information in the entity's financial statements. The IFRS Sustainability Disclosure Standards focus on meeting investor needs, but it will be compatible with jurisdictional requirements that are designed to meet broader stakeholder information needs. Meanwhile, the GRI Standards represents broader sustainability reporting requirements that are either jurisdiction specific or that are aimed at meeting a broader multi-stakeholder[61].

The UN Global Compact Council adopted a new three-year strategy (UN Global Compact Strategy 2021-2023) to revise their Communication on Progress (CoP) in 2010. The new strategy accomodates business ambitions for adapting to new trends in the market, becoming more transparent, and offering its members a more digitalised version. The plan calls for companies to increase their contributions and work towards achieving the SDGs, the Paris Agreement on Climate Change and the Ten Principles of the

55 "Path to Global Baseline: ISSB Outlines Actions Required to Deliver Global Baseline of Sustainability Disclosures"; *IFRS*; May 2022.
56 "Integrated Reporting—Articulating a Future Path"; *IFRS*; May 2022.
57 "Staff Request for Feedback to Inform Future Development of the IFRS Sustainability Disclosure Taxonomy for Digital Reporting"; *IFRS*; May 2022.
58 "The Time has Come – The KPMG Survey of Sustainability Reporting 2020"; *KPMG*; December 2020.
59 "GRI Universal Standards 2021 - Frequently Asked Questions (FAQs)"; *GRI*; March 2022.
60 "IFRS Foundation and GRI to Align Capital Market and Multi-Stakeholder Standards to Create an Interconnected Approach for Sustainability Disclosures"; *IFRS*; March 2022.
61 "ISSB's Proposed *IFRS* Sustainability Disclosure Standards"; *IFRS*; 2022.

UN Global Compact. The new strategy aims to achieve five key shifts to enable meaningful new strides in the current global, environmental, and social context: accountable companies; balanced growth of local and regional networks for global coverage; measurable impact in priority areas; harnessing the collective action of MSMEs; strong and active engagement with the UN and its partners[62]. Starting in 2023, all companies that participates in the CoP will be required to disclose using the enhanced CoP. That means over 14,000 companies in more than 160 countries are committed to showing progress in these areas[63].

The Basel Committee approved a finalized set of principles for the effective management and supervision of climate-related financial risks. The principles will be published in the coming weeks and seek to promote a principles-based approach to improving risk management and supervisory practice that can be adapted in a diverse ran ge of banking systems[64].

French President and UN Special Climate Envoy announced of a new Climate Data Steering Committee that will bring together international organizations, regulators, policymakers and data service providers to design an open-data public platform that will collect and standardize net-zero transition data in the private sector. The committee will share a roadmap for a global open-data platform in September 2022 during the United Nations General Assembly in New York.

Americas
Public consultation on the The United States Securities and Exchange Commision's (US SEC's) corporate climate disclosure rule is closed on 17 June 2022. On 25 May 2022, the agency released two rule proposals designed to increase transparency in ESG funds and addressed misleading fund names. The first proposal would categorize ESG funds based on their strategies, following a similar approach to the European Commission's Sustainable Finance Disclosures Regulation. It also would require funds and advisors to provide enhanced disclosures about these strategies in fund prospectuses, annual reports, and advisor brochures[65, 66]. The second proposal would enhance and modernize the Investment Company Act "Names Rule" in order to address fund names that could mislead investors, including about how much a fund considers ESG factors in making investment decisions[67] . The US SEC is expected to conclude the public consultation period for its climate rule proposal on 17 June 2022.

Europe, Middle East, India and Africa
The first set of Corporate Responsibility Reporting Directive (CSRD) standards (referred to as the European Sustainability Reporting Standards – ESRS) is opened for public consultation until 8 August 2022[68] . On 1 June 2022, the European Financial Reporting Advisory Group (EFRAG) released a document that illustrates the objective and context of the draft standards, the process in the preparation of the Exposure Drafts (EDs), the reasons to mandate a disclosure requirement, the disclosure requirements considered and not included in the EDs, and how the content of the EDs relate to the future standard setting activity, among other contextual information[69].

62 "UN Global Compact Strategy 2021-2023"; *United Nation Global Compact*; January 2021.
63 "Frequently Asked Question - Communication on Progress"; *United Nation Global Compact*; 2021.
64 "Basel Committee Finalises Principles on Climate-Related Financial Risks, Progresses Work on Specifying Cryptoassets' Prudential Treatment and Agrees on Way Forward for the G-SIB Assessment Methodology Review"; *Bank for International Settlements*; May 2022.
65 "SEC Proposes to Enhance Disclosures by Certain Investment Advisers and Investment Companies About ESG Investment Practices"; U.S Securities and Exchange Commision; May 2022.
66 "Sustainability-Related Disclosure in the Financial Services Sector"; *European Commison*; 2022.
67 "SEC Proposes Rule Changes to Prevent Misleading or Deceptive Fund Names"; *U.S Securities and Exchange Commision;* May 2022.
68 "EFRAG Launches a Public Consultation on the Draft ESRS Eds"; *EFRAG*; February 2022.
69 "EFRAG Issues the Set of Basis for Conclusions of its ESRS Exposure Drafts"; *EFRAG*; July 2022.

At the same time, the ongoing European political process to finalize the proposed CSRD continues – it is expected that the European Parliament and European Council will continue negotiating this June with an aim toward a final agreement by the end of June.

In addition, the European Securities and Markets Authority (ESMA) issued guidance on how to approach supervising investment funds with ESG features in order to combat greenwashing. The ESMA guidance promotes the importance of ESG disclosures being accessible, clear, and accurate and determining when it is appropriate for funds to use "green" labels[70].

Asia-Pacific

A panel for the Japanese Financial Services Agency (FSA) approved a proposal that would require listed companies to disclose any gender gaps in their workforce. The proposal is in line with statement of Prime Minister of Japan that aims to address Japan's gender pay inequality. The rules will require 4,000+ listed firms to include gender pay disparities, management jobs, and the rate of male employees taking child-care leave in their annual financial reports[71]. In addition, the FSA will also move to increase its oversight and guidance on financial products relating to ESG issues, such as requiring asset managers to increase disclosures to customers[72].

China recently released its first ESG disclosure standard, the "Guidance for Enterprise ESG Disclosure", published by the China Enterprise Reform and Development Society. The guidance went into effect on 1 June 2022. The guidance was developed with the participation of dozens of companies in China. The Guidance includes a corporate ESG disclosure indicator system with the three dimensions and provides a basic framework for ESG disclosure[73].

The Australian Securities and Investments Commission (ASIC) has highlighted climate as an area of focus for 30 June 2022 reporting. The ASIC has stated that Directors and management should assess how the current and future performance of a company, the value of its assets and its provisions, and business strategies may be affected by changing circumstances, uncertainties and risks, including climate risk[74].

The current sustainability reporting landscape to recognize that there is a jurisdictional regulation on sustainability reporting. Although currently it is impossible to push countries to fully adopt one global standard, it is important to make alignment between different reporting standards to become one global sustainability standard.

As the drive toward a global system for sustainability-related reporting continues, investors, regulators and policymakers are turning their attention to the important role of assurance in ensuring high-quality reporting. With the growing importance of and reliance on sustainability information, low-quality assurance is an emerging investor protection and financial stability risk. Among 1,269 companies across twenty-two jurisdictions that disclosed ESG data, only 51% of companies provide some level of assurance on it, while only 63% of the assurances being provided by audit or audit-affiliated companies[75]. Internal audit can and should play a significant role in an organization's ESG

70 "ESMA Provides Supervisors with Guidance on the Integration of Sustainability Risks and Disclosures in the Area of Asset Management"; *ESMA*; May 2022.
71 "Japan Gov't to Require Listed Companies to Disclose Gender Gap"; *The Mainichi*; May 2022.
72 "Japan Set to Join Greenwashing Crackdown with New Measures"; Takashi Umekawa; *Bloomberg*; June 2022.
73 "China Releases its First ESG Disclosure Standard with Ping An's Participation"; *CISION*; May 2022.
74 "22-124MR ASIC Highlights Focus Areas for 30 June 2022 Reporting"; *Australia Securities & Investment Commision*; June 2022.
75 "The State of Play in Sustainability Assurance"; *IFAC*; June 2021.

journey. It can add value in an advisory capacity by helping to identify and establish a functional ESG control environment. It also can offer critical assurance support by providing an independent and objective review of the effectiveness of ESG risk assessments, responses, and controls[76]. In addition, the accountancy profession, with its strong ethical foundation, robust qualifications framework, and extensive skills and experience in generating and assuring decision-useful information, can lead activities to meet this emerging need. As such, it is incumbent on professional accountancy organizations, audit firms, internal auditors, and individual professional accountants to rise to the occasion and meet the demand.

Businesses also expect support from the stakeholders in their ESG disclosures. Business entities should adequately communicate their key ESG topics related to business strategy and growth objectives, financial performance, and corporate responsibility objectives, targets, and results to their stakeholders. In exchange, stakeholders are expected to share information on their perspectives and concerns that intersect with the entities' operations, plans, results and impacts.

EXHIBIT 11: ASSURANCE STANDARD FOR SUSTAINABILITY REPORT

AA 1000 Accountability Principles[77]
The AA1000 Assurance Standard (AA1000AS) was published in 2003 as the world's first sustainability assurance standard and gives methodology used by sustainability professionals worldwide for sustainability-related assurance engagements, to assess the nature and extent to which an organization adheres to the Accountability Principles. The AA1000AS v3 is a standard for sustainability assurance that offers Principles-based Guidance rooted in the AA1000 Accountability Principles (2018) of inclusivity (people should have a say in the decisions that impact them), materiality (decision makers should identify and be clear about the sustainability topics that matter), responsiveness (organizations should act transparently on material sustainability topics and their related impacts), and impact (organizations should monitor, measure, and be accountable for how their actions affect their broader ecosystems).

ISAE 3000 [78, 79]
The International Auditing and Assurance Standards Board's (IAASB) International Standard on Assurance Engagements (ISAE) 3000 (Revised), issued in 2013, applies to assurance engagements on sustainability reporting. ISAE 3000 (Revised) establishes the basic principles and procedures to support the performance of assurance engagements other than audits or reviews of historical information. It can be applied to a broad range of underlying subject matters and can give rise to either a reasonable or limited assurance. Generally, ISAE 3000 is applied for audits of internal control, sustainability and compliance with laws and regulations. ISAE 3402 states that assurance engagements should be performed in accordance with the ISAE 3000 standard.

As many large companies now commit to a transition to a net-zero economy, they will have to push for net-zero supply chains. That means the suppliers, including MSMEs, will need to evaluate and report their ESG performance to the companies or risk losing business[80]. Despite the benefit of sustainable governance practices, MSMEs, which contribute substantially to global employment and economic

76 "Internal Audit's Followed Role in ESG Reporting"; *The Intitute of Internal Auditors*; 2021.
77 "AA1000 Assurance Standard"; *AccountAbility*; 2022.
78 "ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information"; *IAASB*; December 2013.
79 "What Assurance Opinions can be Given on ESG Metrics under ISAE 3000 (Revised)?"; Peter Van Veen; *ICAEW*; 2022.
80 "What are ESG Reporting Standards in 2022? Exploring What's Expected This Year and Beyond"; *FloQast*, 2022.

growth, yet operationally incapable of implementing the practices due to lack of capital, human resources, and knowledge capability[25]. 71% of MSME businesses are not currently acting to reduce their carbon emissions, as ESG performance is downgraded while digitalization, employee wellbeing, cost inflation, and recruitment take priority. MSMEs, specifically in the Europe, agree they have a good understanding of what ESG means (57%) and have the skills and competencies in the business to address it (52%), but do not think ESG will have a big impact on their business in the next two years (53%)[81]. While MSMEs may initially view ESG management as challenging, there are several opportunities such as access to ESG strategies and financing window would stimulate demand for green business management ecosystem. These innovations would translate to lower costs and increased profit margins in MSMEs, as a result of maximizing energy efficiency and measures on resource conservation, of which the project endeavors to better access to capital, talent and business opportunities.

81 "ESG Action Downgraded as a Priority by SMEs"; *Joann Regan; Azets*; May 2022.

RECOMMENDATION 2

Foster Collective Action to alleviate integrity risks

Optimize fundamental safeguards of integrity and transparency when interacting with business networks and government parties.

POLICY ACTIONS

Policy Action 2.1 Cultivate and strengthen integrity through B2B collaboration – Supporting and preserving integrity-based relationships to mitigate third party risks (e.g., suppliers, business partners, customers) in order to ensure resilient value chain and supply chain networks.

1. The G20 should encourage and facilitate companies to work together using collaborative and Collective Action approaches to tackle corruption and increase accountability, transparency, and prevent fraud in markets, business sectors, and supply chains.

2. The G20 should urge companies, including SOEs, to adopt adequate internal controls, ethics, and compliance programs for preventing and detecting fraud risks. Guidance on the scope and content of the program may follow guidance from international standards for fraud prevention in conjunction with various Collective Action initiatives. This can be done by:
    - effectively implementing Fraud Risk Management (FRM) system that cover anti-corruption compliance measures including risk-based due diligence on third parties, such as integrity pacts requirement for all agents, suppliers, and subcontractors, mandatory fraud and compliance training for high-risk third parties, engaging in regular Collective Action initiatives to support fair competition and for supply chain compliance capacity where appropriate, and communication and awareness raising activities to enhance fraud awareness of stakeholders.
    - identifying the ultimate beneficial ownership.
    - encouraging companies to engage, develop, and support certification models that can reduce corruption risks, level the playing field, and ease the burden of due diligence processes for both Multi-National Companies (MNCs) and MSMEs.

3. The G20 should encourage business to conduct a more responsible procurement process that supported by technology usage (e.g., e-procurement, e-bidding) for open and competitive bidding, fair competition, and increased transparency.

4. The G20 should encourage business to adopt, implement and/or strengthen an effective and efficient Whistle-Blowing System (WBS) supported by innovative communications technology, and regulate anti-retaliation policies to protect the whistle-blowers. Business must create a positive speak-up culture and maintain the psychological safety of all the stakeholders. For example, regular trainings on how to speak up can boost awareness of reporting and anti-retaliation policies.

Policy Action 2.2 Facilitate integrity in B2G interactions – Upholding fundamental safeguards of integrity in accessing public services even during crises or emergencies when regulatory protocols are relaxed and when providing economic incentives including economy boost-driven stimulus packages.

1. The G20 should adopt responsible business practice framework to ensure and uphold fundamental safeguards of integrity, specifically when interacting with national and foreign government officials. The framework sets effective compliance systems and integrity measures, contributes to fair competition and the integrity of markets, facilitates cooperation

between companies and investigating and prosecuting authorities, and ensures protection of whistle-blowers, witnesses, experts, and victims.

2. The G20 governments should support and engage in Collective Action with private sector and civil society by:
   - developing and implementing effective integrity tools to address the public procurement and corruption risks that have become particularly apparent during the COVID-19 pandemic, for instance through the development and application of Integrity Pacts and High-Level Reporting Mechanisms as tools to help increase integrity in public procurement processes,
   - heightening integrity standards and organizing capacity building to strengthen responsible business conduct,
   - fostering consensus-based ethical and regulatory framework agreements designed to strengthen integrity and reduce corruption in specific sectors,
   - encouraging its member countries to develop service charters for all government institutions to increase transparency and accountability in the interaction between government officials and the private sector.
3. The G20 should deploy technology when accessing public services to reduces corruption, bolsters integrity, transparency, accountability, and time effectiveness of regulatory protocols, including through digital licensing and permitting.

4. The G20 should foster regulation on the liability of legal persons as a mandatory provision and assure this regulation issued at the highest-level form of regulation.

5. The G20 governments should actively encourage the inclusion and participation of MSMEs, women-owned and minority-owned business in the public procurement through consultation and open data on public contracting from planning through to implementation (utilization of e-procurement and e-bidding mechanisms) where all the procurement process could be monitored by independent third parties and participants, which could strengthen the auditing by civil society organization.

6. The G20 should enhance public sector financial management by encouraging the global application of accrual accounting in the public sector to strengthen governance for trust and integrity in business and public sector.

Policy Action 2.3 Promote inclusiveness between public-private sector entities to ensure trust, transparency, and high standards of integrity – Promoting effective and transparent interactions between public-private sectors (including SOEs, and MSMEs) in the enforcement of measures to mitigate integrity risks.

1. The G20 should ensure international conventions (such as the United Nations Convention Against Corruption – UNCAC) and agreed actions (such as the revised OECD Recommendation 2021 on Combating Bribery of Foreign Public Officials) are consistently adopted across and effectively implemented by all member states. This includes any open commitments from

previous G20 cycles related to rewarding compliance efforts by companies, addressing the demand side of bribery, effectively enforcing anti-corruption laws, ensuring implementation of compliance system and a culture of high integrity in multinational enterprises, large enterprises, SOEs, MSMEs, and other important aspects.

2. The G20 should engage and establish inclusive partnerships with the private sector to:
    - develop and update anti-corruption law and regulation
    - leverage the experience and involve the private sector in legislative procedures from the design until the implementation of legal or regulatory initiatives to ensure its maximum impact
    - exchange and identify how self-regulatory integrity/compliance standards that are being developed within the business community can be better utilized to inform the relevant discussions at the country and G20 level.
    - ensure the possibility for private sector's active engagement in the development of their National Anti-corruption Strategies.
3. The G20 countries should promote inclusiveness in integrity by taking into consideration international initiatives (such as the Open Extractives Initiative, APEC Consensus Frameworks, and other relevant initiatives) that address risks in specific business sectors. The support aims to develop and continuously refine business ethics and integrity guidance for business in all sectors (including for SOEs and MSMEs).
4. The G20 should promote and participate in Collective Action activities between business and civil society with the government to:
    - develop effective anti-corruption guidance for different sectors
    - provide training and share best practices to civil society
    - promote WBS
    - ask companies to report to the Collective Action engagement
    - establish innovative and sustainable solutions to prevent and counter corruption with academic institutions
    - harness the role of gatekeepers to combat illicit financial flows and develop self-regulatory standards.
5. The G20 should encourage enabling actions to equip internal and external auditors to better detect and address corruption, for example by facilitating better information sharing on corruption risks from government agencies.
6. The G20 governments should provide assistance and guidance for MSMEs on improving anti-corruption and integrity measures within their organizations by establishing good corporate governance roadmap focusing on MSMEs segments. This may include active participation from large corporations in sharing knowledge, capacity, and guidance with MSMEs to increase integrity and compliance throughout supply chains.

KEY PERFORMANCE INDICATOR[82]

GLOBAL CORRUPTION INDEX

OWNER: G20 COUNTRIES

The global corruption index relies on two sub-indexes to measure public and private corruption and white-collar crimes.
Source: Global Risk Profile

Baseline	Target
28.02	**26.90**
(2021)	*(2025)*

CORRUPTION PERCEPTION INDEX

OWNER: G20 COUNTRIES

The corruption perception index aggregates data from several different sources that provide perceptions among business people and country experts of the level of corruption in the public sector.
Source: Transparency International

Baseline	Target
59.12	**61.48**
(2021)	*(2025)*

ADOPTION OF GLOBAL SUSTAINABILITY REPORTING STANDARD

OWNER: G20 COUNTRIES

Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as captures of the state by elites and private interests.
Source: World Bank

Baseline	Target
70.89	**73.72**
(2021)	*(2025)*

PERCENTAGE OF G20 COUNTRIES THAT HAVE ANTI-CORRUPTION AGENCY OR AUTHORITIES FOR CORRUPTION CASES HANDLING

OWNER: G20 COUNTRIES

Setup of anti-corruption enforcement agencies or authorities that have responsibility for analyzing investigating corruption cases in G20 countries and transparency of resource allocation.
Source: Anti-Corruption Authorities, Council of Europe, and other publicly available sources

Baseline	Target
93%	**100%**
(2022)	*(2025)*

82 For further details please see the relative Annex

SDGs IMPACT

Recommendation 2 contributes to the achievement of UN's SDG **1: No Poverty, 5: Gender Equality, 8: Decent Work and Economic Growth, 9: Industry, Innovation and Infrastructure, 10: Reduced Inequalities, 12: Responsible Consumption and Production, 16: Peace, Justice and Strong Institutions, 17: Partnerships for the Goals.**

Policy action 2.1 aims to tackle SDG **1.a,** SDG **1.b,** SDG **10.5,** SDG **17.13** by encouraging business to adopt adequate internal controls, ethics, and compliance programs as well as strengthening guidance from international standards which will ultimately enhance stability across all levels of supply chain. It also supports SDG **12.7** and SDG **16.5** by encouraging business to conduct a more responsible procurement process for fraud prevention. In addition, policy action 2.1 seeks to encourage companies to work together/collaborate using the Collective Action approaches to increase accountability and transparency which are in line with SDG **10.10,** SDG **16.6**, and SDG **16.7**. The policy action also underpins SDG **8.2** and SDG **8.3** by supporting technology usage in procurement cycle for an open, fair competitive bidding, and increased transparency. It also contributes to the achievement of SDG **8.8,** SDG **10.2**, SDG **10.3**, SDG **10.4**, and SDG **16.b** by strengthening an effective and efficient WBS to create a positive speak-up culture and maintain the psychological safety of all the stakeholders. Finally, policy action 2.1 is in accordance with SDG **9.3** supporting certification models to ease the burden of due diligence processes for MNCs and MSMEs.

Policy action 2.2 aims to tackle SDG **1.b**, SDG **10.5**, and SDG **17.3** by encouraging business to adopt responsible business practice framework and encouraging global application of accrual accounting to ensure and uphold fundamental safeguards of integrity. It also supports SDG **8.2**, SDG **8.3,** SDG **12.7** and SDG **16.5** by developing effective integrity tools, including technology usage to help address public procurement and corruption risks that have become particularly apparent during the COVID-19 pandemic. In addition, policy action 2.2 seeks to encourage the inclusion and participation of MSMEs, women-owned and minority-owned business in the public procurement through consultation and open data on public contracting which are in line with SDG **5.5**, SDG **5.b**, SDG **9.3**, SDG **10.2**, and SDG **10.3**. it also contributes to the achievement of SDG **16.6** and SDG **16.10** by encouraging member countries to develop service charters for all government institutions to increase transparency and accountability. Finally, policy action 2.2 is in accordance with SDG **8.8**, SDG **16.a**, SDG **16.b**, and SDG **17.7** by supporting private sector and civil society to engage in a collaborative Collective Action at the same time, also ensuring protection of whistle-blowers, witnesses, experts, and victims.

Policy action 2.3 aims to tackle SDG **1.b**, SDG **10.5,** SDG **16.5** and SDG **17.13** by ensuring that international conventions, international initiatives, and agreed actions are adopted across all member states to continuously refine business ethics and integrity guidance for business in all sectors. It also supports SDG **9.3**, SDG **10.3**, SDG **16.7,** and SDG **17.7** by establishing inclusive partnerships with the private sector and participating in Collective Action activities to develop effective anti-corruption guidance and ensure its maximum impact. These are also in line with SDG by including active participation from large corporations to share knowledge and guidance for MSMEs on improving anti-corruption and integrity measures. In addition, policy action 2.3 seeks to promote the role of internal and external audit to improve internal controls as well as to increase transparency and accountability in fighting against corruption, which is in accordance with SDG **8.3,** SDG **16.6** and SDG **16.a**. Finally, the policy action underpins SDG **10.4** and SDG **16.b** by promoting a safe and an effective WBS.

G20 INDONESIA PRIORITY IMPACT

Recommendation 2 commits towards the achievement of the G20 Indonesian Presidency principles: **Global Health Architecture**, **Digital Transformation**, and **Sustainable Energy Transition.**

Policy action 2.1 addresses the Digital Transformation principle, as the policy action aims business to mitigate third party risk using an effective WBS to protect the whistle-blowers, integrating technology in the procurement process, and using sustainable technology solutions to prevent and counter corruption. Policy action 2.1 also supports Global Health Architecture and Sustainable Energy Transition by encouraging Collective Action initiatives between B2B in health and energy industries to combat fraud.

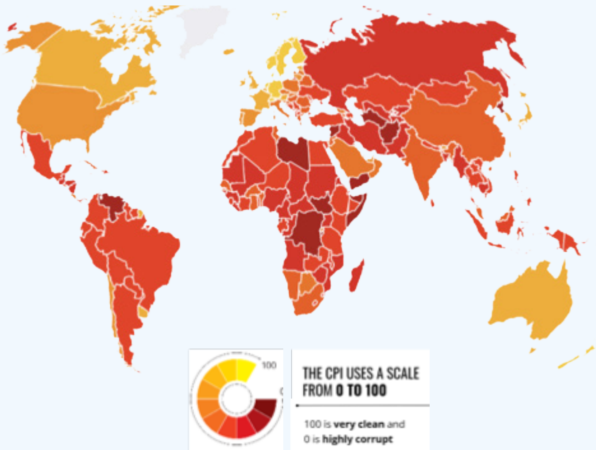
Policy action 2.2 addresses the Digital Transformation principle, as it encourages development integrity tools for public procurement and technology deployment when accessing public services. Policy action 2.2 also supports Global Health Architecture and Sustainable Energy Transition principles as it aims to assure the supply chain system in health and energy industry private and public sector not disturbed by corruption or bribery by implementing FRM principles and suggests public-private partnerships in health and energy sectors to uphold integrity practices.

Policy action 2.3 addresses the Digital Transformation principle by developing and continuously refining business ethics and integrity guidance and promote effective WBS. Policy action 2.3 also addresses the Global Health Architecture and Sustainable Energy Transition, as the policy aim G20 Countries to take into consideration in international initiatives including initiatives in health and energy industries.

CONTEXT

Fraud is a global problem, affecting organizations in every region and in every industry worldwide. Certified Fraud Examiners (CFEs) estimate that organization lose 5% of revenue to fraud each year or more than $4.7 trillion lost to fraud globally[83]. The survey also found that the global corruption cases reported by CFEs increase 17% in a decade. Corruption causes massive harm to society as a whole and unavoidably involves business entities. Fines, legal costs, and reputational damage diminish entities' revenue streams as well as their appeal to consumers, business partners and prospective employees, causing significant losses for their stakeholders. Despite virtually universal condemnation, corruption persists as some measures with potential to curb corruption have not been sufficiently effective. External and internal controls – checks and balances – are certainly crucial, but evidently they are not enough to guarantee ethical business practices. Although imposing harsher laws and regulations or adopting more sophisticated corporate compliance programs help business in minimizing corruption impact, society should further look for innovative ways in fighting corruption[84].

EXHIBIT 12: CORRUPTION IN THE WORLD[85]



The Corruption Perception Index (CPI), scores 180 countries and territories by their perceived levels of public sector corruption, according to experts and business people. The latest CPI publishment highlights 2/3 of countries score below 50, with the average score is 43/100. Six G20 countries ranked at the top-ten scoring countries in this year's CPI. With 88 points, Denmark and Finland are recorded as the highest-scoring country, followed by Sweden (85) in fouth rank, the Netherlands (82) in eighth rank, Luxembourg (81) in ninth rank, and Germany (80) in tenth. Despite that, nine of the G20 countries have a CPI score of below the average score. The bottom of the region are Hungary (43), Bulgaria (42), India (40), Argentina (38), Turkey (38), Brazil (38), Indonesia (38), Mexico (31), and Russia (29).

The fight against bribery and corruption requires efforts from all sides and a close collaboration between the public and private sectors as well as civil society. In this respect, Collective Action initiatives offer a type of "collaborative and sustained process of cooperation" among stakeholders from the civil society, private and public sectors with the aim of increasing the scale and effectiveness of anti-corruption actions[86]. Many companies have made the implementation of compliance systems a top priority in the last ten years, not only as a protection against enforcement and reputational risks but also to contribute as a corporate citizen to an environment that is built on trust, integrity, and fair competition.

83 "Occupational Fraud 2022: A Report to the Nations"; *ACFE*; 2022.
84 "A Practical Guide for Collective Action against Corruption"; Matthias Kleinhempel, Gabriel Cecchini & Micah Miller; *United Nations Global Compact;* January 2015.
85 "Corruption Perception Index 2021"; *Transparency International*; January 2022.
86 "Fighting Corruption through Collective Action: A Guide for Business"; *World Bank Institute;* June 2008.

Collective Action matters a great deal in the fight against corruption. The individual actor runs a huge risk when it comes to denouncing corruption, especially in countries where the rule of law is far from secure. Collective Action can help bring vulnerable individual players such as MSMEs – usually with fewer resources at hand – into a coalition of like-minded organizations that aim at "walking the talk" regarding their integrity principles and programmes. This levels the business playing field among competitors, creating trust and drawing a line against those actors that do not play by the rules and that risk being ostracized as a business community or sector push for better integrity standards and practices[87].

EXHIBIT 13: FOUR MAIN FORMS OF COLLECTIVE ACTION[87]

Anti-Corruption Declarations: Voluntary, principle-based, ethical public statements and commitments regarding integrity principles that can be fostered by a group of companies or a group of companies jointly with other actors from civil society (e.g., an anti-corruption non-governmental organization) and/or the public sector (e.g., an anti-corruption agency)

Standard-Setting Initiatives: Development of specific anti-corruption frameworks and standards tailored to address specific sector problems and weaknesses such as a code of ethics, code of best practices, etc., that are developed with the help of business associations or similar organizations, and that help in standardizing certain integrity policies within a specific sector and align individual members practices

Capacity-Building Initiatives: Companies jointly share their know-how, resources and tools from their compliance programmes, and with the help of their compliance practitioners, to offer concrete capacity building and training opportunities for other companies that are part (or not) of their supply and value chains, in particular MSMEs, as well as for public officials and organizations, and other practitioners from civil society organizations. The aim of these initiatives is to help create or enhance compliance systems and tools in smaller and/or less resourceful organizations

Integrity Pacts: Agreements that involve a higher level of commitment from their members, and that are most commonly used in specific public tenders or bidding for large projects in infrastructure, sports events, for procurement procedures, etc., with the aim of preventing bribery, conflicts of interest, etc. They can incorporate an external monitoring and certification process which can include sanctions in case of non-compliance, from lesser ones to even exclusion from the initiative

Engaging in Collective Action brings benefits to participants and their surrounding organizations. Participation in Collective Action makes substantial social contributions to the surrounding business environment, including[86]:

- Increasing the impact and credibility of individual actions.
- Protecting vulnerable individual players (e.g., MSMEs) by bringing them into an alliance of like-minded organizations.
- Leveling the playing field among competitors.
- Complementing, temporarily substituting, and/or strengthening weak local laws and anti-corruption practices.

87 "Agenda for Business Integrity: Collective Action"; Gabriel Cecchini, Duncan Wood & Max Kaiser; *WEF*; August 2020.

EXHIBIT 14: B20 COLLECTIVE ACTION HUB - A B20 RESOURCE AND RENEWED COMMITMENT[88]

It has been 10 years since the B20 Task Force first recommended Collective Action to address bribe solicitation, and the engagement in multi-sector initiatives to tackle corruption as well as 'the establishment of a central hub to document, measure and share Collective Action initiatives across industry sectors and countries'. Since then the B20 Collective Action Hub has provided support and resources to the private sector, governments and civil society to engage in anti-corruption Collective Action. The B20 Hub contains a database of over 280 Collective Action initiatives and projects designed to raise standards of integrity and fair competition that provides a wide variety of examples and inspiration for companies large and small, and in almost all industry sectors. The importance of Collective Action has been underscored by its inclusion in the revised OECD international standard 'Good Practice Guidance on Internal Controls, Ethics and Compliance', 2021.

In the effort to guide the G20 towards a tangible and impactful change, the B20 Integrity and Compliance Task Force seeks to draw attention to three key priority actions in fostering Collective Action to alleviate integrity risks:

1. Cultivate and strengthen integrity through B2B collaboration
2. Facilitate integrity in B2G interactions
3. Promote inclusiveness between public-private sector entities to ensure trust, transparency, and high standards of integrity

88 "Collective Action B20 Hub"; *Basel Institute on Governance*; January 2022.

POLICY ACTION 2.1: CULTIVATE AND STRENGTHEN INTEGRITY THROUGH B2B COLLABORATION

B2B enterprises are seeking to enhance their relationships with customers to drive both loyalty and growth. This effort requires better insights and more targeted messaging around customer behaviors, both of which can be developed by utilizing next-generation technologies and digital strategies to gather and evaluate customer data. However, many organizations' desire for leading customer data solutions far outpaces their capabilities[89].

COVID-19 puts pressure on business to do what is necessary to meet short-term business needs and has caused significant disruption to supply chain, meanwhile critically striving to maintain revenues[90]. The limited alternatives tend to drive the companies to ignore compliance. With the lack of controls over the purchasing process, the finding of alternatives could be a vulnerable area for fraud risks, such as kickbacks and gratification, as well as scams[91]. At the core, upholding integrity and carrying out ethical business practice with third parties (e.g., suppliers, business partners, customers), which are part of supply chain networks pose an ever-increasing risk as to cope with the pandemic[92].

- 94% of Fortune 1000 organizations have reported changes to their supply chain since the start of the crisis as they diversify from existing supply chains to new partners, countries, sources, and vendors[93].
- As organizations respond under pressure to ensure supply chain networks continuity in rapid change and difficult market conditions, organizations tend to neglect due diligence duty and tolerate engaging with third parties which do not share same culture of integrity or ethical values.
- Prolonging pressure of pandemic which may turn to a harsher economic climate, also drives organizations to turn a blind eye to unethical actions relating to their third parties – whether this

89 "Five Steps to Enhance B2B Customer Relationships"; *EY*; October 2021.
90 "How Businesses can Address a Growing Range of Third-Party Risks"; *EY*; April 2021.
91 "Maintain Compliance with Online Due Diligence"; *Integrity Asia*; April 2020.
92 "Is this the Moment of Truth of Corporate Integrity?"; *EY Global Integrity Report*; June 2020.
93 "G20 High-Level Principles for the Effective Protection of Whistleblowers", *G20 Japan Presidency*; 2019.

may involve cutting corners on processes and procedures, or knowingly colluding in unethical or illegal behavior to help the organizations survive.

- Changes to supply chains due to the pandemic can be opportunities to strengthen integrity in interactions with suppliers and business partners

Collective Action is particularly suited to build resilience in times of supply chain disruptions and a harsher economic climate. It increases an individual company's impact by making fair business practices more common. By sharing knowledge and experiences, companies are poised to make better decisions more quickly. Collective Action also helps to ensure that actions by governments, businesses and civil society are transparent and can complement each other in a meaningful way.

Integrity in business depends on compliance and risk management, and it is important to protect the organization, its assets and its reputation[94]. Even in organizations with anti-fraud programs, fraud remains existed. 49% of frauds occured due to internal control weakness and override of existing internal controls[83]. The presence of stronger system of anti-fraud controls is associated with lower fraud losses and quicker fraud detection. Organization is suggested to modify their anti-fraud controls following the fraud incident to enhance its fraud prevention.

EXHIBIT 15: COLLECTIVE ACTION - COLLECTIVE ACTION AGAINST CORRUPTION (CAC) INDONESIA[95, 96]

The Indonesian CAC platform or Koalisi Anti Korupsi Indonesia enables Indonesia's private sector to collectively create, adopt, and spread effective anti-corruption and compliance policies by taking the initiative to curb corruption and promote a clean business ecosystem. The initiative runs by Indonesian Institute for Corporate Directorship and Center for International Private Enterprise since October 2018 based on a successful model implemented by Thailand since 2010 under the name of Collective Action Initiative Against Corruption.

Several business associations also supported the program, such as the Indonesian Chamber of Commerce (KADIN Indonesia), the Indonesian Issuers Association (AEI), Indonesia Business Links (IBL), the Indonesian Employers' Association (APINDO), Indonesian Institute for Corporate Governance (IICG), Indonesia Global Compact Network (IGCN), National Committee on Governance (KNKG), Governance, Risk Management, and Compliance (GRC), and Indonesian Young Entrepreneurs Associations (HIPMI) Bandung City. Indonesian companies can become members of the initiative by undergoing the CAC compliance certification process.

The CAC aims to:

- Uplift the compliance standards of private-sector companies
- Develop a critical mass of companies dedicated to clean and transparent business practices
- With government, co-create change in public services to enhance efficiency, transparency, and accountability

94 "How a Focus on Governance can Help Reimagine Corporate Integrity"; *EY Global Integrity Report*; February 2022.
95 "Collective Action B20 Hub"; *Basel Institute on Governance*; January 2022.
96 "About KAKI Indonesia"; *CAC-Indonesia*; 2022.

WBS raises an alarm when misconduct or unethical behavior occurs in the company. Developing effective channels to avoid individual employees, consumers, or vendors reporting issues directly to regulators, enforcement agencies or the media is critical. As a result, businesses are encouraged to adopt, implement and/or strengthen effective and efficient whistle-blower reporting and protection systems supported by innovative communications technology. As recalled in the G20 High-Level Principles for the Effective Protection of Whistleblowers[97], there is a substantial need to focus both on the rights of the reported as well as on the reinforcement on protecting the reporting subject's identity while also preserving freedom from retaliation and ensuring psychological safety of all the stakeholders. Furthermore, it will be key to contribute to the awareness of whistle-blowing mechanisms through effective communication campaigns aiming at informing and disseminating legal rights of whistle-blowers and dedicated activities that support the development of an internal culture of trust and transparency, that encourages speaking-up, in private and public entities. In this context, it is also important to create and promote internal channels that are granted with the necessary independence for receiving, assessing, investigating and acting on reports and foster an organizational culture that builds confidence in reporting.

97 "G20 High-Level Principles for the Effective Protection of Whistleblowers", *G20*; 2019.

POLICY ACTION 2.2: FACILITATE INTEGRITY IN B2G INTERACTIONS

B2G information exchange has recently become a frontier for government agencies facing the hard job of doing more (or better) tasks with fewer resources. B2G is an important instrument for fulfilling one of the most fundamental tasks of government agencies: monitoring the extent to which companies comply with the established laws and regulations[98].

Business continues to face a greater challenge of integrity to adhere with regulatory compliance efforts during pandemic and to meet country/global initiatives. The ways of doing business are massively affected.

- As government prioritizes emergency protocols (e.g., simplified/relaxation of certain procurement procedures) to meet short-term emergency supplies[99], there is an indication that businesses could exploit this opportunity to engage in corruptive behavior (e.g., bribery) or pursue informal channels to obtain lucrative government contracts outside standard procurement procedures[100].
- Amidst strong drive to ease economic recessions, distribution of various government-provided stimulus packages is often executed based on several relaxation and simplification of routine control measures (e.g., limit/delay reporting, loose due diligence mechanism, etc.)[98]. Having the circumstances, criminals exploit such schemes to make fraudulent claims on government stimulus funds by posing as legitimate businesses seeking assistance[100].
- Upholding integrity when utilizing public services remains a prevalent issue of challenge – 19% of citizens in 17 Asia countries (equivalent of 836 million people) paid a bribe for basic public services required – dealing with police, courts, and processing licenses/identity documents are the top three public services which drive the highest corrupt acts (e.g., bribe, use of personal connections)[101].

98 "Tapping into Existing Information Flows: The Transformation to Compliance by Design in Business-to-Government Information Exchange"; Nitesh Bharosa & Haiko V. Voort; *Government Information Quarterly*; January 2013.
99 "Public Integrity for an Effective COVID-19 Response and Recovery"; Jeroen Michels; *OECD Policy Responses to Coronavirus (COVID-19)*; April 2020.
100 "COVID-19-Related Money Laundering and Terrorist Financing"; *FATF*; May 2020.
101 "Global Corruption Barometer (GCB) Asia 2020"; Jon Vrushi; *Transparency International*; November 2020.

- The global energy shortage accelerates the transformation of the energy supply systems towards renewable energies. Huge amounts of money will be invested in this field in the upcoming years. Evidence is emerging that corruption risk is also featured in renewable energy markets. These markets are linked to different industries, for instance the extractive sector, infrastructure, or technology.
- The ongoing stress to the global food markets following damage already caused by the COVID-19 pandemic increases global food prices and the impact from prolong pandemic and recent conflicts is felt especially on the poorest. This can lead to conflicts and new crisis. Corrupt practices in the nutrition sector (e.g., land grabbing) negatively influence food security and life expectancy in developing countries.

Fraudulent businesses that exploit emergency situations are a significant challenge for all legitimate businesses, which, however, cannot be solved by one business alone. Along with fully support from the governments, affected businesses can organize and establish Collective Action to improve the overall integrity and transparency of stakeholders, and thus make it harder for illegitimate businesses to take advantage.

EXHIBIT 16: COLLECTIVE ACTION – HIGH LEVEL REPORTING MECHANISM[102, 103]

The High Level Reporting Mechanism (HLRM) is a reporting mechanism combined with an alternative system for dispute resolution that is designed to receive complaints of bribery requests or suspicious behaviour in interactions between businesses and governments, function as an alternative dispute resolution mechanism, and identify systemic issues arising from recurring corruption claims and propose reforms to the government. The Mechanism targets bribery solicitation by public officials as well as other forms of unfair treatment to businesses.

Columbia

Colombia was the first country to implement an HLRM. Colombia's President launched the pilot HLRM on 2 April 2013 and it was in operational from October of that year. The first HLRM was implemented for the 4G Roads project with the aim of producing early warnings of corruption on eight infrastructure projects before an investigation or prosecution would be needed. The initiative was coordinated and hosted by Secretaría de Transparencia (ST), the high-level Government authority in charge of fighting corruption and enhancing transparency in the country and located in the Presidency of the Republic. The National Infrastructure Agency, Agencia Nacional de Infraestructura (ANI), was responsible for the procurement process. By the end of 2013, all eight projects had been tendered and only one report was received through the mechanism. The second and third HLRM are other high-value large-scale infrastructure projects: airports and highways (2016) and the Metro of Bogotá (2018). These HLRMs were implemented by the ANI and the authorities overseeing the Bogotá Metro project, along with the ST and the Oversight Institution of Bogotá. No reports were received through this HLRM in the second project, while the committee of experts of Metro of Bogotá received eight reports. The HLRM was briefly considered for a fourth project, namely the Colombia Peace Fund. After brief discussions between ST and the Fondo Colombia en Paz, it was decided that an HLRM would not be necessary because of other existing measures in the project.

102 "The High Level Reporting Mechanism (HLRM): A Tool to Help Prevent Bribery and Related Practices"; *OECD and Basel Institute on Governance*; January 2017.

103 "Tackling Bribe Solicitation Using the High-Level Reporting Mechanism"; *OECD*; January 2020.

Argentina

Argentina launched an HLRM in January 2018 and became the second country to implement an HLRM. In 2018 and 2019, Argentina decided to implement a pilot HLRM for the country's first Public-Private Partnership (PPP) infrastructure projects. The PPP is an agreement between the public and private sectors under which the private sector provides services or tasks that are the responsibility of the public sector. The agreement stipulates shared objectives, regulates the responsibilities of both parties, and provides remuneration for the private party. The HLRM has been implemented in two PPP projects: Safety in Roads and Highways Project by the National Highways Directorate; and the Electricity Transmission Project by the Energy Secretariat. The HLRM was structured and developed in the same format in both cases and permitted the reporting of four types of misconduct: bribery, influence peddling, bid rigging and conflict of interest. Overall, the HLRM received five and nine reports for the Safety in Roads and Highways and Electricity Transmission Projects respectively.

National anti-corruption regimes, law and regulation currently do not consistently accompany private sector efforts in implementing compliance system or provide the support needed. Different measures proven to be effective in holistically addressing the risk and the negative consequences of bribery and corruption have not been fully reflected across all countries. One root cause is that some countries lag behind in terms of rigorous implementation of international standards and best practices on anti-corruption. Government needs to increase its commitment in different areas such as enforcement, effective rule of law, leadership by example from government bodies and institutions, consistent adoption of anti-corruption standards by SOEs, incentives for compliance, and continued awareness raising by governments[104].

EXHIBIT 17: CONSENSUS FRAMEWORK FOR ETHICAL COLLABORATION – HEALTHCARE SECTOR[105, 106]

The Consensus Framework for Ethical Collaboration is a multi-stakeholder platform outlining the shared principles that should guide the conduct of the various actors in the healthcare sector. It was established in 2014 as a platform for ethical collaboration between patients' organisations, healthcare professionals and the pharmaceutical industry. The Consensus Framework is supported by International Alliance of Patients' Organizations, International Council of Nurses, International Federation of Pharmaceutical Manufacturers and Associations, International Pharmaceutical Federation, World Medical Association, and International Hospital Federation.

The ultimate aim is to improve the quality of patient care. The Framework is not intended to constitute a singular nor a comprehensive policy for the organisations involved, but rather highlights areas of mutually shared values and commitments between the individual signatories. Each organization has their own detailed ethical policies and guidance that is tailored to the respective needs of their constituents. Several countries have adapted the consensus framework approach for their health systems, with each country providing detailed commitments and guidance according to their context. The Consensus Framework is comprised of four overarching principles:

104 "Corporate Anti-Corruption Compliance Drivers,Mechanisms and Ideas for Change"; Melanie Reed & France Chain; *OECD*; September 2020.
105 "Consensus Framework for Ethical Collaboration"; *IFPMA*; June 2022.
106 "Consensus Framework for Ethical Collaboration between Patients' Organisations, Healthcare Professionals and the Pharmaceutical Industry"; *Basel Institute on Governance*; June 2022.

- put patients first
- support ethical research and innovation
- ensure independence and ethical conduct
- promote transparency and accountability

The knowledge of its own business associates is essential for the integrity of a company' supply chain. As a company, knowing your suppliers and subcontractors and allowing them to promptly communicate any critical issues to the contracting entity (in order to manage them) is essential. Relationships based on transparency, collaboration and trust are stronger and more stable. It decreases the chances of wrongdoing, fraud or deceptions, and violations in general. Amidst global pandemic recovery, as many licenses and permits are critical to major infrastructure and development projects. Remote work has slowed traditional public services tremendously and opened up new pathways for corruption. Digital licensing and permitting addresses this through greater transparency, accountability, and time effectiveness.

The economic consequences of the COVID-19 pandemic call for urgent policy and government responses to keep the economy afloat and to support households as well as businesses, with a focus on MSMEs and the most vulnerable members of society. Support from the government towards businesses amid the pandemic is crucial to ensure economic stability and growth, as both of them are different but very co-dependent[107]. Another perspective is that governments are encouraged to consider implementing measure for businesses that have proven their commitment to ethics, transparency, and integrity, and incentivize the creation of Collective Action initiatives to raise the overall standards on integrity and transparency in the market, and to drive out fraudulent businesses and unethical practices, which damage economies as well as the well-being of everyone[108].

Another Collective Action initiative that may be implemented to increase transparency and accountability in the interaction between government officials and the private sector is development of service charters for all government institutions, such as service delivery charters. Service delivery charters are a tool to promote integrity and efficiency in the provision of public services, for instance vehicle licensing or business permitting. They help to close the critical knowledge gap (such as cost or timescale of a particular service) between service providers and service users. These kind of knowledge gaps make public services vulnerable to corruption. In theory, service delivery charters are a win-win-win tool. Citizens and businesses receive faster, more predictable services and are less likely to face demands for extra "fees", increasing trust and productivity[109].

Public sector transparency is critical to highlight illicit cash flows, transactions, and budgeting for public scrutiny. Governments can improve transparency by committing to the implementation of internationally recognized financial reporting standards that comprehensively capture their financial and non-financial performance and position[110]. The adoption of accrual-based accounting system, such as International Public Sector Accounting Standards (IPSAS), is expected to generate reliable,

107 "Government Support and the COVID-19 Pandemic"; *OECD*; April 2020.
108 "Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions"; *OECD*; November 2021.
109 "Ghana Integrity Initiative: Service Delivery Charters in Ghana"; *Basel Institute on Governance*; 2019.
110 "Fighting Corruption Requires Accountants to Act: Here's How"; *IFAC*; December 2019.

comprehensive, and timely government financial information, thus increase its transparency and comparability, boost confidence in public-private partnerships, satisfies the financial and public accountability of the government[111], strengthens citizens' participation in public funds management, and reduces the level of corruption[112]. Despite this, levels of adoption of accrual-based accounting system by national, provincial and local governments across the G20 and beyond remain low.

111 "The Impact of IPSAS Adoption on Corruption in Developing Countries"; Vincent Tawiah; *Wiley*; April 2021.
112 "The Role of Public-Sector Accounting in Controlling Corruption: An Assessment of Organisation for Economic Co-operation and Development Countries"; Beatriz C. Ballesteros, Francesca Citro & Marco Bisogno; *International Institute of Administrative Science*; January 2020.

POLICY ACTION 2.3: PROMOTE INCLUSIVENESS BETWEEN PUBLIC-PRIVATE SECTOR ENTITIES TO ENSURE TRUST, TRANSPARENCY, AND HIGH STANDARDS OF INTEGRITY

Bribery and other acts of corruption are damaging to democratic institutions and the governance of corporations. They discourage investment and distort international competitive conditions. Enterprises have an important role to play in countering these practices. Propriety, integrity and transparency in both the public and private domains are key concepts in the fight against bribery, bribe solicitation and extortion. The business community, non-governmental organizations, governments and inter-governmental organizations have all cooperated to strengthen public support for anti-corruption measures and to enhance transparency and public awareness of the problems of corruption. The adoption of appropriate corporate governance practices as well as a comprehensive and effective compliance and anti-corruption system is also an essential element in fostering a culture of ethics within enterprises[113].

The COVID-19 pandemic has exposed the harsh consequences of flawed or inadequate risk (and crisis) management frameworks and practices in the public sector in countries around the world. While this reality check raises the awareness and understanding of risk, it also provides an opportunity to strengthen the contribution of risk management to effective governance for sustainable development[114]. This matter had been required by the UNCAC for States parties should have effective and efficient systems of risk management and internal control for promoting transparency and accountability in the management of public finances.

113 "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Related Documents"; Cat Barker; *OECD*; August 2019

114 "CEPA Strategy Guidance Note on Risk Management Frameworks"; *United Nations*; February 2021.

EXHIBIT 18: UNITED NATIONS CONVENTION AGAINST CORRUPTION[115]

The UNCAC is an international treaty adopted by the UN General Assembly in October 2003 and remains as the only binding global anti-corruption instrument. It entered into force in December 2005, representing a remarkable achievement: a global response to a global problem. With 188 States Parties (as of 11 August 2021), the Convention is unique not only for its worldwide coverage but also for the scope of its provisions, recognizing the importance of both preventive and punitive measures.

Article 12.2 of the Convention lists a variety of measures that States Parties should take to prevent corruption in the private sector, such as:

- Promoting cooperation between law enforcement agencies and relevant private entities.
- Promoting the development of standards and procedures designed to safeguard the integrity of relevant private entities.
- Promoting transparency among private entities (e.g., identity of legal and natural persons involved in the establishment and management of corporate entities).
- Preventing the misuse of procedures regulating private entities (e.g., subsidies and licenses granted by public authorities for commercial activities).
- Preventing conflicts of interest (e.g., imposing restrictions on the professional activities of former public officials and/or their employment in the private sector).

Ensuring that private enterprises, taking into account their structure and size, have sufficient internal auditing controls to assist in preventing and detecting acts of corruption and that the accounts and required financial statements of such private enterprises are subject to auditing and certification procedures.

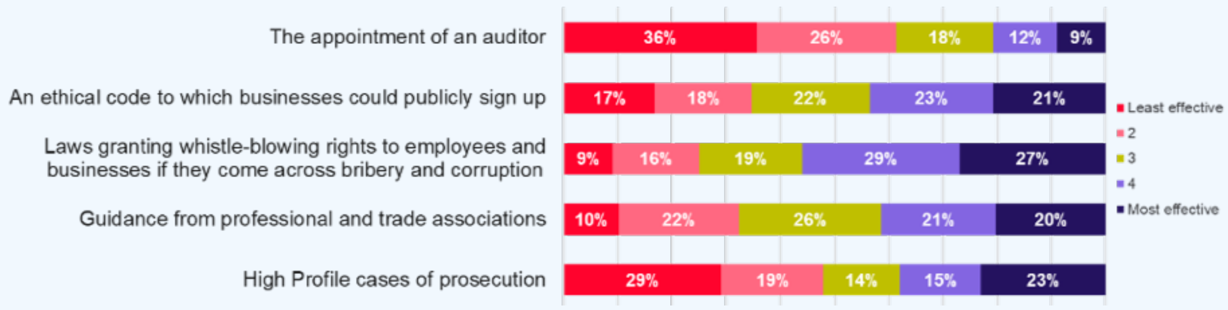
The pandemic has potentially compromised the ability to undertake effective compliance monitoring, supervision and oversight, creating an opening for criminal and unethical behavior. The danger is that multiple layers of governance processes, previously effective controls and oversight of employee and management conduct are all relaxed – possibly in the name of business continuity. At the same time, the organization's wider integrity culture comes under threat – the end is used to justify the means[116]. Moreover, the vast majority of internal auditors are also facing barriers to being involved in managing fraud risk with increasing in fraud incidents over the past five years[117].

Although an awareness of compliance has grown generally over the past decade, many corporations, notably MSMEs, continue to face challenges in setting up adequate anti-corruption systems that, beyond ticking the boxes, function effectively in practice[118]. Globally, MSMEs overwhelmingly see bribery and corruption as having a negative impact on the business environment by improving policies and procedures designed to reduce bribery and corruption risks, MSMEs will enhance their reputation for high standards of business conduct, be less likely to breach legal requirements or be required to comply with third-party reporting obligations; and gain enhanced consumer confidence in their business [119].

115 "Civil Society Guide UNCAC and the Private Sector"; *Transparency International*; January 2013.
116 "How to Maintain a Culture of Integrity during the COVID-19 Pandemic"; *EY*; January 2020.
117 "Internal Audit's Role in Fraud Risk Management"; Matthew Weitz; *Kroll/The Institute of Internal Auditors*; July 2020.
118 "Corporate Anti-Corruption Compliance Drivers, Mechanisms and Ideas for Change"; *OECD*; 2020.
119 "Combating Bribery in the SME Sector"; *Association of Chartered Certified Accountants*; February 2019.

EXHIBIT 19: PERCEIVED EFFECTIVENESS OF VARIOUS MEASURES TO SUPPORT MSMES IN ADDRESSING BRIBERY AND CORRUPTION RISKS[119]

If bribery and corruption risk is an issue for the MSME community, what actions could be taken to reduce that risk or help MSMEs to address it? 932 survey participants were asked to rate the effectiveness of a number of options on a scale from one to five. The results show most importance being placed on the creation of an environment where concerns about possible bribery and corruption can come to light. The survey was conducted among Association of Chartered Certified Accountants members and via public link.



In order to support the international initiatives onboarding and involvement, it is important to not to leave behind some of the business, especially with regard to the MSMEs which do not have a privilege channels or direct interlocutions with governments as the SOEs, listed companies or big ones. The alleviation of integrity risks is much more needed in companies' supply chain than in the companies itself, considering that such themes are already at the attention of such big entities which already have a risked based approach and internal control and risk management system. Monitoring or even supporting the third parties within the companies' supply chain is crucial in order to collectively achieve the hoped integrity goals.

EXHIBIT 20: COLLECTIVE ACTION - ASIA-PACIFIC ECONOMIC COOPERATION FORUM

Overseen by the United States Government in close partnership with the 21 economies of the APEC, the Business Ethics for APEC SMEs Initiative is the world's largest public-private partnership to strengthen ethical conduct and drive a level playing field in the biopharmaceutical and medical technology sectors. The initiative also serves as the region's largest collective action initiative to reinforce ethics and business integrity across health systems. The collective work of over 2,000 stakeholders since 2010 enables this results-driven initiative to: (1) identify and set best practices, (2) facilitate adherence to these practices through capacity building for SMEs, and (3) monitor/evaluate progress within each APEC economy. This focus has led to significant outcomes for the APEC region over the past decade, through promoting the role of ethical business practices to strengthen economies, businesses, health systems, and innovation, through an inclusive endorsement of the APEC Principles[120].

While there is widespread understanding on the costs of corruption and unethical business conduct, there is little research on the benefits of ethical business behavior in the health sector. In 2021, the

120 "Business Ethics for APEC SMES Initiative: Strengthening Ethical Business Practices for the Biopharmaceutical Sector Across APEC"; *APEC*; 2022.

initiative worked with Ethisphere and Royal Holloway, University of London, to survey small and midsized companies the health-related industries throughout APEC economies. The research found that small businesses in health-related sectors with established ethics and compliance programs had significantly stronger economic performance during the COVID-19 pandemic[121]. Ethics and compliance programs include employee training, written standard awareness and communication, anti-corruption policy coverage, and risk assessment. The research also found that customers and industry peers are the main driver for small businesses to embrace integrity and adopt business ethics. In sum, the study demonstrates the importance that embracing ethical business practices have for SMEs to flourish, leveling the playing field as companies go abroad, promoting better business performance, access to financing, lowering business reputation risk, and increasing attractiveness to international markets.

Public-private partnerships and collaborative approaches can provide leading examples for transparent interactions based on best practices of integrity including SOEs, and MSMEs as well as large companies and the public sector. For example, the OECD's Compliance without Borders program (which grew out of the B20 2018 Argentina Recommendations), provides practical capacity building to SOEs and mutual learning opportunities for the private sector[122].

For companies to be able to operate successfully in a business environment in which corruption is not tolerated, it is essential that the next generation of business leaders are educated as to the risks of corruption and the international instruments which guide national anti-corruption efforts.

EXHIBIT 21: COLLECTIVE ACTION - GLOBAL INTEGRITY EDUCATION[123]

The United Nations Office on Drugs and Crime (UNODC) project "Global Integrity Education", that is funded by the Siemens Integrity Initiative, seeks to establish and implement integrity education programmes that foster ethical decision-making by private sector employees. To achieve this goal, the project has set up working groups in Kenya, Mexico and Pakistan since 2019 that bring together private sector representatives and academics to develop contextualized university integrity modules. Concrete and hands-on examples of integrity challenges from company representatives acting as guest lectures increase the relevance of the material taught to students. At the same time, the improved ethics and integrity education will benefit the private sector in the long run as university graduates are expected to possess a greater awareness of ethics and integrity. The Global Integrity Education project also aims to enhance capacity of participating business, in particular MSMEs. Currently, the project had developed 16 localized UNODC university modules and 3 e-learning courses to support training lectures, trained more than 320 lectures on how to teach the modules, taught the modules to more than 16,500 students as part of their university studies across various disciplines, and delivered guest lectures by 40 business practitioners. Furthermore, the project will facilitate internships for students in the compliance departments of the participating companies. The ultimate goal of the project is to create a "talent supply chain" of university graduates who are empowered to act as ethics ambassadors in their workplaces and support the development of on-the-job anti-corruption training programmes for businesses.

121 "The Value of Business Ethics for APEC SMEs: Economic Gains and Ethics Program Maturity in Health-Related Sectors During the Pandemic"; *APEC Small and Medium Enterprises Working Group*; November 2021.
122 "Compliance Without Borders"; *OECD and Basel Institute of Governance*; June 2020.
123 "UNODC Global Integrity Education"; *UNODC*; January 2022.

Gatekeepers are essentially those who possess the ability to interrupt or prevent illicit financial flows by withholding specialized services. Corrupt actors nearly always require assistance from private-sector intermediaries – e.g., lawyers, accountants, notaries, bankers, real estate agents, luxury goods dealers and art advisers – who, knowingly or unknowingly, open access to financial markets, set up complex company structures, manage shell companies and otherwise disguise the nature and origin of ill-gotten gains. However, the diverse array of industries and fragmented regulatory frameworks – both cross sectorally and transnationally – hinder effective gatekeeper mobilization. While professionals in some countries are highly regulated, others have no affirmative duty to report suspected criminal activity or verify the origin of the assets they handle.

Thus, effectively harnessing gatekeeper potential to combat illicit financial flows presents an opportunity to reduce the massive cost of corrupt behaviour and capitalize on the efficiency of honest market. Gatekeepers should establish clear and concrete policies regarding their overarching commitment to transparency, integrity and accountability, as well as to each of the below practices. Gatekeepers should systematically engage in enhanced due diligence where the risk of financial crime is categorically high, such as when dealing with politically exposed persons, high value transactions (particularly those involving cash or non financed purchases), complex or opaque organizational structures, and organizations or individuals with significant presence in high risk jurisdictions. Gatekeepers should fully integrate a culture of integrity within their organizational structure. Gatekeepers should promote open communication and proactively destigmatize the practice of speaking up. Gatekeepers should proactively take advantage of the broad network of similarly situated professionals, including best practices sharing collaboration and communication across borders and industries[124].

124 "The Role and Responsibilities of Gatekeepers in the Fight against Illicit Financial Flows: A Unifying Framework"; *WEF, Stolen Asset Recover Initiative (StAR) & The World Bank*; June 2021.

RECOMMENDATION 3

Foster agility in counteract measures to combat money laundering/ terrorist financing risks

Adapt and enhance integrity framework based on changing landscape of ML/TF risks alongside enhancement of governance and collaborative works to promote effectiveness of the counteraction measures.

POLICY ACTIONS

Policy Action 3.1 Refocus on money laundering/terrorist financing risk factors identification – Enhancing the ability and efficiency of ML/TF risk threats identification which are being driven as a result of the impact of the new predicate crimes emergence from pandemic, the increase in electronic communications, and the change in economic landscape. Refocusing should be based on an RBA relevant and specific to each industry and institutional context.

1. The G20 should acknowledge the new threat paradigm that recognizes the link between the sustainability agenda, illicit trade/illicit finance, and financial crime.

2. The G20 countries should update their national, sectoral, and institutional ML/TF risk assessment to ensure that the changes in social, economic, technological, and behavioural aspects are better reflected in the risk mapping and more comprehensively mitigated. The risk assessment should be informed by evolving threats based on the development of the new technology and behaviour, the historical ML/TF cases, and cases at investigation, prosecution, as well as financial intelligence.

3. The G20 countries should ensure the financial services, Designated Non-Financial Business & Professions (DNFBPs) and third-party vendors apply and operationally comply with ML/TF regulatory. These entities should employ:
    - effective internal controls for required products and services (including any digital products) that are verified by an independent internal audit function,
    - Know Your Customer (KYC) system/procedures that are proportionate to each entity's respective RBA considerations.

4. The G20 countries should ensure the use of Information Technology (IT) system that is proportionate to respective RBA considerations. For financial services, promote adoption of innovative technology solutions (e.g., big data process, blockchain technology, Artificial Intelligent – AI) to generate more accurate and real-time assessments (e.g., KYC/Customer Due Diligence – CDD) and to strengthen ongoing monitoring and reporting of suspicious transactions, that can help regulated entities report more efficiently to supervisors and other competent authorities. Whilst for DNFBPs, at least, cover CDD, transaction and customer monitoring process. In the course of the oversight process, the countries' regulators should be able to exercise a professional judgment related to the adequacy of the Anti-Money Laundering (AML)/Counter Terrorist Financing (CTF) system.

5. The G20 countries should promote collaboration with the public and private sectors to identify and inform the emerging risks, such as, environmental crime, virtual currency, illicit trade/illicit finance, and Trade-Based Money Laundering (TBML). These collaborative efforts should include, but are not limited to:
    - a comprehensive regulation identification addressing AML/CFT requirements related to the emerging risks and the best practices sharing,
    - an availability of data and statistics, creating interagency domestic task forces, and further TBML research,

- public-private partnerships to ensure markets and e-commerce marketplace not flooded with dangerous counterfeits
- socialisation to public, financial service industry, DNFBPs, and relevant regulators about the risks related to emerging risks and improving threat mitigation.

6. The G20 should encourage Public-Private and Private-Private (PPPs) information sharing by promoting:
   - Dialogues to share risk information, proactively engage on the application of their AML/CTF measures and working constructively with them to minimise potential impact and risk.
   - Development of new technology in improving data quality, for instance IT usage in identification and verification of customer's data. Relevant databases (e.g., civil registry, corporate registry, politically exposed person, terrorist, and any other related data for the purpose of AML screening) should be made available to the private sector and DNFBP providers to help them to strengthen their KYC risk mitigation.
   - Proactive knowledge sharing on dynamic schemes of ML/TF between Financial Intelligence Units, law enforcement and private sectors to address key ML risks, particularly those related to fraud, and TF risks linked to COVID-19.
   - Greater clarity that PPPs information sharing fulfil a legitimate interest basis under data protections rules, such as GDPR.

Policy Action 3.2 Improve beneficial ownership transparency – Improving data availability, supporting infrastructure, regulatory governance, and collaborative work between parties/nations to maintain integrity in BO transparency which respect individual privacy expectations and rights.

1. The G20 countries should issue/implement a law/regulation, adopted from global frameworks, that require obliged persons/institutions to maintain BO transparency, report any identified BO information discrepancies, and imposes dissuasive sanctions for non-compliance. The said law/regulation should be aligned with the existing corporation, financial services, DNFBP, privacy, and other relevant laws/regulations. Contradiction and/or ambiguity between regulations should be resolved to ensure a smooth implementation. In order for the BO data to be of the highest quality for the widest possible range of actors fighting financial crime, disclosure regimes should have the following features:
   - BO should be clearly defined in law, with sufficiently low thresholds used to determine when ownership and control is disclosed.
   - BO disclosures should contain sufficient detail to allow users to understand and use the data and comprehensibly cover all relevant types of legal entities and natural persons.
   - Data should be digital, structured, and interoperable, measured to ensure data is verified, kept up to date and historical records maintained, collated in a central register, and publicly available.
   - Adequate enforcement for consistent practices and mitigation against non-compliance should exist.

2. The G20 should encourage public-private partnership concept and cross-jurisdictions collaboration by establishing:
    - Collective Action in terms of technical workshops to raise awareness and build capacities for the public-private sectors regarding ML/TF risk including how to mitigate the risk and the impact to increase BO transparency.
    - Data sharing and integration system between financial intelligence units and law enforcement to the private sectors within the boundaries of local/global privacy regulations to increase BO information access.

KEY PERFORMANCE INDICATOR[125]

BASEL AML INDEX

OWNER: G20 COUNTRIES

Basel AML Index covers 18 indicators in five domains relevant to assessing ML/TF risk at the country level: quality of AML/CFT framework, corruption risk, financial transparency and standards, public transparency and accountability, and legal and political risks.
Source: Basel Institute on Governance

Baseline	Target
4.35	**4.22**
(2022)	*(2025)*

PERCENTAGE OF G20 COUNTRIES THAT MADE CENTRAL REGISTER COMMITMENT TO BENEFICIAL OWNERSHIP TRANSPARENCY

OWNER: G20 COUNTRIES

G20 countries that made commitment to BO transparency, where central registers are in operation, and where Open Ownership is providing support across the world.
Source: Open Ownership

Baseline	Target
86%	**93%**
(2021)	*(2025)*

PERCENTAGE OF G20 COUNTRIES THAT ARE MEMBERS OF FATF

OWNER: G20 COUNTRIES

G20 countries that listed as member of FATF.
Source: FATF

Baseline	Target
67%	**79%**
(2021)	*(2025)*

125 For further details please see the relative Annex

SDGs IMPACT

Recommendation 3 contributes to the achievement of UN's SDG **9: Industry, Innovation and Infrastructure, 10: Reduced Inequalities, 16: Peace, Justice and Strong Institutions, 17: Partnerships for the Goals**

Policy action 3.1 aims to tackle SDG **10.5**, SDG **16.4** and SDG **16.5** by ensuring financial services, DNFBPs and third-party vendors operationally comply with existing ML/TF regulations to prevent all forms of organized crime including illicit flows, corruption, and bribery. It also supports SDG **3.1.1**, SDG **3.1.5** by putting a strong focus on the link between the sustainability agenda, illicit trade/ illicit finance, and financial crime. In addition, the policy action addresses SDG **9.b** and SDG **17.8** by promoting the use of IT-system and adoption of innovative technology solutions such as big data process, blockchain technology, and AI to help combat illicit transactions. The policy action seeks to promote collaboration with the public and private sectors and encourage PPPs information sharing which are in line with SDG **16.a,** SDG **17.17**, and SDG **16.6.** Finally, policy action 3.1 is in accordance with SDG **17.9** and SDG **17.13** by making the use of historical ML/TF cases, and cases at investigation, prosecution, as well as financial intelligence to acknowledge the new threat paradigm and support national plans (i.e., risk assessment).

Policy action 3.2 aims to tackle SDG **10.5,** SDG **16.4,** and SDG **16.5** by strengthening the implementation of BO-related laws/regulations that are adopted from global frameworks to provide the highest quality data for actors fighting financial crime. It also supports SDG **16.a**, SDG **16.6**, and SDG **17.7** by encouraging PPP concept and cross-jurisdictions collaboration including data sharing between Financial Intelligence Units and law enforcement for better BO disclosures and controls. In addition, the policy action seeks to enhance international support by reflecting from the Collective Action to mitigate the risk and the macro impact of incerasing BO transparency. Finally, policy action 3.2 is in accordance with SDG **16.10** by ensuring data/information is publicly available through the use of central register, whilst keeping the boundaries of local/global privacy regulations.

G20 INDONESIA PRIORITY IMPACT

Recommendation 3 commits towards the achievement of the G20 Indonesian Presidency principle: **Global Health Architecture, Digital Transformation, and Sustainable Energy Transition.**

Policy action 3.1 promotes the Global Health Architecture principle through application of KYC and CDD system that assess the supply chain eligibility to detect illicit trade, such as counterfeit health equipment or vaccine. Policy action 3.1 also advocates the Digital Transformation principle as the policy action aims business to combat ML/TF using proportionate IT-system to promote adoption of innovative technology solutions to generate more accurate and real-time assessments and to strengthen ongoing monitoring and reporting of suspicious transactions. Policy action 3.1 also addresses the Sustainable Energy Transition principle by asking businesses to identify, inform, mitigate environmental crime and to promote collaboration with the public/private sector in regulating and reporting any environmental crime incidents.

Policy action 3.2 addresses Digital Transformation principle as the policy action aims centralized and publicly digital beneficial ownership database to increase the transparency and enable more accurate, accessible, and interoperable for data analytic process.

CONTEXT

COVID-19 has imparted various emergence of new predicate crimes involving both financial and non-financial sectors, which subsequently escalated ML/TF risks to a greater extent[100].

- Fundraising of "fake" charities – emergence of new TF crowdfunding scheme, utilizing COVID-19 as the masked reasons.
- Exploitation of economic downturn – opportunistic money launderers exploit new vulnerabilities from economic downturn, e.g., mask the illicit proceeds by investing in real estate or troubled businesses, restructuring existing loans/lines of credit.
- Disguising illicit proceeds layering and integration by COVID-19 reasons - recent swings in economy provides reasons for money launderers to restructure or liquidate portfolios and transferring large amounts of funds electronically to multiple beneficiaries/perform withdrawal to purchase save haven assets (e.g., gold), which are less traceable. Customers involve in suspicious transactions also tend to use COVID-19 reasons as the transaction purpose.

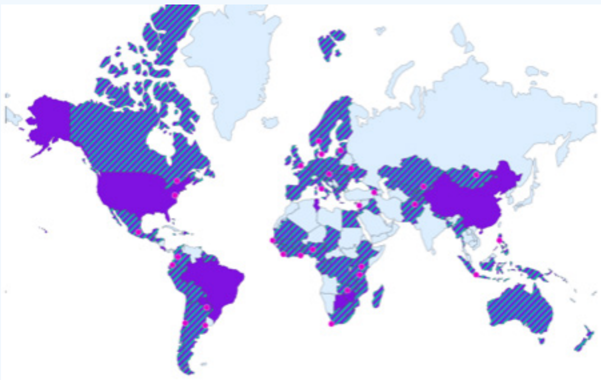
As the world is focusing on responding to the COVID-19 pandemic, it is impacting on the ability of government and the private sector to implement AML and CTF obligations in areas including supervision, regulation and policy reform, suspicious transaction reporting and international cooperation. This has resulted in the increased use of the unregulated financial sector, creating additional opportunities for criminals to launder illicit funds[100] misuse domestic and international financial aid and emergency funding[126], clean proceeds from environmental crimes[127], trade in high-value work of arts, flow money into/out from tax haven jurisdictions to disguise illicit transactions as legitimate commercial transactions[128], sell illicit products via e-commerce platform including fake and substandard medicines, test kits and other COVID-19-related goods[129].

As widely recognised by FATF, the EU, the OECD, and many other individual governments, BO data – knowing the real people that own and control legal entities – is a critical piece of information required to fight financial crime. Over 100 jurisdictions have committed to implement BO transparency reforms, with over 40 committing in 2020 alone. However, international standards to date fall short of generating data that is useful and readily available for all law enforcement agencies, obliged entities and other actors fighting financial crime[130].

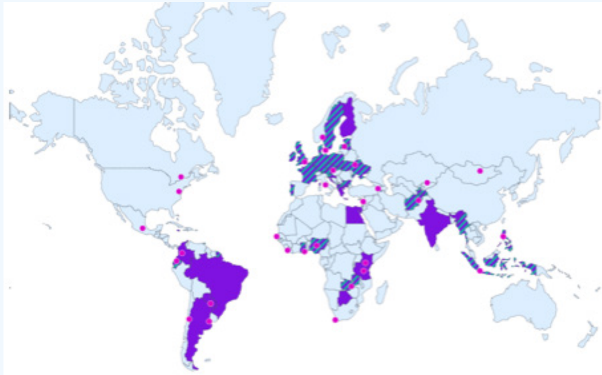
126 "COVID-19 and Evolving Risks for Money Laundering,Terrorist Financing and Cybercrime"; *IFAC*; December 2020.
127 "Money Laundering from Environmental Crime"; *FATF*; July 2021.
128 "Study of the Facilitation of Money Laundering and Terror Finance through the Trade in Works of Art"; *Department of the Treasury*; February 2022.
129 "Illicit Trade in a Time of Crisis"; *OECD*; April 2020.
130 "Beneficial Ownership Transparency"; *Global Coalition to Fight Financial Crime*, August 2021.

EXHIBIT 22: WORLDWIDE BENEFICIAL OWNERSHIP TRANSPARENCY COMMITMENTS[131]

The following chart and data illustrate the worldwide commitments and actions undertaken by countries with regards to BO transparency commitment and implementation, where measures such as central or public registers are in operation.



- Central Register (118)
- Public Register (107)
- Countries where Open Ownership is engaged (31)



- Central Register (44)
- Public Register (34)
- Countries where Open Ownership is engaged (31)

Implementation of BO begins with making a specific, public commitment to creating a BO register and beginning to draw up initial plans as to how this may be achieved. At this stage, it is important to consider how to identify which agencies will be involved in and leading implementation, outline programmes for involving stakeholders and data users in policy design, and decide how to sequence reforms and introduce future improvements.

Having a centralized BO register means that people and authorities can access information on the BO of companies through one central location in a standardized format. This is a prerequisite for effective use of BO data by all user groups, as it removes some of the practical and cost barriers to accessing and analyzing BO information. Maintaining a central BO register is one of three complementary approaches identified as best practice by FATF for reducing ML risk.

Having a public BO register means that law enforcement, businesses, journalists, and citizens from around the world can easily access information on the BO of companies. Having widespread third party use of data can drive up data quality and increase impact by expanding the user base beyond authorities. Publicly available BO data can reduce the cost and complexity of due diligence and risk management for the private sector, thereby leveling the playing field and increasing competitiveness. Data in a public register is used much more widely when it is available without use of barriers such as registration, payment, or identification.

In the effort to guide the G20 towards a tangible and impactful change, the B20 Integrity and Compliance Task Force seeks to draw attention to two key priority actions in fostering agility in counteract measures to combat ML/TF risks:

1. Refocus on ML/TF risk factors identification
2. Improve BO transparency

131 "The Open Ownership Map: Worldwide Commitments and Action"; *Open Ownership*; 2022.

POLICY ACTION 3.1: REFOCUS ON MONEY LAUNDERING/TERRORIST FINANCING RISK FACTORS IDENTIFICATION

Illicit trade, corruption, and money laundering continue to finance insecurity, chaos, and instability across borders, markets, and the digital world around the globe.The global economy loses more than $2 trillion annually due to smuggling, counterfeiting, trafficking of humans and wildlife and other forms of illicit trade that hold back progress on the global development agenda[132]. Approximately 2-5% of the world's gross domestic product, equals to $800 billion to $2 trillion, is the cost of money laundering alone per year[133]. As such, illicit trade and illicit finance are threat multipliers and have multi-dimensional effects on the rule of law.

The role of organizations in perpetuating environmental crime is now recognized by policy makers and law enforcement globally. Environmental crime, including illegal fishing, wildlife trading, logging and waste dumping has emerged as a major transnational threat that has been long overlooked. The FATF labelled illegal wildlife trafficking alone as a threat in its first global report on the topic[134].

EXHIBIT 23: COLLECTIVE ACTION - UNITED FOR WILDLIFE FINANCIAL TASKFORCE[135]

The United for Wildlife Financial Taskforce was launched in October 2018 by the Duke of Cambridge and initially modelled on the Transport Taskforce. At the time of writing it has around 30 members, spanning banks and Financial Institutions (FIs) plus eight non-member signatories including the Basel Institute on Governance. The Chair is Lord Hague of Richmond and the Vice-Chair is David Fein of Standard Chartered bank.

132 "Global Actors Gather to Forge a Common Front against Illicit Trade"; *UNCTAD*; January 2020.
133 "Anti-Money Laundering Preparedness Survey Report 2020"; KV Karthik & Uday Bhansali; *Deloitte*; 2020.
134 "Money Laundering and the Illegal Wildlife Trade"; *FATF*; June 2020.
135 "Working Paper 32: Private-sector Engagement in the Fight against Illegal Wildlife Trade"; Scarlet Wannenwetsch & Gemma Aiolfi; *Basel Institute on Governance*; December 2019.

Mansion House Declaration

United for Wildlife Financial Taskforce member companies sign the Mansion House Declaration with the following six commitments:

1. Take measures to increase awareness of Illegal Wildlife Trade (IWT) and the role of the financial industry in combatting it.
2. Provide training to relevant staff within financial crime compliance functions to enhance their ability to identify and investigate potentially suspicious activity that may be related to IWT.
3. Utilise current suspicious activity reporting mechanisms to provide intelligence related to potential IWT activity to the relevant regulatory body or law enforcement agency, where permitted by law.
4. Review intelligence alerts received through the Taskforce and where relevant take appropriate action including due diligence screening and steps to identify, investigate and report potentially suspicious financial activity related to IWT.
5. Consider additional actions, examples include policy amendments that would support the aims of the Taskforce in addition to financial crime related mechanisms.
6. Support the work of the Taskforce, promote the Declaration and where possible support external mechanisms that enhance the ability of the financial industry to identify potentially suspicious activity related to IWT.

The use of crypto/virtual asset in the financial services industry is increasing at a fast pace both in emerging and developed countries, with the COVID-19 pandemic also playing a part in its rise. Emerging countries, e.g., Indonesia's crypto asset trading activities has grown exponentially, reaching 1,5 million traders in Q2 2020[136]. While generally used for legitimate purposes, virtual assets have also been misused to serve nefarious goals. Some cases of large-scale fraud, theft, ML, and other crimes using virtual assets have involved millions of USD worth of illegal proceeds[127]. Whilst growing, it poses major risk of ML/TF[137].

- Anonymity aspect of virtual asset trading – incorporation of blockchain system at the core of virtual asset trading inherent disguise mechanism that seek to protect the anonymity of crypto-asset owners.
- Presence of decentralization crypto assets trading via Decentralized Finance (DeFi) platforms – unlike trading executed via centralized exchanges which hold the exchanges accountable for performing KYC procedures in identification and verification of traders' information, crypto trading via DeFi had no institution responsible for collecting and verifying KYC data or monitoring transactions for suspicious activity.
- The virtual asset market is still maturing – albeit presence of some regulatory enforcements in various emerging, developed countries or world forum group (e.g., G20, G7, Financial Stability Board, FATF, etc.), virtual asset trading is still lack of investor and consumer guarantees to protect them against.
- High price volatility, which is heavily affected by market manipulation
- Unstable pricing variations, which is heavily affected by differences in country-specifics factors (e.g., liquidity profiles, jurisdictional restrictions)
- Lack of adequate knowledge and understanding of virtual asset markets

136 "Indonesia Crypto Outlook Report"; *Indonesian Blockchain Association*; 2020.
137 "Crypto-assets – The Global Regulatory Perspective"; *EY*; July 2021.

As technology usage increases, so does financial and regulatory-enabled functions. Financial Technology (Fintech) has shown a predominant increase in numbers and facilitated transactions over the last few years – whether as electronic payment facilitators (e-money, e-wallet), investment platform (e.g., mutual funds investment platform), and lending facilitator (Peer-to-Peer lending) globally[138]. Consequently, countries/business initiatives to utilize tech-driven platform to facilitate Regulatory Technology (Regtech) or regulatory compliance also increases in development[139] (e.g., e-KYC – digital identity (ID)/biometrics verification, use of AI, and machine learning to optimize risk-based approach, data analytics to integrate big data/databases for suspicious transactions monitoring)[140, 141].

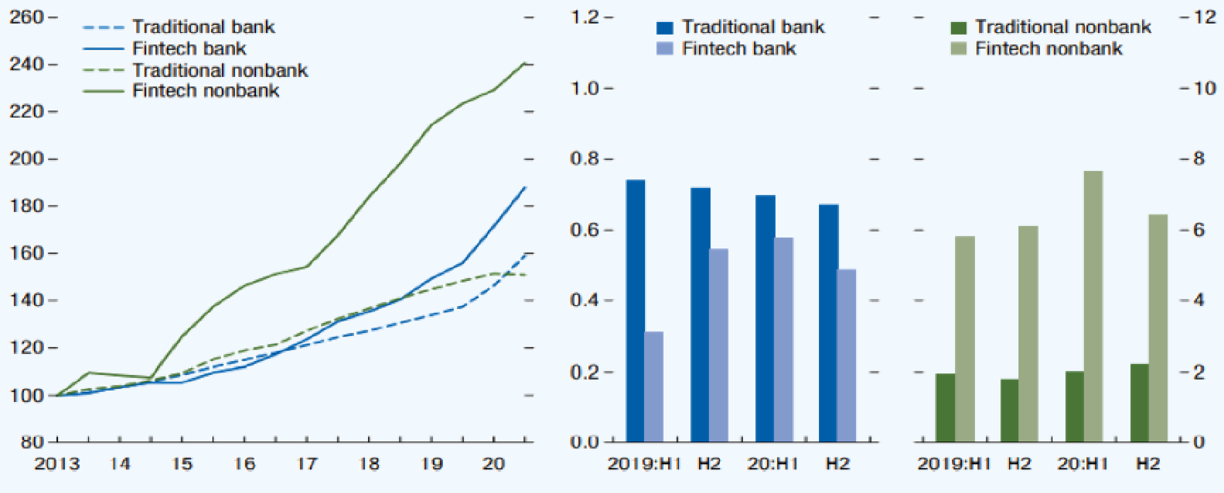
In the run-up to the pandemic, Fintech lending was growing by 60% for banks and 125% for nonbanks over 2013–19. By contrast, the assets of traditional banks and nonbanks increased by 39% and 50%, respectively, over the same period. The nonperforming asset ratio of Fintech banks has generally been lower than that of traditional banks, but that of Fintech nonbanks has been significantly higher than their traditional counterparts[142].

EXHIBIT 24: PERFORMANCE OF FINANCIAL TECHNOLOGY DURING THE COVID-19 CRISIS[142]

The International Monetary Fund (IMF) analyzes the performance of Fintech lenders in 20 economies during the COVID-19 to draw early lessons. In the run-up to the pandemic, fintech lending increased steadily, growing by about 60% for banks and 125% for non-banks from 2013 to 2019. By contrast, the assets of traditional banks and non-banks increased by 39% and 50%, respectively, over the same time period.

1. Asset Growth (Median, 2013:H1 = 100)

2. Nonperforming Assets Ratio (Median, percent)



138 "Regulasi Fintech pada Era Industri 4.0"; *Indonesia Financial Services Authority (OJK)*; November 2018.
139 "Indonesia Payment Systems Blueprint (SPI) Vision 2025"; *Bank Indonesia*; November 2019.
140 "Indonesia Measures to Prevent Fintech from Abusing Money Laundering and Terrorist Financing by PPATK"; *FATF*; April 2018.
141 "Opportunities and Challenges of New Technologies for AML/CTF"; *FATF*; July 2021.
142 "Global Financial Stability Report: COVID-19, Crypto, and Climate: Navigating Challenging Transitions"; *IMF*; October 2021.

Fintech and Regtech minimize face-to-face interaction, ease virtual financing, and are favorable to support MSMEs growth with streamlined and attractive financing facilities[143] yet poses a risk of ML/TF.

- Fintech brings up ML/TF threats – e.g., undetected ML/TF via escalated smurfing risk since transactions taken place via Fintech tend to have insignificant value as compared to conventional FIs[144]. Inaccurate suspicious transaction parameter will contribute to ML/TF transactions to go and remain unnoticed.
- Regtech ineffectiveness increases vulnerabilities against ML/TF – Ongoing security, privacy and data use challenges when adopting Regtech – ongoing discussions in Fintech and Regtech forums[145] (e.g., Global Forums facilitated by FATF) consistently underline digital ID data security and privacy access (e.g., biometrics), availability of credible data to support digital ID verification during onboarding, and public-private sectors/future cross-border data/information sharing in line with Regtech developments to mitigate ML/TF risk[146].

The inability to adequately identify, assess and mitigate money laundering and terrorist financing risk, including the fundamental elements of risk identification (customer identification/verification and monitoring of transactions) poses an obstacle to effectiveness in AML/CFT. This is where new technologies can provide the most added value. For example, traditional risk assessment tools, based on spreadsheets or static reporting platforms, do not allow data to be analysed at a large scale, limiting the potential for correlations and analysis to generate a more fine-grained picture of the risks[147].

Public-private collaboration should be promoted. One such effort is the Global Coalition to Fight Financial Crime[130] which brings together law enforcement, the financial and non-financial sectors, including non-governmental organizations to identify key weaknesses and to promote more effective means of engaging with jurisdictions globally.

143 “Cybersecurity: How do you Rise Above the Waves of a Perfect Storm?”; *EY Global Information Security Survey*; July 2021.
144 “Mitigasi Risiko Fintech & Virtual Currency”; *Coordinating Ministry of Economic Affairs*; 2019.
145 “FATF Fintech & Regtech Initiative”; *FATF*; 2017-2018.
146 “AML/CFT Risk Management in Emerging Market Banks Good Practice Note”; *International Finance Corporation (IFC)*; 2019.
147 “Opportunities and Challenges of New Technologies for AML/CFT”; *FATF*; July 2021.

POLICY ACTION 3.2: IMPROVE BENEFICIAL OWNERSHIP TRANSPARENCY

Throughout G20 presidencies[148] and aligning with FATF recommendation[5], BO transparency remains a strong aspect for continuous improvement. Beneficial owner refers to the natural person(s) who ultimately owns and controls a customer and/or the natural person on whose behalf a transaction is being conducted[149]. Today, amidst different capabilities and stages of each jurisdiction in the efforts of improving BO transparency, there are few aspects which drive consistent attention and require continuous development.

The majority of G20 countries had an overall weak understanding of BO transparency and the risks posed by anonymous companies and trusts as they relied on FIs to collect information on beneficial ownership. Moreover, there is no verification whether the information disclosed on government websites or in reports is complete or accurate[150].

Ensuring availability, accuracy, and validity of BO information:

- Some countries are still moving towards a target of having 100% disclosures of BO information availability (e.g., Indonesia's National Anti-Corruption Strategy/Stranas PK targeted 100% BO information disclosures by 2022)[151]. To this end, a step forward has been made with the introduction of the Corporate Transparency Act, enacted by the United States congress on 1 January 2021. Such initiative will mainly require corporations, limited liability companies and other similar entities to disclose BO information to the Financial Crimes Enforcement Network.
- Even for a country with an established BO registry, lack of systematic verification of self-reported data during the date of disclosure and in case of future changes leads to data quality issues that undermine the effectiveness of the registry[152].

148 "B20 Integrity & Compliance Policy Papers"; *B20*; 2015-2021.
149 "Transparency and Beneficial Ownership"; *FATF*; October 2014.
150 "G20 Leaders or Laggards?"; Maíra Martini & Maggie Murphy; *Transparency International*; April 2018.
151 "Indonesia's National Anti-Corruption Strategy (Stranas PK) 2021-2022"; *The Corruption Eradication Commission of the Republic of Indonesia; 2021*.
152 "Beneficial Ownership Transparency"; *The World Bank*, August 2020.

- There is always a prevalent challenge in identifying BO information when the legal entity is established in tax havens[153] and adopt opaque entities structure[154]

Clearly defining BO and ensuring it covers all relevant forms of ownership and control make the disclosure regime less vulnerable to exploitation by those seeking to abuse the system. Definitions should cover all relevant forms of ownership and control, specifying that ownership and control can be held both directly and indirectly[130, 155].

Additionaly, sufficient information should be collected to accurately identify people, entities and arrangements, using clear identifiers for people, companies and trusts. Where BO is held indirectly through multiple legal entities, sufficient information should be published to understand full ownership chains. Information collected should be limited to what is necessary to achieve the policy objective (data minimisation). All types of entities and arrangements through which ownership and control can be exercised and all types of beneficial owners (including non-residents) should be included in declarations, unless reasonably exempt. Any exemption should be clearly defined and justified, and reassessed on an ongoing basis[130,155].

When data is in a structured format it can be easily analysed and linked with other datasets, enhancing the data's utility to expose transnational networks of illicit financial flows and support effective and timely due diligence. When data is machine readable and available in bulk, multiple declarations can be analysed together. To maximise the impact of BO registers, it is important that users and authorities can trust that representations of ownership in a register have a high degree of fidelity to the true reality of who owns or controls a particular company and recognise where it does not. Checks should be implemented to eliminate accidental errors by verifying the beneficial owner, the entity and the ownership/control relationship between them, both at the point of and after submission. Moreover, initial registration and subsequent changes to BO should be legally required to be submitted in a timely manner, with information updated within a short, defined time period after any changes occur. Data should be confirmed as correct at regular intervals. Historical records should be maintained, and retention periods should be mandated by law[130, 155].

When it comes to information on legal ownership across the region, a commonly identified gap is the lack of a central business registry, to which all forms of legal persons are registered. In most countries, the legal persons obligated to report information on their legal ownership to a central registry are companies, partnerships and proprietorships. Only in Myanmar and Indonesia, associations are included in the registry, and only the latter requires the registration of trusts. Indonesia is the only country in the region that so far has established a central registry of beneficial owners, to which all types of corporations are required to report and regularly update information on their beneficial owners. Although, in practice, it often lack accurate and up-to-date information due to the fact that the capacity of the public administrations hosting the central registries are not always sufficiently developed to verify the reported information effectively[156].

153 "Linking Beneficial Ownership Transparency to Improve Tax Revenue Collection in Developing Countries"; Wilson Prichard; *International Centre for Tax and Development*; May 2018.
154 "Transparency and Exchange of Information for Tax Purposes"; *OECD*; January 2019.
155 "The Open Ownership Principles"; *Open Ownership*; July 2021.
156 "Beneficial Ownership Regulations and Company Registries in Southeast Asia"; *UNODC*, March 2020.

In order to allow the full range of stakeholders engaged in fighting financial crime to use BO data, in addition to access for authorities and obliged entities, governments should consider making subsets of the data publicly accessible free of charge, both searchable and in bulk, without barriers to access such as registration, identification and restrictive licensing. Public registers can improve the speed and ease of access for law enforcement authorities from other countries. Data should be published in accordance with local privacy and data protection legislation, and governments should mitigate any risks that may arise from publication[130, 155].

Effective, proportionate, dissuasive, and enforceable sanctions should exist for non-compliance with disclosure requirements, including for non-submission, late submission, incomplete submission, or false submission[130, 155]. Whether sanctions are required for non-BO disclosures – Indonesia's report issued by The Corruption Eradication Commission of the Republic of Indonesia on BO disclosures development progress highlighted non-presence of sanctions element constraints fast achievement of 100% BO disclosure by corporation. Lack of enforcement of sanctions further deters effectiveness of the BO registry[140].

Striking a balance between accessibility of BO data and prevailing country/cross-border restrictions – whilst public access is preferred, the extent to which BO information can be shared in-countries/ cross-jurisdictions should be considered amidst ever-growing data privacy restrictions, e.g., GDPR[157].

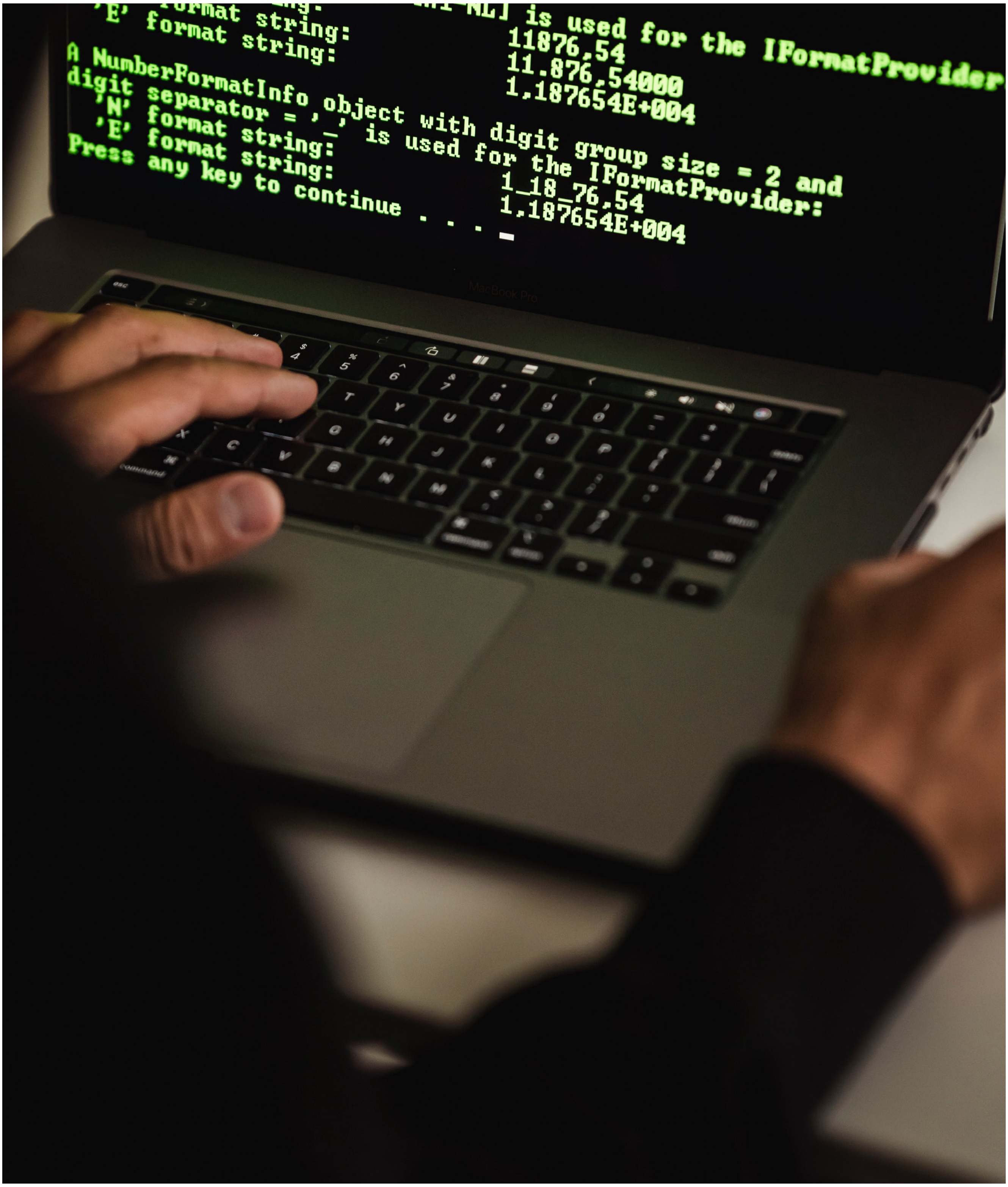
EXHIBIT 25: COLLECTIVE ACTION – OPENING EXTRACTIVES[158, 159, 160]

Opening Extractives is a cross-sector partnership between the Extractive Industries Transparency Initiative (EITI) and Open Ownership, supported by the BHP Foundation. The five-year, USD 7 million programme aims to end the use of anonymous companies linked to corruption and mismanagement in the extractive sector. This Collective Action is officially launched on 8 September 2021 and nine governments have confirmed their country's participation, namely Argentina, Ghana, Indonesia, Liberia, Mexico, Mongolia, Nigeria, Philippines, and Zambia.

The programme aims to transform the availability and use of BO information for effective governance in the extractive sector. It takes a multi-stakeholder approach, bringing together governments, companies, civil society and other stakeholders to drive forward the necessary legal and technical reforms. Open Extractives combines political and technical work to support national governments, capacity building to increase the use of beneficial ownership data, and communication of evidence and insightsglobally to scale impact.

The programme's three objectives are:
- Implementing BO transparency effectively
- Driving progress towards BO transparency internationally
- Using BO data to realise its impact

157 "General Data Protection Regulation (GDPR)"; *European Union*, May 2016.
158 "Opening Extractives"; *Basel Institute on Governance*; 2021.
159 "Opening Extractives: Global Beneficial Ownership Transparency Implementers' Forum"; *EITI*; 20 September 2021.
160 "Opening Extractives Fact Sheet"; *EITI and Open Ownership*; June 2022.



RECOMMENDATION 4

Strengthen governance to mitigate exacerbated cybercrime risks

Optimize existing organizational resources to minimize exacerbated cybercrime risk and encourage systemic cybercrime resilience and collaboration.

POLICY ACTIONS

Policy Action 4.1 Rectify organizational governance structure - Refining and operationalizing governance mechanism, structure, and resources are required to better to respond cyber-attacks incident (e.g., post-incidents detection and investigation tools and mechanism) amidst economic instability and accelerated shifts in digital business models. The focus of refinement should be applied in all industry sectors, starting with those sectors which are most affected by the changing economic landscape (e.g., healthcare, financial services, and the energy industry) and further considered to be applied in MSMEs.

1. The G20 should encourage business to enhance existing resources (e.g., detection and investigation infrastructure and protocols, competency) to uphold whilst realign cybersecurity policies and protocols to better meet changing business needs. The effort may include strengthening the role of internal audit to actively provide assurance over management's ability to identify and manage risks and respond against cyber-attacks incidents.
2. The G20 should strengthen capacity for technology foresight and assessment (e.g., professional competency, governance, and infrastructure) of potentially disruptive effects of technology over years and even decades.
3. The G20 should agree on a clear definition of cyber literacy, put more investment in training and infrastructure to educate business professionals on the topic, build cyber-hygiene culture, and broaden the community and skills capacity of cybersecurity professionals.
4. The G20 should aid and support for MSMEs sectors in minimizing their cybercrime risks in the form of:
    - establishing ignition/starting guidelines for MSMEs to improve their risks management
    - knowledge and information sharing
    - facilitating and encouraging the big information technology companies to provide affordable resources for MSMEs.

Policy Action 4.2 Extend multi-stakeholder cooperation for better cybercrime response – Developing cybercrime response synergic supports from private and public networks within and cross borders.

1. The G20 governments should adopt laws or comprehensive framework that are consistent with broadly accepted international conventions to drive better cybercrime response cooperation across borders.
2. The G20 should enforce Collective Action between public-private sectors to combat cybercrime through:
    - sharing of technical cyber-attack response measures.
    - creating new or strengthening existing information sharing platforms between law enforcement authorities and the private sector to increase information-sharing and improve investigations and prosecutions of cyber-fraud process

- constructing cyber-fraud incident response capacities in all sectors
- collaborating between key stakeholders (e.g., governments, financial technology companies, and information technology companies) to create a set of best practices that will satisfy regulatory guidance and offer practical steps to increase security.

3. The G20 should ensure business integrates cyber resilience in their supply chain to minimize cybercrime risks stemming from the broader industry connections.

KEY PERFORMANCE INDICATOR[161]

PERCENTAGE OF G20 COUNTRIES WITH CYBERCRIME LAW/REGULATION

OWNER: G20 COUNTRIES

G20 countries that have enacted cybercrime legislation.
Source: United Nations Conference on Trade and Development (UNCTAD)

Baseline	Target
98%	100%
(2021)	*(2025)*

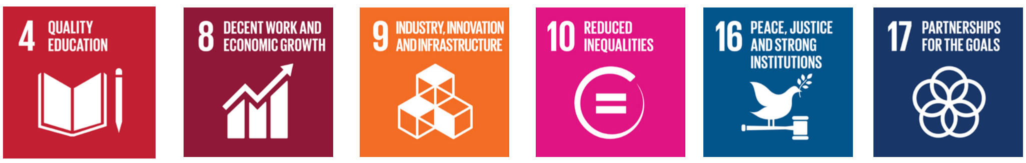
GLOBAL CYBERSECURITY INDEX

OWNER: G20 COUNTRIES

Global Cybersecurity Index assesses each country's level of development or engagement of cybersecurity along five pillars (legal measures, technical measures, organizational measures, capacity development, and cooperation) and then aggregated into an overall score.
Source: The International Telecommunication Union

Baseline	Target
91.68	96.27
(2020)	*(2025)*

SDGs IMPACT



Recommendation 4 contributes to the achievement of UN's SDG **4: Quality Education, 8: Decent Work and Economic Growth, 10: Reduced Inequalities, 16: Peace, Justice and Strong Institutions, 17: Partnerships for the Goals.**

161 For further details please see the relative Annex

Policy action 4.1 aims to tackle SDG **4.4,** SDG **8.2,** SDG **8.3,** by encouraging training for business professionals toward cyber-related topics and broadening the community and skills capacity of cybersecurity professionals. These are in line with SDG **16.4** and **16.5** which aim to better identify and manage risks and respond against cyber-attacks incidents to further combat all forms of organized crime. The policy action also seeks to support MSMEs in minimizing their cybercrime risks through guidelines, knowledge and information sharing to improve their risk management.

Policy action 4.2 aims to tacke SDG **16.5** by ensuring that business integrates cyber resilience to minimize cybercrime risks that would eventually reduce corruption and all forms of organized crime. It also supports SDG **16.6** and SDG **17.14** by encouraging business to adopt comprehensive frameworks that are consistent with broadly accepted international conventions and encouraging information sharing platforms to drive better cybercrime response cooperation across borders. Finally, policy action 4.2 seeks to enforce Collective Action between public-private sectors and collaboration between key stakeholders to further create a set of best practices which are in line with SDG **16.a,** SDG **17.6**, and SDG **17.17.**

G20 INDONESIA PRIORITY IMPACT

Recommendation 4 commits towards the achievement of the G20 Indonesian Presidency principles: **Global Health Architecture, Digital Transformation,** and **Sustainable Energy Transition.**

Policy action 4.1 addresses the Digital Transformation, as the policy action aims to help business to mitigate cybercrime risks encourage systemic cybercrime resilience and collaboration by training and infrastructure to educate business professionals on the topic, build cyber-hygiene culture, and broaden cybersecurity skills capacity of the community and professionals. Policy action 4.1. also support the Global Health Architecture and Sustainable Energy Transition principles by suggesting businesses, including healthcare and energy business players, to improve their post-incidents cybercrime detection and investigation tools and mechanism.

Policy action 4.2 addresses the Digital Transformation, as the policy action aims G20 Government to adopt laws or comprehensive framework that are consistent with broadly accepted international conventions to drive better cybercrime response cooperation across borders.

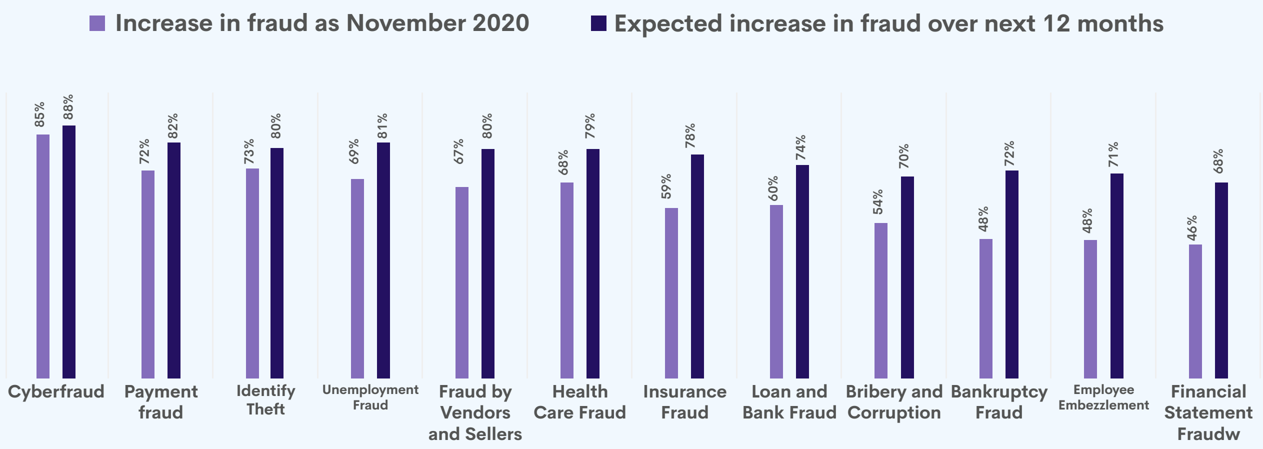
CONTEXT

Despite of organizations' readiness, COVID-19 and various global initiatives have accelerated pressures for businesses to transform their operating models to incorporate an even higher demand of digitalization and tech-driven mechanisms (e.g., data analytics, AI, and automation) to fast-track, adapt, and survive in the vastly changing environment[92].

Cybercriminals have stepped up the game to exploit common cyber threats (e.g., hacking, phishing, business email compromise/scams, ransomware attacks)[100] to a massive frequency amidst increasing digitalization efforts and a rapid shift to employees working remotely in an uncontrolled or less-supervised environment[92]. Exacerbated cyber-attacks then cost business major integrity issues - consumer and supplier data's loss, financial information leakage[162], which are later utilized to facilitate personal/organizations' data sale[92] and insider trading activity[100].

EXHIBIT 26: HOW COVID-19 IS AFFECTING FRAUD[163]

In 2020, survey respondents from 1,851 selected Association of Certifed Fraud Examiners (ACFE) members provided information about their current observations on the overall level of fraud in the wake of COVID-19 and expected changes regarding ten specific types of fraud. Across the board, anti-fraud professionals are already seeing increased levels for each of these risks, and they anticipate further increases over the next 12 months.



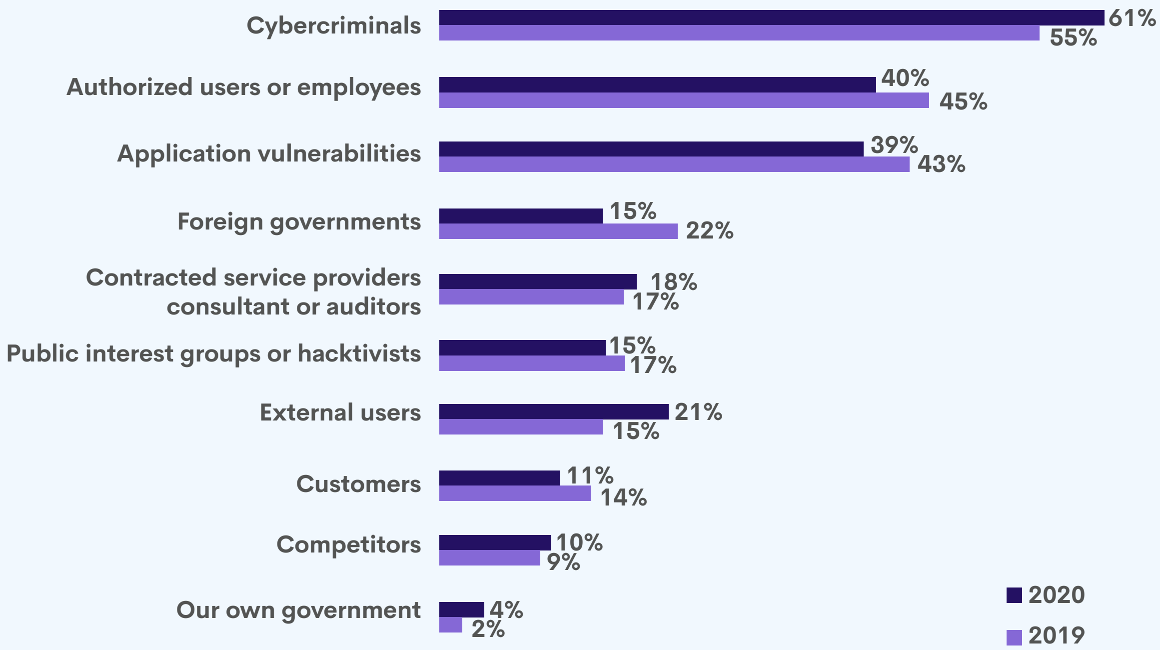
Integrity issues may arise when organizations have no controls and infrastructure in place to respond (e.g., detect, investigate) cyber-attacks. Whilst mitigating cybercrimes risk require both strong preventive (e.g., pre-incident) and respond (e.g., post-incident) mechanisms, the discussion of preventive efforts will be highlighted in other task forces.

162 "Is Cybersecurity about More than Protection"; *EY Global Information Security Survey*; October 2018.
163 "Fraud in the Wake of COVID-19"; *ACFE*; December 2020.

The acts are exacerbated by lack of organizations readiness to prevent cyber-attacks in sudden changes of economic environment:

- Lack of employees' awareness on cybercrime – 22% cybercrime occurs when employees are lured by phishing bait, followed by 20% as the victims of malware[164].

EXHIBIT 27: TOP SECURITY THREATS[164]

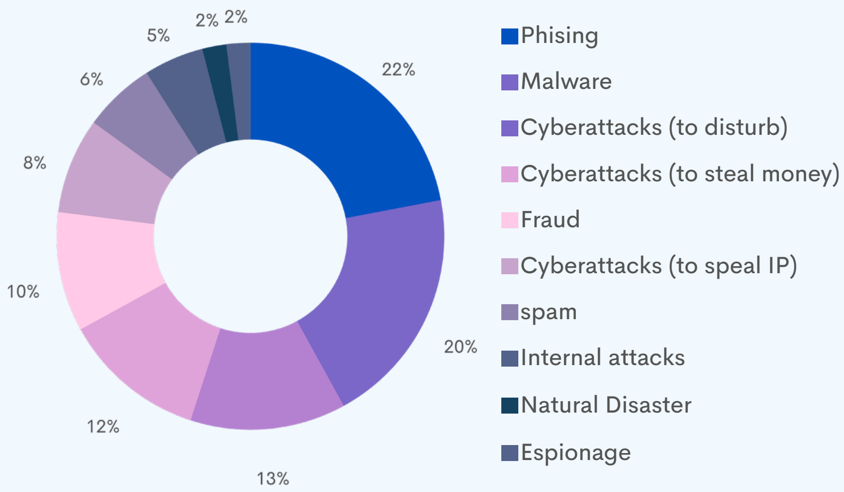


A survey collected from 190 information technology and cybersecurity professionals at small to large companies shows that majority of security practitioners (61%) consider financially motivated cybercriminals are posing the biggest risk to enterprise data. The widely reported growth in ransomware and other forms of cyber extortion over the last 12 months likely has fueled this sentiment.

- Lack of perceived importance to invest and change cybersecurity role to be preventive rather than reactive – 77% of organizations are still operating with only limited cybersecurity infrastructure (e.g., data encryption, secured data sharing platform), whilst 53% organizations have no/obsolete program for cybersecurity efforts (e.g., vulnerability identification, breach detection, incident response, data protection, and access management)[162]. Only 36% of organizations further involve the cybersecurity team from the start of a new business initiative — taking part in the planning process for new projects rather than being brought in only as part of the design team, or even later[165].

164 "Assessing Cybersecurity Risk in Today's Enterprises"; Jai Vijayan; *Dark Reading*; December 2020.
165 "How does Security Evolve from Bolted on to Build-in?"; *EY Global Information Security Survey;* February 2020.

EXHIBIT 28: TOP 10 BIGGEST CYBER THREATS TO ORGANIZATIONS[162]



A survey conducted in 2018 from over 1,400 C-suite leaders and and IT executives/ managers claimed that most successful cyber breaches contain "phishing and/or malware" as starting points. Attacks focused on disruption rank in third place on the list, followed by attacks with a focus on stealing money. Although there has been quite a lot of discussion about insider threats and statesponsored attacks, the fear for internal attacks shows up as number eight on the list; espionage ranks bottom of the list.

- Due to the COVID-19, businesses continue to grapple with economic fluctuations, supply chain disruptions, remote operations. Specifically, cyberfraud (e.g., business email compromise, hacking, ransomware, and malware) continues to be the most heightened area of risk, with 85% of respondents already seeing an increase in these schemes, and 88% expecting a further increase over the next year[163].

EXHIBIT 29: INCREASING WORKING FROM HOME (WFH) TRENDS TRIGGERS INTEGRITY ISSUES IN PRIVACY AND SECURITY[163]

A survey performed on private sectors, government, and non for profit/educational institutions on COVID-19 impact towards working styles and data privacy/sharing reveals the followings.

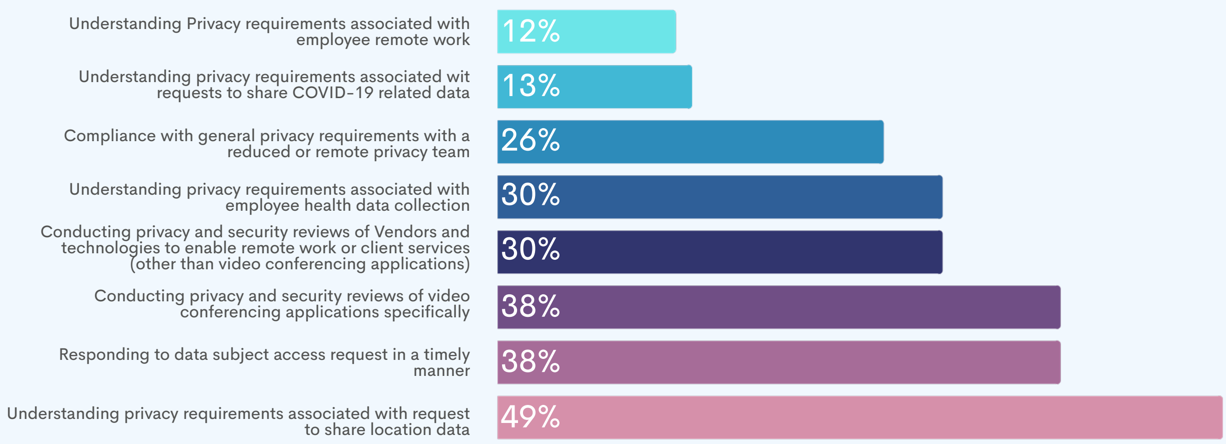
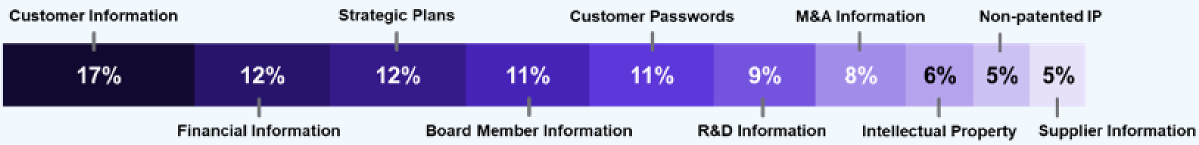


EXHIBIT 30: TOP 10 MOST VALUABLE INFORMATION TO CYBER CRIMINALS[162]

Customer information, financial information and strategic plans make up the top three most valuable information that organizations would like to protect. Board member information and customer pass-words follow closely after the top three listings. At the bottom of the top 10 list the survey find supplier information which still needs some work.



In the effort to guide the G20 towards a tangible and impactful change, the B20 Integrity and Compliance Task Force seeks to draw attention to two key priority actions in strengthening governance to mitigate exacerbated cybercrime risks:

1. Rectify organizational governance structure
2. Extend multi-stakeholder cooperation for better cybercrime response

POLICY ACTION 4.1: RECTIFY ORGANIZATIONAL GOVERNANCE STRUCTURE

Organizations should design an internal governance structure that addresses cybersecurity on an enterprise-wide basis that are fit for purpose. This includes defining clear ownership, authority and set of KPIs and key risks indicators among all internal stakeholders for critical risk management and reporting responsibilities[165]. When an organization integrates cybersecurity practices into business operations and its decision making, the exemplified key considerations are as follows[166]:

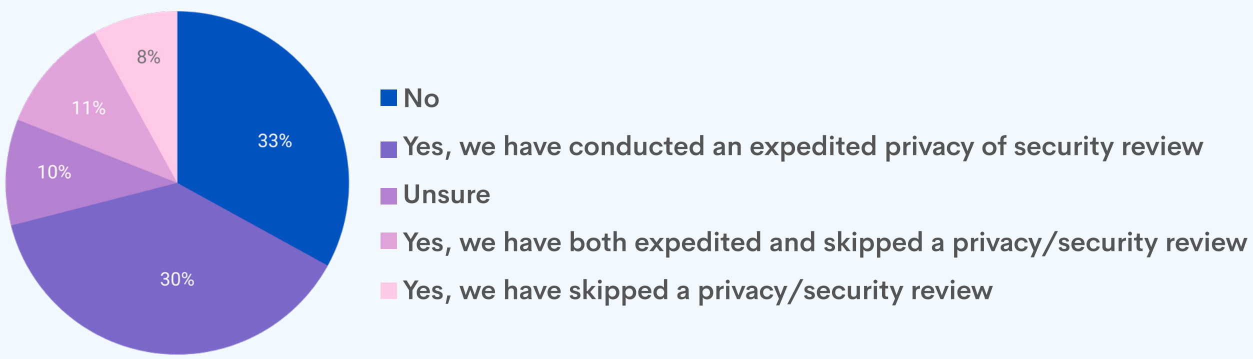
- Review the organizational structure to ensure that the cybersecurity function is adequately represented across the business, internal groups and leadership
- Understand the basis for, and challenge the assignment of, important roles and lines of accountability for cybersecurity strategy, policy and execution
- Set expectations that cybersecurity and cyber-risk functions are to receive adequate staffing and funding and monitor the efficacy of these determinations
- Inspire a cybersecurity culture and encourage collaboration between the cybersecurity function and all stakeholders relating to, and accountable for, cyber risk at various levels (e.g., compliance, privacy etc.)
- Ensure an accountable officer who has authority and responsibility to coordinate cyber-risk strategy throughout the organization and that the organization has a comprehensive plan for data governance.

166 "Principles for Board Governance of Cyber Risk"; Larry Clinton et al.; *WEF*; March 2021.

EXHIBIT 31: EXPEDITED OR SKIPPED PRIVACY/SECURITY REVIEW AS A RESULT OF COVID-19[1]

The survey was conducted in 2021 with respondents worked in the private sector, in government, and a non-profit or education institution. Regarding geographic distribution, the sample was diverse and broadly reflected the distribution of the International Association of Privacy Professionals membership. Respondents represented organizations based in more than 80 countries, with about half of respondents being located outside the United States. According to the survey, among organizations that have adopted new WFH technology, nearly 60% has accelerated or bypassed privacy/security review. The large number of organizations that have felt compelled to skip or expedite a privacy or security review for new technologies indicates the need for guidance on how to conduct an expedited privacy/security review.

Have adopted a new working from home technology?



It is vital that the security team continuously monitor abnormal behavior to detect the breadcrumbs of emerging attacks. There is always a period when the attacker has an initial foothold and is working out what move to make next; this period can be used to a business' advantage. Companies should also test their existing capabilities and have a plan-of-action for when the worst happens, consistently monitor whether existing mechanisms give enough warning and are able to hold threats at bay long enough for the company to act[167]. Furthermore, organizations should upgrade their security protocols that fit their businesses, such as implementing authentication factors (e.g., two-factor authentication and multi-factor authentication) and strong password to protect from potential attacks[164]. By providing a more secure authentication method, it makes it more difficult for attackers to bypass this additional security layer[168].

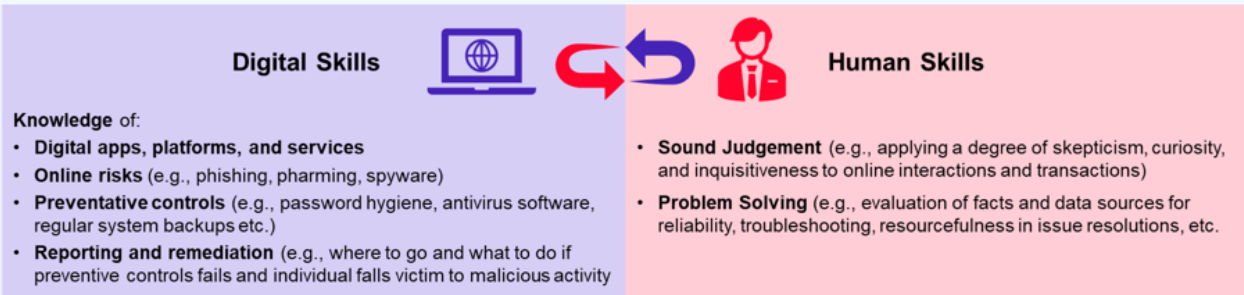
Internal audit also plays a central role in overseeing cybersecurity by conducting regular assessments to provide a comprehensive appraisal of the organization's strength and weakness. Internal audit should also be able to develop a road map for the future dealing with various cyber risk issues and scenarios[169]. With the use of data analysis and data mining IT security issues might be detected. Integrating data analysis in internal audit work leads to better risk monitoring and a wider control and fraud detection. Efficient communication between internal audit and Board is also essential to the cyber-security risks levels at the organization level and countervail or mitigate them[170].

167 "4 Cybersecurity Strategies for Small and Midsize Businesses"; Poppy Gustafsson; *Harvard Business* Law; September 2021.
168 "Five Ways to Improve your Company's Cybersecurity"; Steve Richmond; *Forbes*; January 2020.
169 "Cybersecurity: The Changing Role of Audit Committee and Internal Audit"; Siah Weng Yew et al.; *Deloitte*; 2015.
170 "Internal Audit Role in Cybersecurity"; Carataș M. Alina, Spătariu E. Cerasela & Gheorghiu Gabriela; *Ovidius*; 2017.

Whilst cybercrime incidents have escalated rapidly in recent years, companies and governments have struggled to hire enough qualified professionals to safeguard against the growing threat. This trend is expected to continue into 2022 and beyond, with some estimates indicating that there are some 1 million unfilled positions worldwide (potentially rising to 3.5 million by 2021)[171]. On average, companies, that had revenues of approximately $11 billion, only spending an average of just $5.28 million, or 0.05% of the total, on cybersecurity per annum[143]. Whereas, in many cases, the weakest point of security for an organization is its personnel. Reversing this phenomenon requires empowering employees with the skills they need to stay ahead of and be prepared to protect against increasingly sophisticated threats. It is essential to develop a knowledgeable, cyber-literate workforce to reduce cyber risks to the state. To create a culture of cybersecurity and reduce the risks from cyberattacks, organizations should implement a robust cybersecurity training program for all employees[172]. Business leaders should be vocal about the importance of cyber security across the organization, and all departments should know that cyber security is relevant to them. The Board should be briefed regularly by key personnel within security team on cyber security and on how the business is responding to cyber threats. At the same time, security providers should be involved in this process[167].

EXHIBIT 32: CYBER LITERACY[173]

The G20 can look to incorporate two dimensions into the standardized definition of cyber literacy: digital and human skills



The capability to manage the cybercrime risks varies across business segments. The most risky segment is MSMEs. MSMEs contribute a large portion of economic growth in G20 countries but they are prone to cybercrime risks since they do not have the necessary tools, resources, and capabilities to secure their business[174]. Attackers are shifting their target to suppliers or smaller third-party vendors to get into the heart of critical systems and this condition has been exacerbated by the COVID-19 pandemic. Cyberattacks on MSMEs in the last two years have increased significantly. For instance, as of 2020, 55% MSMEs had experienced a cyberattack, with ransomware, social-engineering attacks and malicious insider activity being a thorn in the flesh of owners and managers of MSMEs[175].

171 "Top Cybersecurity Threats in 2021"; Michelle Moore; *University of San Diego*; 2021.
172 "Guarding the Public Sector: Seven Ways State Governments can Boost their Cybersecurity"; Ryan Harkins & Erin English; *MarshMcLennan*; October 2022
173 "Heightening Cybersecurity to Promise Safety and Fairness for Citizens in the Post-Covid-19 Digital World"; Muhammad K. Khan, Stefanie Goldberg & Paul Grainger; *G20 Insights*; November 2020.
174 "Cybersecurity for Small-and-Medium Enterprises in Asia Pacific"; Wahjudi Purnama; *Microsoft*; January 2021.
175 "Global Cybersecurity Outlook"; *WEF*; January 2022.

If this trend is allowed to persist, the financial losses attributed to cybercrime will continue to increase cost of operation, limit productivity and reduce innovation in the MSMEs sector, which will eventually force millions of these businesses to shut down permanently, leading to many job losses as MSMEs represent about 90% of all businesses and provide more than 50% of employment worldwide[176]. Admittedly, cybercrime in the MSME sector has contributed in impeding inclusive growth, constraining innovation, pushing millions of people into poverty and reducing global economic growth significantly[177].

In order to minimize the impact of cybersecurity threat, MSMEs should raise awareness within the organization in area of protecting company data and networks (e.g., using strong password, ensuring responsible email usage), type of possible scams and malwares, creating information security culture (e.g., banning use of unlicensed software, updating all software regularly, establishing safe browsing and social media rules). MSMEs also should strengthen remote access management policy and procedures, for instance setting out clear guidelines for their employees with respect to proper use of remote access[178].

176 "Small and Medium Enterprises (SMEs) Finance"; *The World Bank*; 2022.
177 "What is the Impact of Cybercrime on SMEs?"; Alexander A. Odonkor; *China Global Television Network*; February 2022.
178 "COVID-19 Cyber Security Threats to MSMEs"; *International Chamber of Commerce*; 2020

POLICY ACTION 4.2: EXTEND MULTI-STAKEHOLDER COOPERATION FOR BETTER CYBERCRIME RESPONSE

Effective cyber-risk strategy includes improving the cyber resilience of industries and sectors. The highly interconnected nature of modern organizations means the risk of failure of one enterprise may affect entire industry, sector and economy. Ensuring the cybersecurity of an enterprise is no longer sufficient; rather, cyber resilience demands that organizations work together. Recognizing that Collective Action and partnership can meet the systemic cyber-risk challenge effectively, collaboration across-industries and with public and private stakeholders should be conducted to ensure that each entity supports the overall resilience of the interconnected organizations. Organization should consider to[166]:

- Develop a 360-degree view of the organization's risk and resiliency posture to operate as a socially responsible party in the broader environment in which the business operates
- Develop peer networks, including other Board members, to share best governance practices across institutional boundaries
- Ensure management has plans for effective collaboration, especially with the public sector, on improving cyber resilience
- Ensure that management takes into account risks stemming from the broader industry connections (e.g., third parties, vendors and partners)
- Encourage management participation in industry groups and knowledge and information-sharing platforms.

EXHIBIT 33: SUPPLY CHAIN ATTACKS

SITA Supply Chain Breach[179]

The global information technology company, SITA, has suffered a data breach after hackers were able to gain access to its servers which contain passenger data from multiple airlines around the world. SITA, an IT systems vendor for 90% of the global aviation industry, has been used as an instrument for a sophisticated international supply chain attack. Like all supply chain attacks, the impact of this breach is likely to be proportional to the compromised vendor's partner networks including over 400 airlines. The SITA Passenger Service System (PSS) stores highly sensitive customer information including names addresses and passport data. Because the SITA PSS ensures each airline can recognize the frequent flyer benefits of other airlines, the database was also storing alliance member data in addition to its customer data. Singapore Airlines has already announced that around 580,000 of its customers have been impacted by this breach.

The SolarWinds Attack[180]

The SolarWinds hack is the commonly used term to refer to the supply chain breach that involved the SolarWinds Orion system. The SolarWinds attack is a global hack, as threat actors turned the Orion software into a weapon gaining access to more than 30,000 private and government systems around the world. Due to the nature of the software -- and by extension the Sunburst malware -- having access to entire networks, many government and enterprise networks and systems face the risk of significant breaches.

The hack could also be the catalyst for rapid, broad change in the cybersecurity industry. Many companies and government agencies are now in the process of devising new methods to react to these types of attacks before they happen. Governments and organizations are learning that it is not enough to build a firewall and hope it protects them. They have to actively seek out vulnerabilities in their systems, and either shore them up or turn them into traps against these types of attacks.

Microsoft Exchange Server Hack[181, 182]

Four zero-day vulnerabilities in Microsoft Exchange Server are being actively exploited by attackers to deploy backdoors and malware in widespread attacks in early January 2021. Microsoft Exchange Server is an email inbox, calendar, and collaboration solution. Users range from enterprise giants to small and medium-sized businesses worldwide. Once the attack was discovered, Microsoft worked over the next several weeks to release security updates with patches for these vulnerabilities, and it recommends that companies prioritize installing those updates on externally facing Exchange servers. The vulnerabilities could be used for the purposes of ransomware deployment and data theft.

When zero-day vulnerabilities come to light and emergency security fixes are issued, if popular software is involved, the ramifications can be massive. The United States' Cybersecurity and Infrastructure Security Agency emergency directive was issued for all federal civilian departments and agencies running vulnerable Microsoft Exchange servers to update the software or disconnect the products from their networks. Furthermore, the Australian Cyber Security Centre is also performing scans to find vulnerable Exchange servers belonging to organizations in the country, and the United Kingdom's National Cyber Security Centre is also working with local entities to remove malware from infected servers. The attack impacts have been extensive and wide-ranging, with Belgium's interior ministry announcing in late May 2021 that their entire computer system had been accessed by an intruder.

179 "SITA Supply Chain Breach Hits Multiple Airlines"; Phil Muncaster; *InfoSecurity*; March 2021.
180 "SolarWinds Hack Explained: Everything you need to know"; Saheed Oladimeji & Sean Michael Kerner; *TechTarget;* February 2021.
181 "Everything you need to know about the Microsoft Exchange Server Hack"; Charlie Osborne; *ZDNet*; April 2021.
182 "The FPS Interior has Faced a Cyberattack and Modernises its IT Infrastructure"; *Federal Public Service Interior*; 2021.

Embracing cyber resilience, by ensuring organization networks can adapt, recover, and continue to operate if and when an attack happens, not only help in ensuring its security but also create opportunities to build comprehensive, long-term strategies that set them on a path toward digital transformation, promote a culture of innovation, generate new avenues for investment, and contribute to a vibrant and economically competitive organization[172].

In some cases, companies, with information about online crimes, face potential liability under privacy, data protection or other laws if they voluntarily share that information with law enforcement. To facilitate and encourage timely cooperation, governments should clarify rules for how companies share data with law enforcement. Lack of clarity about rules for information-sharing and liability risks may prevent companies from working with law enforcement agencies, even when cooperation is critical to prevent or respond to cybercrime. In addition, enhancing the procedures and mechanisms for international, cross-border cooperation by modernizing mutual legal assistance processes will help streamline enforcement efforts and help clarify important issues related to jurisdiction and access to evidence[183].

Adopting laws that are consistent with broadly accepted international conventions are important. For instance, The Council of Europe's Budapest Convention on Cybercrime provides a good model for cybercrime legislation that can help harmonize laws and drive better cooperation across borders. Such international coordination and cooperation will help eliminate safe havens for malicious actors and minimize the risks that arise when intermediaries and other innocent parties are subject to conflicting obligations or liabilities[167].

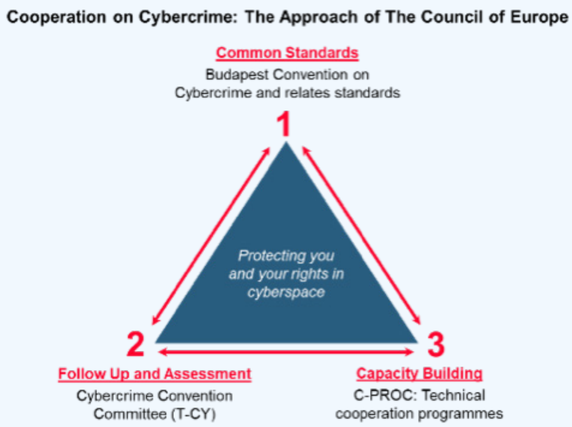
EXHIBIT 34: BUDAPEST CONVENTION ON CYBERCRIME [184, 185]

The Convention on Cybercrime (ETS No. 185, Budapest Convention) was opened for signature in Budapest, Hungary, on 23 November 2001 and has been shaping the international criminal justice response to cybercrime and electronic evidence ever since. The Budapest Convention is more than a legal document; it is a framework that permits hundreds of practitioners from Parties to share experience and create relationships that facilitate cooperation in specific cases, including in emergency situations, beyond the specific provisions foreseen in this Convention. As of 31 December 2021, The Budapest Convention has 66 Parties, over 125 States have adopted laws criminalising offences against computer data and systems and offences committed using computers, and over 90 have provided their authorities with procedural powers to investigate and prosecute cybercrime and to secure evidence collected in electronic form, subject to rule of law safeguards broadly in line with this treaty.

The Budapest Convention remains the most relevant international agreement on cybercrime and electronic evidence. The formula for success is a "dynamic triangle".

183 "A Cloud for Global Good"; Brad Smith; *Microsoft*; January 2018.
184 "Convention on Cybercrime - Special Edition Dedicated to the Drafters of the Convention (1997-2001)"; Cristina Schulman; *Council of Europe;* March 2022.
185 "The Budapest Convention on Cybercrime: A Framework for Capacity Building"; Alexander Seger; *Global Cyber Expertise Magazine*; December 2016.

Common standards: the Budapest Convention
The Budapest Convention is a criminal justice treaty that provides States with the criminalisation of a list of attacks against and by means of computers; procedural law tools to make the investigation of cybercrime and the securing of electronic evidence in relation to any crime more effective and subject to rule of law safeguards; and international police and judicial cooperation on cybercrime and e-evidence.



Assessments and follow up: Cybercrime Convention Committee
The 125 States together with ten international organisations (such as the Commonwealth Secretariat, EU, the International Criminal Police Organization, the International Telecommunication Union, the Organisation of American States, the UNODC, and others), participate as members or observers in the Cybercrime Convention Committee. This Committee assesses implementation of the Convention by the Parties, and keeps the Convention up-to-date. Current efforts focus on solutions regarding law enforcement access to electronic evidence on cloud servers.

Capacity building
International calls for technical assistance to reinforce criminal justice capacities on cybercrime and security have been made for decades. Following adoption of the Budapest Convention on Cybercrime in 2001, the Council of Europe assists countries in the implementation of this treaty within Europe and in other regions of the world and established a Cybercrime Programme Office (C-PROC) for worldwide capacity building in Romania that covering the Eastern Partnership region (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) or South-Eastern Europe and Turkey. Together with the EU, a join project on 'Global Action on Cybercrime' (GLACY) was establised in 2013 that assisted Mauritius, Morocco, Philippines, Senegal, South Africa, Sri Lanka and Tonga. With GLACY ending in October 2016, several of these countries will be able to share their experience within their respective regions by serving as hubs under the new joint EU-CoE project 'Global Action on Cybercrime Extended' (GLACY+), which runs from 2016 to 2020.

Successful incident management includes a clear communication strategy with both internal and external stakeholders, as well as, support from specialised third parties to help contain and remedy the incident. Organizations should also proactively engage with law enforcement and specialised oversight agencies to help tackle increasingly sophisticated cyber threats. It is also crucial for organizations to secure supplier portals and other external facing systems. Organizations should map out, assess and manage all entry points with theunderlying objective of making information systems impervious to outside tampering. Quick practical steps include updating and patching software, updating passwords and encouraging multifactor authentication to their third parties[172].

ANNEX

KEY PERFORMANCE INDICATOR

Monitoring KPIs from B20 Italy Integrity and Compliance Task Force

KPI	Baseline	Target	Current Status
Recommendation 1: Responsible conduct through the procurement cycle			
Global Corruption Index	46% (2020)	40% (2024)	Global Risk Profile issued Global Corruption Index 2021. The newest index indicates a 0.5% decrease from 46.34 world mean in 2020 to 46.09 in 2021.
Recommendation 2: Sustainable governance in business			
The Business Extent of Disclosure Index	6 (2019)	6.43 (2024)	On 16 September 2021, the World Bank announced that the Business Extent of Disclosure is discontinued.
Governance Score	6.4 (2020)	7.1 (2024)	In 2022, Global Risk Profile issued the latest version of Sustainable Governance Indicators. The name of the score is changed into 'Good Governance Score'. The newest score indicates 3% increase from 6.4 in 2020 to 6.62 in 2022.
Recommendation 3: Cooperative compliance models and rewarding systems			
Countries with National Laws Protecting Whistle-blowers	32 (2017)	54 (2024)	Environmental Law Institute has not issued its newest research on countries with national laws protecting whistle blowers since 2017.

KPI	Baseline	Target	Current Status
Recommendation 4: Beneficial ownership transparency			
Worldwide commitments and action - countries are fully committed to Beneficial Ownership Transparency	48 (2020)	83 (2024)	Open Ownership changes its data terminology in 2022. Currently, it monitors countries that: had made commitment to beneficial ownership transparency: central register (118) and public register (107); and have implemented central register (44) and public register (34). While back in August 2020, it categorized its data into: contries committed to beneficial ownership transparency in total (108) that consisted of fully commited (48) and partially commited (60).

Applied Methodology and Forecasting for Targets Definition in B20 Indonesia Integrity and Compliance Task Force

This section aims at describing the adopted methodology as well as the logic behind the performed calculations and forecasting with regard to the target definition of the KPIs. Among the main variables chosen to perform the relative calculation, three key pillars have been taken into consideration which lead the way in the definition of the settled target. In this context, these are historical series of data used in forecasting, adjustment rate coming from post-pandemic recovery effects, and weighting the positive impacts, the ambition, and achievable target that may result from effective implementation of the proposed recommendations and actions.

The B20 Integrity and Compliance Task Force proposes that current and future G20 presidencies monitor progress on the proposed KPIs in the following tables. The KPIs shows the relative sources, the given baseline and the target year, and the futher explanation in description. The owner of the KPIs is all the G20 members (counting at the moment a total of 43 countries – 19 countries[186] and 24 countries[187] as extended members from European Union). Therefore, our ambition is to encourage governments to ensure continuous improvement of this indicator.

186 Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, Turkey, United Kingdom, United States of America.

187 Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden

Recommendation 1: Promote sustainable governance in business to support ESG initiatives	
Good Governance Score	
Source	Sustainable Governance Indicators
Baseline (2022)	6.51
Target (2025)	6.71
Description	The Good Governance Score relies on two key elements: executive capacity and executive accountability. The executive capacity element represents the eight sub-components: strategic capacity, interministerial coordination, evidence-based instruments, societal consultation, policy communication, implementation, adaptability, and organizational reform. The executive accountability element consists of citizens' participatory competence, legislative actors' resources, media, parties and interest associations, and independent supervisory bodies as sub-components. The Good Governance Score 2020 issue presents 41 countries' scores, focusing on OECD and EU countries. The Good Governance Score results set appropriate minimum and maximum values and calculate scores from 1 (worst) to 10 (best). The baseline score is calculated based on average score of 35 G20 countries that are listed in the 2022 edition. The target score is calculated as 3% increase from the baseline score.
Adoption of Global Sustainability Reporting Standard	
Source	Issuer of global sustainability reporting standard
Baseline (2022)	Issuance of global sustainability reporting standard
Target (5 years after the inssuance of global sustainabillity reporting standard)	25% adoption in G20 countries in their national law/regulation

Recommendation 1: Promote sustainable governance in business to support ESG initiatives	
Description	Sustainability reporting standard is a standard that set measurement, disclosure, and accountable factors for organizational performance towards the goal of sustainable development. The internal and external stakeholders rely on the sustainable reporting to evaluate the organization performance, hence a global standard is required for consistent, comparable and reliable sustainability reporting. As currently many of global sustainability reporting standards are under development or under revision phase, the baseline for this KPI is the issuance of global sustainability reporting standard in 2022. The target is either partially of fully adoption of the prefered global sustainability reporting standard in their national law/regulation by the G20 members.

Recommendation 2: Foster Collective Action to alleviate integrity risks	
Global Corruption Index	
Source	Global Risk Profile
Baseline (2021)	28.02
Target (2025)	26.90
Description	The Global Corruption Index relies both public and private corruption as well as other white-collar crimes, such as ML and TF issues. Four indicators are considered to measure corruption, weighted as follows: 1. The ratification status of key conventions (OECD, UN); 2. The level of perceived public corruption (Transparency International's Corruption Index, World Bank data, World Justice Project Organisation data); 3. The reported experience of public and private corruption (Transparency International's Global Corruption, Barometer, World Bank's Enterprise Survey); 4. A selection of country characteristics closely linked to corruption. In addition, to measure white-collar crimes, the index extracts information from the Basel Institute's AML Index and the membership to FATF and/or related bodies. Measured at an aggregate level, the Global Corruption Index provides a score, ranking and risk evaluation for as many as 196 countries in 2021. The Global Corruption Index is presented on a 0-100 scale, 0 corresponds to the lowest risk and 100 corresponds to the highest risk. The baseline score is calculated based on average score of all G20 countries data, while the target score is calculated based on 4% decrease from the baseline score.
Corruption Perception Index	
Source	Transparency International
Baseline (2021)	59.12

Recommendation 2: Foster Collective Action to alleviate integrity risks	
Target (2025)	61.48
Description	The Corruption Perception Index ranks 180 countries and territories around the world by their perceived levels of public sector corruption. The index aggregates data from several different sources that provide perceptions among businesspeople and country experts of the level of corruption in the public sector. The Corruption Perception Index 2021 is calculated using 13 different data sources from 12 different institutions that capture perceptions of corruption within the past two years. The Corruption Perception Index is presented on a 0-100 score, 0 corresponds to the highly corrupt and 100 corresponds to very clean. The baseline score is calculated based on average score of all G20 countries' Corruption Perception Index data and the target score is calculated based on 4% increase from the baseline score.
Worldwide Governance Indicator – Control of Corruption	
Source	World Bank
Baseline (2021)	70.89
Target (2025)	73.72
Description	The Worldwide Governance Indicators are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are based on over 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The Worldwide Governance Indicators project reports aggregate and individual governance indicators for over 200 countries and territories over the period 1996-2021, for six dimensions of governance: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption. The KPI focuses only on control of corruption dimension. Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The KPI is calculated based on percentile rank among all countries, ranges from 0 (lowest) to 100 (highest) rank. The baseline score is calculated based on average score of all G20 countries rank, and the target score is calculated based on 4% increase from the baseline score.

Recommendation 2: Foster Collective Action to alleviate integrity risks	
Percentage of G20 Countries that have Anti-Corruption Agency or Authorities for Corruption Cases Handling	
Source	Anti-Corruption Authorities, Council of Europe, and other publicly available sources
Baseline (2022)	93%
Target (2025)	100%
Description	As part of effort to fight corruption, establishment of Anti-Corruption Agency or Authorities for corruption cases handling is a key element. However, currently not all countries have their own Anti-Corruption Agency or or Authorities for corruption cases handling, including within G20 countries. The number of Anti-Corruption Agencies or Authorities for corruption cases handling is percentage of G20 countries that at least owned one Anti-Corruption Agency, counting 40 of 43 countries. The target score will be achieved if all G20 countries have the Anti-Corruption Agency or Authorities for corruption cases handling.

Recommendation 3: Foster agility in counteract measures to combat money laundering/terrorist financing risks	
Basel AML Index	
Source	Basel Institute on Governance
Baseline (2022)	4.35
Target (2025)	4.22
Description	The Basel AML Index measures the risk of ML/TF. Risk scores are based on data from publicly available sources such as the FATF, Transparency International, the World Bank and the WEF. The index covers 18 indicators in five domains relevant to assessing ML/TF risk at the country level: quality of AML/CFT framework, corruption risk, financial transparency and standards, public transparency and accountability, and legal and political risks. In its 2022 issue, the publication presents indexes for 128 countries. The Basel AML Index is presented on a 0-10 scale, 0 corresponds to the lowest risk and 10 corresponds to the highest risk. The baseline score is calculated based on average score of 37 G20 countries' indexes. The target score is calculated based on 3% decrease from the baseline score.
Percentage of G20 Countries that Made Central Register Commitment to Beneficial Ownership Transparency	
Source	Open Ownership
Baseline (2022)	86%
Target (2025)	93%
Description	Countries that made commitment to beneficial ownership transparency, where central registers are in operation, and where Open Ownership is providing support across the world. The baseline score is calculated based on pecentage of G20 countries that made central register commitment to BO transparancy at present, marking 37 of 43 countries. The target score will be achieved if all of G20 countries made central register commitment to BO transparency.
Percentage of G20 Countries that are Members of FATF	
Source	Financial Action Task Force
Baseline (2022)	67%
Target (2025)	79%

Recommendation 3: Foster agility in counteract measures to combat money laundering/terrorist financing risks	
Description	The FATF Recommendations are recognised as the global AML and CTF standard. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF currently comprises of 37 member jurisdictions and 2 regional organisations, representing most major financial centres in all parts of the globe. The baseline score is calculated based on percentage of G20 countries that are member of FATF, namely 29 of 43 G20 countries. The target score will be achieved if 34 G20 countries become members of FATF.

Recommendation 4: Strengthen governance to mitigate exacerbated cybercrime risks	
Percentage of G20 Countries with Cybercrime Law/Regulation	
Source	UNCTAD
Baseline (2021)	98%
Target (2025)	100%
Description	Cybercrime is a growing concern to countries at all levels of developments and affects both, buyers and sellers. The evolving cybercrime landscape and resulting skills gaps are significant challenges for law enforcement agencies and prosecutors, especially for cross-border enforcement. As of now, 156 countries (80%) have enacted cybercrime legislation. The baseline score is calculated based on percentage of G20 countries with cybercrime law, counting of 42 countries in total at present. The target score will be achieved if all G20 countries have enacted cybercrime law.
Global Cybersecurity Index	
Source	The International Telecommunication Union
Baseline (2020)	91.68
Target (2025)	96.27
Description	The Global Cybersecurity Index is an initiative of the International Telecommunication Union, the UN specialized agency for information and communications technologies. The Global Cybersecurity Index measures the commitment of 194 countries to cybersecurity at a global level – to raise awareness of the importance and different dimensions of the issue. As cybersecurity has a broad field of application, cutting across many industries and various sectors, each country's level of development or engagement is assessed along five pillars – legal measures, technical measures, organizational measures, capacity development, and cooperation – and then aggregated into an overall score. The Global Cybersecurity Index is presented with scale 0-100 points. 0 corresponds to the maximum risk and 100 corresponds to the minimum risk. The baseline score is calculated based on data from all G20 Countries. The target score is calculated based on 5% increase from the baseline score.

ACRONYMS

AA1000AS	AA1000 Assurance Standard
ABAC	Anti-Bribery Anti-Corruption
ACFE	Association of Certified Fraud Examiners
AI	Artificial Intelligence
AML	Anti-Money Laundering
ANI	Agencia Nacional de Infraestructura
ASIC	Australian Securities and Investments Commission
APEC	Asia-Pacific Economic Cooperation
B20	Business 20
B2B	Business-to-Business
B2G	Business-to-Government
BO	Beneficial Ownership
CAC	Collective Action against Corruption
CDD	Customer Due Diligence
CDSB	Climate Disclosure Standards Board
CFE	Certified Fraud Examiner
CFT	Counter Financing Terrorism
CoP	Conference of the Parties
COVID-19	Corona Virus Disease of 2019
CPI	Corruption Perception Index
CSRD	Corporate Responsibility Reporting Directive
CTF	Counter Terrorist Financing
DeFi	Decentralized Finance
DNFBP	Designated Non-Financial Business & Professions
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
EITI	Extractive Industries Transparency Initiative
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
EU	European Union
FATF	Financial Action Task Force
FI	Financial Institution
Fintech	Financial Technology
FRM	Fraud Risk Management
FSA	Financial Services Agency
G20	Group of Twenty
GDPR	General Data Protection Regulation
GLACY	Global Action on Cybercrime
GRI	Global Reporting Initiative
HLRM	High Level Reporting Mechanism
ICC	International Chamber of Commerce
ID	Identity

IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISAE	International Standard on Assurance Engagements
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
IT	Information Technology
IWT	Illegal Wildlife Trade
KPI	Key Performance Indicator
KYC	Know Your Customer
ML	Money Laundering
MNC	Multi-National Companies
MSME	Micro, Small, and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnership
PPPs	Public-Private and Private-Private
PSS	Passenger Service System
RBA	Risk Based Approach
Regtech	Regulatory Technology
SDG	Sustainable Development Goal
SEC	Securities and Exchange Commission
SME	Small-Medium Enterprise
SOE	State-Owned Enterprise
ST	Secretaría de Transparencia
TBML	Trade-Based Money Laundering
TF	Terrorist Financing
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNCTAD	United Nations Conference on Trade and Development
UNODC	United Nations Office on Drugs and Crime
US SEC	United States Securities and Exchange Commission
USD	United States Dollar
VRF	Value Reporting Foundation
WBS	Whistle-Blowing System
WFH	Working From Home
WEF	World Economic Forum

LIST OF IMPACTED SDG TARGETS

SDG Target	Description
1	**No Poverty**
1.5	By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
1.a	Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions
1.b	Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions
4	**Quality Education**
4.4	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
4.7	By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development
5	**Gender Equality**
5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
5	**Gender Equality**
5.b	Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women

SDG Target	Description
8	**Decent Work and Economic Growth**
8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.
8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
8.8	Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
9	**Industry, Innovation, and Infrastructure**
9.3	Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
9.b	Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities
10	**Reduced Inequalities**
10.2	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
10.3	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
10.4	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality
10.5	Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations

SDG Target	Description
12	**Responsible Consumption and Production**
12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
12.7	Promote public procurement practices that are sustainable, in accordance with national policies and priorities
12.8	By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature
16	**Peace, Justice and Strong Institutions**
16.5	Substantially reduce corruption and bribery in all their forms
16.6	Develop effective, accountable and transparent institutions at all levels
16.7	Ensure responsive, inclusive, participatory and representative decision-making at all levels
16.10	Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements
16.a	Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime
16.b	Promote and enforce non-discriminatory laws and policies for sustainable development
17	**Partnerships for the Goals**
17.8	Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology.
17	**Partnerships for the Goals**
17.9	Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation.
17.13	Enhance global macroeconomic stability, including through policy coordination and policy coherence
17.14	Enhance policy coherence for sustainable development

SDG Target	Description
17.16	Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries
17.17	Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships Data, monitoring and accountability
17.19	By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries

SCHEDULE OF TASK FORCE EXCHANGES

#	Date	Event	Location	Theme
1	23 Feb, 2022	TF Videoconference 1	Virtual	Review of 1st Draft Policy Paper
2	29 Mar, 2022	TF Videoconference 2	Virtual	Review of 2nd Draft Policy Paper
3	28 Apr, 2022	TF Videoconference 3	Virtual	Review of 3rd Draft Policy Paper
4	31 May, 2022	TF Videoconference 4	Virtual	Review of 4th Draft of Policy Paper
5	30 Jun, 2022	TF Videoconference 5	Virtual	Review of 5th Draft of Policy Paper
6	13-14 Nov, 2022	B20 Summit	Hybrid; Bali	Presentation of TF Policy Paper

DISTRIBUTION OF MEMBERS

Country	#	Country	#	Country	#	Country	#
Argentina	5	Denmark	1	Japan	2	Saudi Arabia	1
Australia	1	Finland	1	Jordan	1	South Africa	1
Austria	1	France	5	Macedonia	1	South Korea	1
Azerbaijan	1	Germany	6	Mexico	2	Switzerland	3
Belgium	1	India	3	Netherlands	1	Turkey	4
Brazil	3	Indonesia	13	Pakistan	1	United Kingdom	12
China	8	Italy	6	Russia	1	United States	19

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