



The Council's work under the corruption criterion

In Section 3 of the GPFG's ethical guidelines, it says: "Companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for gross corruption."

Recommendations to exclude or place companies under observation under the corruption criterion are based on a two-stage process. First, it must be possible to determine that there is an unacceptable risk that a company has been involved in gross corruption. The Council then considers the extent to which there is also an unacceptable risk that the company may once again become involved in new corrupt practices in the future. Both these conditions must be met before the Council will recommend that a company should be excluded or placed under observation.

The most important sources of information for the Council's corruption-related assessments are news and investigative reports by journalists, announcements by public prosecutors, or court verdicts and out-of-court settlements. Exceptionally, reports by civil society organisations may also contain information that is sufficiently concrete to be used in the Council's assessments. Access to this type of information varies considerably between the countries in which companies in the fund are registered or have their international operations. A fundamental challenge is that the risk of corruption is normally higher in those countries in which access to information from the media, judicial bodies, civil society organisations and the companies themselves is more limited and unreliable, for example in authoritarian states.

Companies that are accused of several instances of gross corruption are recorded, sorted and ranked with respect to the level of risk. This matrix is constantly updated and expanded. Within certain sectors, allegations against such a large number of companies have been noted that it is also possible to perform a more collective review of them. In 2019, the Council performed such a review of oil service companies.

The starting point for the review in 2019 was that some of the companies in the fund had collaborated with an agent who had been under investigation for corruption for a long time. More specifically, corruption allegations or suspicions attached to many of the contracts for which the agent acted as an intermediary. Not only is oil service in general a sector where the corruption risk is high, but almost all the countries in which the agent has operated are "high-risk countries" with respect to corruption.

On this basis, the Council has taken a closer look at the extent to which the companies concerned may be linked to the various corruption allegations, and whether they have also been involved in other corruption cases. In general, the use of agents and other third parties as intermediaries when major public contracts are being entered into implies a high risk of corruption in many countries. As part of its inquiries, therefore, the Council has looked at whether some of the companies use agents in ways that could pose a particular risk in other situations as well.

While the Council has already concluded its investigations into the majority of these companies, it will pursue its inquiries through a dialogue with some of them in 2020.

In 2019, The Council also devoted time and resources to the assessment of companies that have been placed under observation due to the risk of gross corruption. The companies under observation share information to varying degrees, but the overall impression is that they generally share more information than they used to. In addition to the primary purpose, which is to clarify the extent to which future corruption risk is being reduced, the Council finds that dialogue with the companies concerned also provides a useful

opportunity to learn and gain a greater understanding of the kinds of systems and processes a company should have in place to prevent, detect and deal with corruption. The Council also has the impression that the dialogue it has with these companies – both those that are officially under observation and those still under investigation – can have a positive effect on their anticorruption efforts, and that some of them find the dialogue useful as well.

In addition to its work on individual companies in the fund, the Council also strives to take part in and contribute to fora and processes devoted to anticorruption. This includes contributing to the further development of international norms and standards in the anticorruption field, and applying these in the Council's day-to-day activities. An example of this can be seen in the development of measures to deal with large-scale corruption (often called "grand corruption") on the basis of a specific resolution that was adopted at the Seventh Session of the Conference of the States Parties (COSP7) to the United Nations Convention against Corruption (UNCAC) in November 2017. In the final document issued by a Global Expert Group that met in Oslo in June 2019 to follow up the resolution, the mechanisms for exclusion that have been established through the Council's work are now reflected in one of the recommended measures for combatting this type of corruption.¹⁰

¹⁰ Global Expert Group Meeting on Corruption involving Vast Quantities of Assets, Oslo, Norway, 12-14 June 2019: <https://www.unodc.org/unodc/en/corruption/meetings/oslo-egm-2019.html>