

INVESTING WITH INTEGRITY III

**A GUIDE TO MANAGING BUSINESS
INTEGRITY RISK IN IMPACT INVESTING**

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This guide is part of a series of three publications by Transparency International UK exploring how impact investors can invest with integrity by promoting high standards of business integrity throughout the investment lifecycle.

Report 1: [*Investing with Integrity: The Benefits and Challenges of Integrating High Business Integrity Standards in Impact Investments*](#) (July 2022) explores impact investing in emerging and frontier markets and why anti-corruption and wider business integrity is fundamental to achieving financial performance and impact and development outcomes.

Report 2: [*Investing with Integrity II: How Corruption Undermines Environmental and Social Outcomes*](#) (March 2024) explores how corruption undermines intended environmental, social and governance (ESG) outcomes and helps investors to align environmental and social and integrity due diligence processes to enable comprehensive pre-investment due diligence.

Report 3: [*Investing with Integrity III: A Guide to Managing Business Integrity Risk in Impact Investing*](#) (this report, October 2025) helps investors to manage business integrity risk post-investment by proactively monitoring investees' business integrity management system and by building a collaborative investor-investee relationship.

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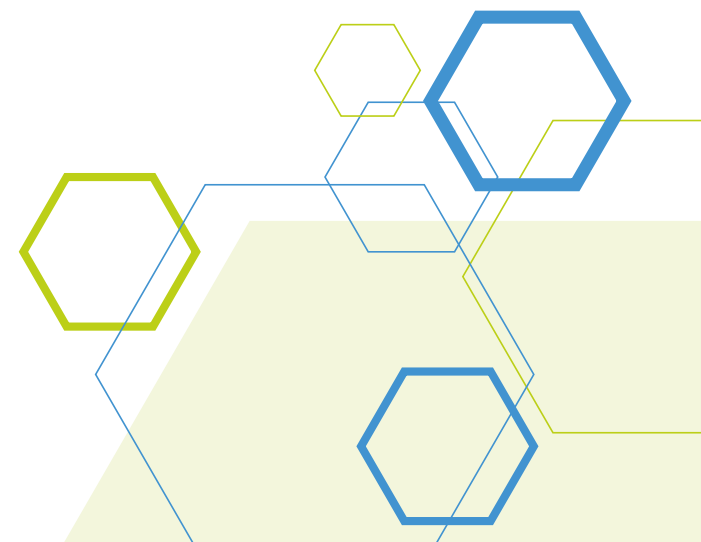
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EXECUTIVE SUMMARY

This guide is the third in a series of publications by Transparency International UK aiming to raise standards of business integrity risk management in impact investing so that investors are better able to achieve financial and impact performance and fulfil their development mandate.

The first publication, *Investing with Integrity: The Benefits and Challenges of Integrating High Business Integrity Standards in Impact Investments* (July 2022), focuses on corruption challenges in impact investment and how investors can respond to achieve financial performance and impact and development outcomes. The second publication, *Investing with Integrity II: How Corruption Undermines Environmental and Social Outcomes* (March 2024), provides guidance on coordinating business integrity and environmental and social (E&S) due diligence processes to prevent corruption and other forms of business integrity risk from undermining positive environmental, social and governance (ESG) outcomes during the investment lifecycle. This third publication provides practical guidance on how to monitor business integrity risk proactively post-investment and what information investors should collect to be able to monitor investees' effective management of business integrity risk.

What this guide does

Our first *Investing with Integrity* publication highlights weaknesses in how impact investors typically manage business integrity risk post-investment, noting the lack of systematic monitoring of risk, inconsistent approaches and limited follow-up with investees.

This guide provides critical, practical guidance to address this gap and help investors to take a proactive stance to monitoring business integrity risk during the investment lifecycle. To this end, this guide includes a **business integrity monitoring framework** covering 28 high-priority indicators of risk and risk mitigation controls across 10 key components of a business integrity risk management system.

This business integrity monitoring framework promotes the collection of both quantitative and qualitative data, reflecting the need for nuanced data insights to understand investee performance and capacity. It is designed to be adaptable, allowing investors to elicit the minimum information required and to tailor follow-up data requests and dialogue to discuss red flags/risk factors and help strengthen investees' approach to business integrity risk management.

Why this topic is important

Managing business integrity risk throughout the investment lifecycle is critical for building business success and resilience and for safeguarding intended impact and outcomes. Effective business integrity risk management also ensures that investments do not inadvertently contribute to systemic corruption and unethical business practices that undermine the achievement of sustainable development goals.

This guide emphasises that business integrity is not just a compliance issue but a strategic asset that creates the foundations for growth and supports development impact and financial performance.

The benefits of a collaborative approach between investors and investees

Promoting collaboration between investors and investees improves data quality and fosters trust. This two-way partnership enables both parties to learn from each other through active, ongoing support that helps to build business integrity capacity and facilitates the reporting process.

Our research indicates that effective monitoring requires a balance between structure and flexibility, combining formal periodic reporting and ongoing engagement, including through dialogue between investor and investee management, document reviews and stakeholder engagement.

Dialogue between investors and investees is especially valuable in capturing the intangible aspects of business integrity, such as leadership commitment, culture and stakeholder trust. This information provides context for quantitative data and helps investors to understand the underlying drivers of investee company risk and performance, serving as a foundation for meaningful conversations that can lead to improvements.

This guide calls for investors and businesses to embed business integrity into their strategic decision-making processes, and to view monitoring not as a burden but as an opportunity to create value and drive positive change.

RECOMMENDATIONS

The guide proposes five practical recommendations for investors:

1

Embed business integrity into post-investment monitoring



Treat business integrity as a core component of portfolio management, integrating integrity indicators into monitoring plans, reporting cycles and investment strategy discussions or portfolio review sessions.

2

Foster a collaborative relationship with investees



Frame monitoring as a partnership, not a policing exercise, providing support through toolkits, training and advisory sessions while encouraging open, two-way dialogue about challenges, and including leveraging board positions where relevant.

3

Use a mix of quantitative and qualitative indicators



Combine quantitative data (for example, percentage trained, number of incidents, whistleblower reports) with qualitative insights gathered through monitoring, dialogue, document reviews, site visits and informal conversations to provide a fuller picture of integrity performance and risk.

4

Tailor monitoring to risk and context



Collect baseline information from investees to monitor business integrity risk and the investee's approach to risk management. Adapt monitoring approaches based on the investee's size, sector, geography and risk profile. High-risk investments will require more frequent and detailed monitoring.

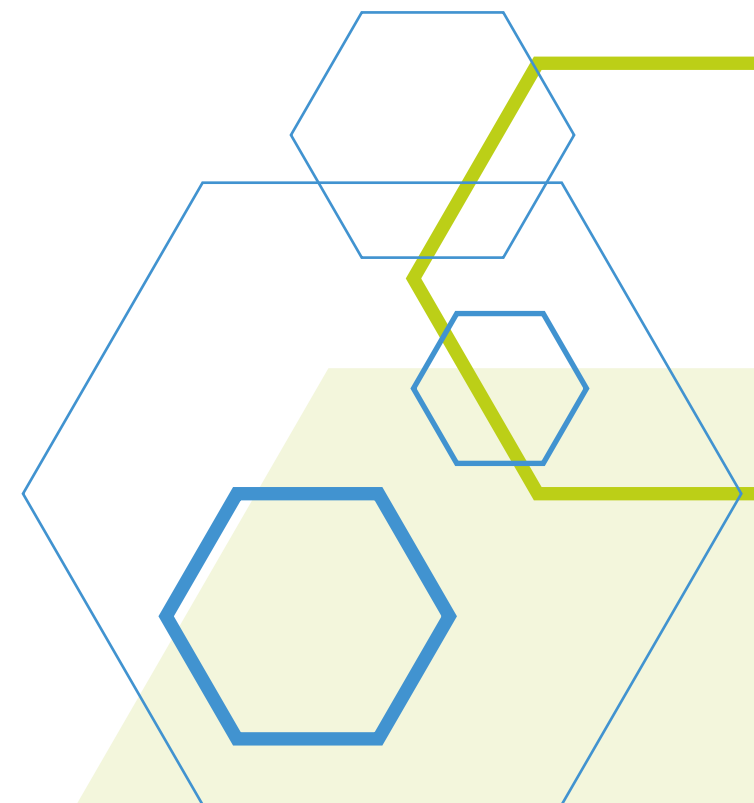
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Link integrity monitoring to financial and impact outcomes



Understand how business integrity practices influence financial and impact performance by tracking the metrics and indicators that connect business integrity performance with outcomes.

By adopting these practices, impact investors can better navigate the complexities of high-risk countries and sectors, protect their investments, and contribute to building a more ethical and sustainable global economy.



1. INTRODUCTION

Portfolio monitoring is a strategic process for managing portfolio- and investee-level risk, creating value and safeguarding investment outcomes. Building a comprehensive picture of investee risk and performance is crucial, and business integrity factors are a key component of this.

Impact investors in particular must be at the forefront of monitoring integrity risk proactively, to safeguard the positive impact and ESG outcomes that they seek from their investments and to support their sustainable development mandate.¹

Monitoring portfolio companies' approach to business integrity risk management entails collecting information that can help to anticipate risk (red flags), and signals that appropriate mitigating controls are in place. In this way, post-investment monitoring builds on pre-investment due diligence and counterparty risk analysis and efforts to mitigate identified risks through remedial action plans.

While there is growing emphasis on business integrity due diligence pre-investment, our first *Investing with Integrity* publication identifies that attention to business integrity risk post-investment is an area of weakness, with limited follow-up and monitoring, and inconsistent approaches.²

This is a missed opportunity. Where there are information gaps, there is risk. Weaknesses in monitoring leave investors vulnerable to emerging risks during the investment lifecycle. Missed risk indicators and red flags can threaten investment performance, and actual integrity incidents can potentially derail the business altogether.

Failing to identify the business integrity risks like fraud or corruption that could undermine intended environmental, social and development impact outcomes jeopardies the entire investment thesis. (Huma Yusuf, Head of Responsible Investing for Financial Services, British International Investment)

Conversely, by collecting key business integrity data over the investment lifecycle, investors gain valuable insights on investee health and capacity and help to create the foundations for growth and success.

The monitoring process can be challenging for investors and investees alike, but there are clear examples of good practice. This guide builds on good practice to help investors improve their approach to monitoring business integrity by collecting forward-looking data from investee companies, informed by contextual analysis, and by fostering a collaborative relationship. The aim is to build an insightful picture of business integrity risk and investee performance.

You can only allow C-suites to confidently grow their businesses if they know they're standing on secure foundations. (Val Monk, Risk and Compliance Director, Montagu Full Potential Partners LLP)

What is business integrity and how does it relate to corporate governance?

Business integrity encompasses a broad range of areas which carry legal and reputational risk, including anti-bribery and anti-corruption, anti-money laundering, sanctions controls, and anti-fraud and tax evasion measures. The concept of doing business with integrity requires companies to comply with legal requirements and go beyond regulatory compliance to “do the right thing”, underpinned by the company’s culture.

The International Financial Corporation (IFC) has developed a methodology for assessing corporate governance covering six areas: commitment to ESG (leadership and culture); structure and functioning of the board of directors; the control environment; disclosure and transparency; treatment of minority shareholders; and governance of stakeholder engagement.³ These elements are important but do not fully address requirements for maintaining high standards of business integrity: this additionally requires

implementing a business integrity management system including functional responsibility for business integrity, risk assessments, third-party due diligence, managing political interactions and conflicts of interest, providing whistleblowing channels, and protecting whistleblowers from retaliation. These elements are not typically emphasised in the corporate governance frameworks widely used by investors.

What do we mean by proactive portfolio monitoring?

Portfolio monitoring encompasses a range of activities designed to assess and manage business integrity risks throughout the investment lifecycle. It goes further than meeting the minimum legal and regulatory requirements, to proactively identify risk and ensure that mitigating controls are in place rather than only reacting to incidents when they occur. Proactive monitoring also requires building a detailed picture of the risks and challenges that an investee faces and supporting the investee’s capability and commitment to manage these risks.

What this guide covers

This guide provides practical guidance on:

- the value of proactively monitoring business integrity risk throughout the investment lifecycle
- sources of business integrity information
- what business integrity information investors should collect from investees, as a minimum, post-investment to monitor risk, with a **business integrity monitoring framework** to help collect relevant and forward-looking data
- how investors can support investees and build a collaborative relationship on business integrity

Who is the guide for?

Our primary audience is firms making and managing investments intended to generate positive ESG outcomes and development impact in line with the UN Sustainable Development Goals (impact investments) – particularly firms with investments in emerging and frontier markets, which tend to be more vulnerable to high levels of corruption.

We hope that this guide will also have wider applicability to investors seeking to deliver high standards of business integrity, even where generating positive impact is not an explicit aim of the investment.

This guide can also help chief risk officers, compliance officers, and audit and risk committees in companies seeking/receiving impact investment to understand investor expectations regarding proactive risk management culture.



2. QUICK START GUIDE

This quick start guide offers a simple, realistic starting point for impact investors to embed business integrity into their approach to portfolio management post-investment.

Step 1: Identify the function, person or role responsible for monitoring business integrity

Appoint an individual, individuals or an internal function to hold responsibility for tracking the investment firm or fund's business-integrity-related activities across the investment lifecycle, liaising with investees, and ensuring that integrity risks are regularly assessed and reported on. The activities to be tracked should be determined by the investor's senior management and clearly documented in monitoring frameworks. The internal structure and ownership of business integrity responsibility will depend on the investor's size and structure. Ownership and accountability for business integrity at the level of investees is addressed in the business integrity monitoring framework in Chapter 6.

Clear ownership ensures accountability and signals to investees that business integrity is a priority.

Step 2: Start with a set of core activities and related indicators

Select key business integrity indicators from this report's business integrity monitoring framework in Chapter 6. These should cover the areas of highest importance in terms of risk mitigation and operability. Work towards collecting information from portfolio companies on all indicators in a reasonable time. For example, begin with the 10 highest-priority indicators in a pink cell in the business integrity monitoring framework.

These address:

- board oversight of business integrity risk
- management responsibility for business integrity
- having written integrity policies in place
- periodic assessment of integrity risk
- use of a gifts and hospitality register
- use of a whistleblowing channel
- due diligence on high-risk third parties
- management of political exposure risk
- logging breaches and incidents

Keep the process constructive and offer support to facilitate the data collection process: see Chapter 7 for suggestions.

Starting small builds momentum and helps to identify key risks and gaps as the company builds reporting capacity.

Step 3: Integrate integrity indicators into existing monitoring tools

Embed the selected indicators into your existing portfolio monitoring systems – such as quarterly reporting templates, board meeting agendas or dashboards. Where possible, align business integrity indicators with existing annual or periodic monitoring reporting processes, surveys or frameworks to streamline data collection.

Integration reduces duplication, increases efficiency, and reinforces the link between business integrity, impact and financial performance.

Step 4: Engage in dialogue, not just data collection

Investors and investee managers should regularly discuss integrity-related matters. Use the data you collect as a springboard for qualitative conversations with investees. Ask follow-up questions during regular check-ins or site visits to understand the context behind the numbers. Offer support, share templates, and encourage open, two-way discussion about risk and challenges.

Qualitative engagement builds trust, surfaces red flags early and helps to tailor support to each investee's needs.

Step 5: Build a feedback loop and iterate

After the first reporting cycle, review what worked and what did not. Gather feedback from investees and internal teams. Adjust the indicators, questions or frequency of reporting as needed, so that the monitoring indicators both meet the investor's portfolio management and reporting needs and track information that is meaningful for the company in terms of supporting impact and financial performance. Consider expanding the number of indicators or deepening the analysis over time.

A flexible, iterative approach ensures that the system remains useful, relevant and scalable.

3. THE VALUE OF MONITORING BUSINESS INTEGRITY RISK PROACTIVELY

Manage evolving business integrity risk

Pre-investment due diligence should raise warning signs and inform an action plan to address gaps in internal controls. However, new risks will emerge during the investment lifecycle owing to dynamic political, economic and social contexts, changing regulatory landscapes, the conduct of employees and business partners, and the investee's own business decisions and trajectory.

MACRO LEVEL

Changes in the **political landscape** can affect the risk profile for investees. Companies operating in sectors requiring frequent interactions with government officials, for example over public contracts or licensing/approval processes, are particularly vulnerable.

New regulation may affect the prioritisation of regulatory compliance efforts, while violations expose investors and investees to legal and reputational consequences. Violating fast-evolving sanctions regimes can also result in asset freezes.

Deteriorating economic conditions can lead to currency devaluation, inflation spikes and capital flight, all of which can increase business integrity risk and the pressure to cut corners and win contracts in a way which is contrary to anti-bribery and corruption protocols.

The **social context** can affect the integrity risk profile of a business, as cultural norms and social dynamics influence how business is conducted, while a decline in social security increases the likelihood of integrity incidents. Social externalities such as a weakening security situation

and human rights concerns change social risk management baselines and, by extension, increase corruption risk.

MICRO LEVEL

A **change in ownership** can increase the risk of political exposure and generate new conflicts of interest, sanctions risks and material changes to corporate governance.

A **merger or acquisition** introduces integrity risk where the target or merger counterparty has weaker internal controls than were subject to pre-investment due diligence. New employees may weaken an existing organisational culture on integrity if not properly trained.

Employees, contractors or suppliers can create legal and reputational risk where company policies and procedures are not adhered to.

Financial distress or poor financial returns can incentivise fraud such as misstating revenues and diverting investment from business integrity risk management – for example, not investing in training and adequate business integrity resourcing.

Third-party agents and intermediaries can help companies to enter new markets and grow, yet they carry significant integrity risk where they do not operate to the standards of the company and can be used by corrupt actors as channels for corruption and fraud.⁴

Gain richer insights into investee health and performance

When investors rely excessively on quantitative data and historic “lag” metrics on regulatory violations

and breaches, they cannot effectively anticipate emerging risks and performance challenges. Collecting information on investees' approach to risk management, supported by ongoing investor–investee dialogue and stakeholder insights, provides a more accurate picture of risk and performance.

Monitoring is critical. Companies establish policies and procedures up front which are approved by the board. However, the key is making sure these controls are happening in real life and continue to be meaningful, practical, and effective. (Jonathan Levitt, Business Integrity, Actis)

Add value and support successful businesses

Proactive monitoring of business integrity not only mitigates financial losses to fraud or regulatory penalties but also supports value creation by providing secure foundations for the business leadership to concentrate on strategy and growth. A growing body of evidence finds that anti-corruption compliance correlates positively with corporate social responsibility (CSR) and commercial success.⁵

Strong integrity practices are a required first step that enable longer-term business and impact performance. (Julie Wallace, Head of Impact, LeapFrog Investments)

Strong ethical practices also support employee retention and recruitment,⁶ whereas an organisational culture that incentivises unethical conduct can lead to increased

turnover and, as a result, increased cost (in both recruitment and retraining) and integrity risk.

Safeguard ESG outcomes

While it is difficult to evidence a direct correlation between business integrity risk management and ESG outcomes, our report *Investing with Integrity II: How Corruption Undermine Environmental and Social Outcomes* explores how business integrity failures jeopardise the intended impact and outcomes of investments.⁷

Doing business with integrity is a prerequisite for securing a “social licence to operate”, particularly where business activity directly affects communities. In such contexts investors need to be especially mindful of avoiding integrity incidents, as these can threaten the company’s social licence, leading to reputational damage and operational shutdowns.⁸

Business integrity is a really important component of securing a company’s “social licence to operate”. In turn, strong relationships and a proactive and impactful CSR programme can help reduce business integrity risk. Ongoing collaboration with E&S teams is essential for success in this area.
(Jonathan Levitt, Business Integrity, Actis)

Build investee capacity on business integrity

Acting as partners over the investment lifecycle builds mutual trust and facilitates data collection. Monitoring risk proactively through close engagement gives investors deeper insight into risk and performance while also building capacity on business integrity practices.

Promote high business integrity standards in the portfolio and investment markets

By proactively managing business integrity risk and building business integrity capacity, impact investors can use their influence to promote high standards of business integrity in their portfolio and in the wider business environments in which they operate.⁹



4. SOURCES OF BUSINESS INTEGRITY INFORMATION

Investors should use different sources of information during the investment lifecycle to provide comprehensive insights into business integrity risk and performance that are relevant for the business integrity monitoring framework in Chapter 6.

Action plans link pre-investment due diligence to post-investment monitoring via structured reporting on how the investee is progressing towards addressing identified gaps in internal controls. However, a limitation of relying on action plans alone is that once actions are met, there are no ongoing health checks during the investment lifecycle.

Ad hoc reporting by the investee may be triggered by changes in ownership, senior leadership or the business model, or by adverse incidents such as business integrity incidents and legal disputes. The reporting requirement may be embedded in legal agreements or agreed upon as part of the monitoring process. However, investors traditionally have little ability to ensure timely reporting when there is a trigger.

Adverse media and sanctions monitoring alerts businesses to individuals who have negative media coverage or appear in sanctions or watch lists. While this information identifies risk, this is a reactive rather than a proactive process.

Board-level representation: Private equity investors with majority stakes may require board representation and seats on relevant committees, such as audit and risk. These roles provide oversight and give investors access to board meetings, minutes and reports.

Company documentation including audit reports, contracts, expansion plans, bid/tender documents and public sustainability information.

Engaging with management: Private equity investors are likely to have direct access to management (and related information flows) even if they do not own a majority stake, allowing for dialogues that provide critical insights into risk, performance, leadership and culture.

ESG/sustainability reporting standards, ESG ratings and reputational risk databases: These tools provide useful insights, although they are not sufficient for building a comprehensive picture of risk and performance. Further, databases tend to cover only listed companies.

Periodic post-investment reporting by investees may be standardised across the portfolio or tailored to individual investees, depending on the investor's strategy and level of engagement. Reporting formats range from surveys and Excel templates to structured questionnaires/surveys and technical tools. Reporting may be an annual process or conducted more frequently.

Site visits provide insights into on-the-ground practices that may not be visible through formal reporting channels, and an opportunity to audit investees' compliance with business integrity policies. Local presence and cultural sensitivity enhance the effectiveness of this approach.

Stakeholder insights, including from project beneficiaries, can provide independent validation of the company's approach to business integrity.

CASE STUDY 1: EMBEDDING BUSINESS INTEGRITY THROUGH SENIOR OWNERSHIP AND STRUCTURED AUDIT – AN INVESTOR'S APPROACH

APPROACH

The governance model of this private equity investor is built on clear roles, responsibilities and accountability. Senior leadership and board members are directly involved in shaping governance architecture, supported by dedicated teams across legal, ESG and audit functions. The integrated ESG and business integrity team ensures that all investments align with the firm's responsible investing policy, covering anti-bribery, conflict of interest and ESG standards.

TOOLS AND SYSTEMS

The Business Integrity Management System includes:

- **policy implementation:** clear articulation of business integrity and ESG standards
- **audit progression:** audit capabilities developed progressively in portfolio companies, starting with basic compliance checks and evolving into comprehensive assessments of business integrity, risk and performance
- **resourcing and training:** strategic use of internal teams or outsourcing, supported by training
- **reporting:** regular reporting of business integrity information including risk, performance and culture metrics, to portfolio company boards and the investor's investment committee

LESSONS LEARNED

Success factors: By embedding business integrity responsibilities at the board and senior leadership levels, the investor ensures that integrity is not an afterthought but a core part of its investment strategy. Business integrity is embedded at investment committee and decision-making levels, ensuring that it influences investment decisions. The integration of legal, ESG and audit functions under a unified framework allows for consistent monitoring and alignment with Principle for Responsible Investment requirements.

Challenges: One of the key challenges is translating complex governance frameworks into practical, operational systems within investee companies. Questions around who conducts audits at portfolio companies, how they are trained, and whether to outsource or internalise these functions require careful consideration.

Key insights: Business integrity is fundamentally a management system – one that must be actively maintained, resourced and adapted over time. The progression from basic compliance audits to integrated performance assessments reflects a maturing approach to risk management. Business integrity considerations are embedded at investment committee levels, ensuring that these factors directly influence investment decisions and ongoing portfolio oversight. Most importantly, the firm's emphasis on senior-level ownership and structured audit development in portfolio companies provides a replicable model for other investors seeking to embed business integrity into their post-investment monitoring processes.

5. HOW TO MONITOR BUSINESS INTEGRITY RISK PROACTIVELY

Indicators and metrics covering integrity incidents and regulatory breaches are common in ESG/sustainability standards and regulation (see Appendix 1). While this information provides a useful record of risk, “lag” indicators such as these are reactive in nature and provide an incomplete picture of future risk unless they are combined with an understanding what companies are doing to identify and mitigate risk and prevent incidents.

Our research indicates that business integrity portfolio monitoring should be:

- **Action-oriented:** Portfolio monitoring is not just about ticking boxes. The data collection process should inform meaningful action to mitigate risk and lead to improvements so that the investee is in a stronger position to achieve investment outcomes.
- **Insightful:** While quantitative data can help investors to track investee performance in an efficient way, reviewing qualitative information and engaging in dialogue provides a more accurate and insightful picture of current risks and mitigation strategies.
- **Flexible:** Effective monitoring requires a balance between structure and flexibility, combining formal periodic reporting, site visits, and regular dialogue between the investor and investee management.
- **Forward-looking:** Taking a proactive stance to monitoring business integrity risk means collecting data which helps to anticipate risk (for example red flags, controls not in use) and track that risk is being managed effectively. The goal should be to prevent incidents which could jeopardise the outcomes that impact investments are intended to achieve.

- **Relevant:** Both parties need to understand how the business integrity monitoring indicators/metrics are relevant to monitoring risk and performance, not only meeting investor portfolio management and reporting needs but also supporting investees to effectively manage risk.

The business integrity monitoring framework presented in Chapter 6 therefore:

- includes indicators eliciting both quantitative and qualitative information
- focuses on forward-looking indicators and preventative measures
- provides a simple format for collecting information
- prompts a request for more detailed information or dialogue between the investor and investee management to enable a better understanding of the underlying drivers of risk: this dialogue may take place as part of regular bilateral meetings or be triggered by an indicator of risk through the monitoring process

Investors will have their own system for collecting business integrity data based on their investment strategy, compliance requirements, risk appetite, portfolio size and capacity. This framework is intended to complement existing data collection and monitoring approaches. It is aimed not at reducing the amount of information that investors may already be collecting and using but at ensuring that investors are collecting the minimum data necessary to proactively monitor business integrity risk.

How does this guide approach materiality?

The concept of materiality in financial disclosures is about identifying information which is likely to influence an investor's decision to invest. In the ESG/sustainability reporting context, materiality can have different definitions. Some ESG/sustainability standards apply a financial materiality lens – that is, the information disclosed identifies how ESG factors impact the company's financial performance for the benefit of investors. Other standards apply an impact materiality lens, which takes into account the views of the company's internal and external stakeholders to identify the impact of the company's operations on society, the economy and the environment. The concept of impact materiality also expands understanding of intended users of sustainability information beyond investors, to include consumers, civil society, employees, governments etc.

The data collection process outlined in the business integrity monitoring framework (see Chapter 6) can support assessments of both financial and impact materiality.

6. BUSINESS INTEGRITY MONITORING FRAMEWORK

Key

Topics identify key components of a business integrity management system for investors to monitor.

Indicators identify business integrity risk and mitigation controls. Together, they reflect risk factors (red flags) and evidence that controls are in use. These indicators focus on forward-looking, preventative measures and factors indicating future risk. For some companies, such as early-stage investees, investors may want to focus on higher-risk gap areas. The 10 indicators in a **pink cell** identify critical monitoring indicators. All indicators should be monitored for investments in high-risk jurisdictions and exposed sectors.

Supporting questions help the investor to collect simple information from the investee – a “yes”, “no” or “partly” response (depending on the question) and/or quantitative data – and to track risk and performance in an efficient way.

Short-form responses indicate the initial response options to a supporting question.

Indicators of risk identify where a short-form response indicates a red flag/risk factor and requires more detailed information (via brief narrative explanation or as part of ongoing dialogue) to enable an understanding of the context and approach to mitigation. This format is aimed at addressing concerns about the reporting burden, by requesting more detailed information only where the short-form response indicates risk.

The business integrity monitoring framework includes, where available, examples of comparable data requests in ESG/sustainability reporting standards and regulation. Eleven of the 28 indicators reflect a data request provided in the private equity investors’ internal monitoring frameworks shared with us for this research.

The framework is intended to strike a balance between requesting large amounts of data and more comprehensive disclosures, and a lighter-touch approach that is mindful of resource constraints and other reporting requirements, to identify the minimum information required to monitor investees’ approach to business integrity.

The business integrity monitoring framework can be downloaded as an Excel spreadsheet [here](#).

ESG/SUSTAINABILITY REPORTING STANDARDS AND REGULATION

ESRS G1: The European Sustainability Reporting Standards (ESRS) were adopted by Delegated Regulation (EU) 2023/2772 supplementing the EU Corporate Sustainability Reporting Directive (CSRD) to establish CSRD disclosure standards for large companies headquartered or operating in the EU.¹⁰ ESRS G1: Business Conduct identifies the disclosure requirements for material (from a financial and/or impact materiality perspective – together “double materiality”) business conduct sub-topics, which include “anti-corruption and anti-bribery”, “whistleblowing”, “corporate culture” and “political engagement”. The first wave of company CSRD reports have been published.¹¹ At the time of publishing this guide, the CSRD/ESRS are under review.¹² This guide considers the ESRS G1 requirements currently in force.

SFDR: The EU Sustainable Finance Disclosure Regulation (SFDR) requires transparency from financial market participants about “adverse sustainability impacts” for the products listed in Article 2(12).¹³ The European Commission’s Delegated Regulation requires financial market

participants and financial advisers to publish a Principal Adverse Impact (PAI) statement for SFDR products, with indicators covering “climate and other environment-related indicators” and “social and employee, respect for human rights, anti-corruption and anti-bribery matters”.¹⁴

SASB: The Sustainability Accounting Standards Board (SASB) Standards provide industry-specific disclosure metrics “that are most likely to be useful to investors” for 77 SASB industries.¹⁵ The International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards (IFRS) Standard IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) requires reporting companies to consider the applicability of the SASB Standards.

GRI: The Global Reporting Initiative (GRI) Standards comprise universal standards and topic standards to help companies report sustainability information from an impact materiality perspective. Relevant standards on business integrity include GRI 205: Anti-corruption (2016), GRI 415: Public

Policy (2016) and GRI 207: Tax (2019).

MSCI: MSCI (Morgan Stanley Capital International) ESG Ratings aims to identify industry leaders and laggards according to their exposure to ESG risks (termed “Key Issues”) that are most financially material to a sub-industry or sector and how well they manage those risks relative to peers. This includes corruption-related metrics.¹⁶

S&P: The S&P Global Corporate Sustainability Assessment (CSA) provides “a best-in-class approach for each of the 62 industries across a mix of cross-industry and industry-specific questions”.¹⁷ S&P ESG Scores are used to define constituents of several ESG indices including the Dow Jones Sustainability Indices (DJSI). The importance of “business ethics” (of which anti-corruption is a major component) as a disclosure topic varies, ranging between 4% and 9% of the total weighting depending on the industry.

BUSINESS INTEGRITY MONITORING FRAMEWORK

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
1	Board oversight	1.1 The board oversees business integrity risk and controls	In how many board meetings did the board discuss business integrity matters (e.g. allegations/incidents, findings from testing controls, reports from the individual named at 2.1)?	Number	Fewer than two times annually	Board minutes and materials	Annual monitoring report/survey	Ensures top-level commitment. The board should be able to fulfil its role of overseeing business integrity risk and the control framework. In practice this means that discussing business integrity matters is a regular item on the board agenda or that of a board committee or committees, and the individual named at 2.1 provides periodic update reports to the board.	MSCI: Oversight of Ethics Issues Key Metric Definition: Indicates the company's governance body (board-level committee, C-suite or executive committee, or special task force or risk officer) responsible for oversight of business ethics and corruption issues.
2	Management responsibility	2.1 Management responsibility for business integrity	Is there senior/management-level responsibility for business integrity risk management? If "yes", what is the responsible person's name and title?	Yes/no If "Yes", name and title	"No" response.	Not applicable	Annual monitoring report/survey	Ensures senior-level ownership of business integrity measures. Senior-level responsibility demonstrates that the company prioritises the management of integrity risk. Some investors will also look to the level of independence of this individual from other functions.	ESRS G1: 5. When disclosing information about the role of the administrative, management and supervisory bodies, the undertaking shall cover the following aspects: (a) the role of the administrative, management and supervisory bodies related to business conduct
		2.2 Adequate resourcing	Does the company need additional resource or support to manage integrity risk effectively?	Yes/no/partly	"Yes" response	Not applicable		Insufficient resourcing or capacity significantly increases the likelihood that risks are not managed effectively.	Data request included only in private equity investor internal monitoring framework(s).

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
3	Integrity policies and procedures in action	3.1 Integrity policies in place	<p>Does the company have the following written commitments or policies? For any not in place, what is the expected timeline for implementation?</p> <ul style="list-style-type: none"> • Anti-bribery and corruption (ABC) (must also prohibit facilitation payments) • Anti-fraud • Anti-money laundering and counter-terrorist financing • Charitable donations, sponsorships and community investments (if not included in the ABC policy) • Code of conduct • Conflicts of interest (if not included in the ABC policy) • Non-retaliation (if commitment included in a separate policy) • Procurement (should include ABC) • Related-party transactions • Sanctions • Supplier/third-party code of conduct (should include ABC provisions) • Tax • Whistleblowing or “speak up” channel (open to employees and external stakeholders) 	Yes/no and date	No timeline for implementation provided for any policy not in place	All policies/ any updated policies	Annual monitoring report/survey	Written policies set out the company's commitment and approach to managing the area of risk. A company may not have all policies in place initially, but these should be implemented over time.	<p>ESRS G1: 7. The undertaking shall disclose its policies with respect to business conduct matters and how it fosters its corporate culture.</p> <p>ESRS G1: 10 (b). Where the undertaking has no policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption, it shall state this and whether it has plans to implement them and the timetable for implementation.</p> <p>SFDR/PAI: Adverse impact on sustainability factors (qualitative or quantitative) – 6. Insufficient whistleblower protection. Metric – share of investments in entities without policies on the protection of whistleblowers.</p> <p>SFDR/PAI: Adverse impact on sustainability factors (qualitative or quantitative) – 15. Lack of anti-corruption and anti-bribery policies.</p>
		3.2 Regular assessment of integrity risk	Did the company conduct a risk assessment covering at least bribery and corruption, third-party risk, government interactions, tax and fraud?	Yes/no/partly	“No” or “partly” response	Not applicable	Annual monitoring report/survey	The risk assessment is foundational for informing controls to ensure that they are proportionate and target identified risks. The risk assessment should be kept under review and conducted at least annually.	ESRS G1: AR 5. Disclosures may include details about the risk assessments and/or mapping, as well as monitoring programmes and/or internal control procedures performed by the undertaking to detect corruption and bribery.
		3.3 Risk register updated	How many new risks and mitigations were added to the risk register?	Number of entries	Number less than 1	Annual review of investee risk register	Annual monitoring report/survey	Updating the risk register shows that material risks are being identified and rated and that there is a mitigation plan in place.	Data request included only in private equity investor internal monitoring framework(s).

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
		3.4 Periodic training of employees	What percentage of employees received training on business integrity risk/controls in the reporting period?	Percentage trained	Less than 50%	Training assessment results and attendee registers	Annual monitoring report/survey	Training is an important control and should be refreshed periodically to ensure knowledge is up to date and can support a strong organisational culture.	ESRS G1: 21. The disclosure required by paragraph 16 shall include information about the following with respect to training: (a) the nature, scope and depth of anti-corruption and anti-bribery training programmes offered or required by the undertaking. GRI 205. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.
		3.5 High-risk employees and third parties provided with additional training	Were employees in high-risk roles and high-risk third parties (see 4) provided with additional training to support their role?	Yes/no/partly	"No" or "partly" response	Training assessment results and attendee registers	Annual monitoring report/survey	Employees and contractors/third parties in high-risk roles, such as sales, agents and intermediaries, need more in-depth training on how to manage integrity risks such as bribery and fraud relevant to their role.	ESRS G1: 10 (h). The functions within the undertaking that are most at risk in respect of corruption and bribery. ESRS G1: 21 (b). The percentage of functions-at-risk covered by training programmes.
		3.6 Conflicts of interest register in use	How many entries were added to the company's conflict of interest register?	Number of entries	No entries or an unusually low or high number	Not applicable	Annual monitoring report/survey	Conflicts of interest create corruption risk where they are not properly disclosed (including to the board) and managed. Conflicts include personal relationships and related-party transactions (e.g., contracting parties are part of the same corporate group). Tracking the number of occurrences logged indicates that policy commitments (see 3.1) are being implemented. If no entries, this is a red flag.	Conflicts of interest are addressed in some standards/regulations (e.g., SASB: ... The entity shall describe its processes for identifying and assessing conflicts of interest, such as the use of corporate policies, monitoring procedures, dedicated personnel, or board oversight). However, a data request on a conflicts of interest register is addressed only in private equity investor internal frameworks.
			When was the last entry?	Date	Review entry date				

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
		3.7 Thresholds set for gifts and hospitality	Does the company have a threshold for offering/receiving a gift or offer of hospitality?	Yes/no	“No” response	Gifts and hospitality register (or extracts of this), or board reports tracking gifts/hospitality	Annual monitoring report/survey	Gifts and hospitality are a high-risk area for corruption and have featured in legal actions. They should be documented, and the company should place an upper limit on the value of gifts and entertainment that can be received or given. Monitoring the number of entries shows that occurrences are being recorded. If no entries, this is a red flag.	Data request included only in private equity investor internal monitoring framework(s).
		3.8 Gifts and hospitality register in use	How many entries were added to the company's gifts and hospitality register?	Number	Number less than 1	Not applicable	Annual monitoring report/survey		
			When was the last entry?	Date	Review entry date				
		3.9 Charitable donations, sponsorship and community investments register in use	Are donations, sponsorships and community investments logged in a public register?	Yes/no	“No” response	Link to relevant document/webpage	Annual monitoring report/survey	Bribes can be disguised as charitable donations, sponsorships or community investments. The risk is mitigated through governance and transparency.	S&P ESG: ... Please indicate where this information is available in public reporting or corporate website ... <ul style="list-style-type: none">Charitable contributions and sponsorshipCharitable contributions and sponsorship publicly disclosed.
		3.10 Controls tested and improved	Did the company test or evaluate its business integrity procedures?	Yes/no/partly	“No” response	Internal or external assessment/audit report	Annual monitoring report/survey	Internal policies and procedures should be reviewed and updated to reflect risk and should be periodically tested/evaluated (ideally by individuals who did not develop the controls) to ensure they are fit for purpose. Larger companies may have a separate internal audit function.	The ESRS system requires reporting companies to disclose, among other things, metrics used to evaluate performance and effectiveness in material impacts, risks and opportunities. However, a data request on testing controls is included in only private equity investor internal monitoring framework(s).
			Did the company make improvements to any controls during the reporting period? If “yes”, please briefly explain the reason for improvements (e.g., result of a risk assessment, audit, lessons learned from incidents or breaches) If “no” or “partly”, please briefly explain	Yes/no/partly	“Yes”, “no” or “partly” response	Explanation of why improvements made or not made	Annual monitoring report/survey	Data request included in only private equity investor internal monitoring framework(s).	

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
4	Corporate culture	4.1 Code of conduct/ethics and commitment to non-retaliation	Does the company have a code of conduct/ethics for employees, contractors and suppliers and written commitment to non-retaliation against individuals who raise concerns? If, “no” or “partly”, what is the expected timeline for implementation?	Yes/no/partly	“No” response	Supplier/third-party policy code of conduct (also requested under 3.1)	Annual monitoring report/survey	The code of conduct provides the framework for ethical behaviour and accountability. A written commitment to non-retaliation (e.g., dismissal, harassment) against individuals who report concerns in good faith encourages the reporting of misconduct and helps the company to mitigate risk and take corrective action.	MSCI: Whistleblower Protection. Key Metric Definition: Indicates whether the company has disclosed a whistleblower policy that provides whistleblowers with protection from retaliation.
		4.2 Senior leadership actively promote culture of integrity	Have senior leadership taken steps to communicate and reinforce policy commitments (see 3.1) and actively promote a culture of integrity?	Yes/no/partly	“No” and “partly” response	Evidence of leadership efforts to communicate policy commitments and promote a culture of integrity	Annual monitoring report/survey, reporting, dialogue, site visits	Employees need to be supported by those in leadership and management positions to fulfil integrity commitments and raise concerns. This means ensuring that business practices and incentives do not undermine these commitments. Written commitments are reinforced by those in leadership and management positions leading by example and taking steps to foster an ethical corporate culture and a culture of integrity.	ESRS G1: 7. The undertaking shall disclose its policies with respect to business conduct matters and how it fosters its corporate culture.
5	Whistleblowing channel ¹⁸	5.1 Whistleblowing channel in use	How many whistleblower reports did the company receive?	Number	No entries or an unusually low or high number	Whistleblowing policy requested under 3.1	Annual monitoring report/survey, engaging with employees	Setting up a whistleblowing channel for employees and third parties to raise concerns is monitored at the policy level at 3.1. This indicator monitors whether the whistleblowing channel is in use. That reports are being logged indicates that intended users are aware of the channel and comfortable using it, without fear of retaliation. If no entries, this is a potential red flag.	The need for a whistleblowing channel is addressed in some standards/regulations (e.g., SASB: The entity shall describe the processes and policies that are set forth within its whistleblower programme, including, but not limited to, internal compliance programmes, whistleblower hotline details). However, the data request for the number of whistleblowing reports is included only in private equity investor internal monitoring framework(s).
			When was the last entry?	Date	Review entry date				
		5.2 Prompt investigations	What percentage of reports logged during the reporting period have not yet been investigated?	Percentage	More than 50%	Not applicable	Annual monitoring report/survey	Prompt investigations are essential to maintaining trust in the use of the whistleblowing channel and mitigating legal and reputational risk.	ESRS G1: 10 (e) ... Whether the undertaking has procedures to investigate business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
6	Managing third-party risk	6.1 Assessing third-party risk	Does the company have a framework or process to assess the level of risk associated with a new third party, including suppliers, agents and intermediaries? If “yes”, were any identified as high risk? If “no”, please briefly explain the company’s approach to engaging third parties.	Yes/no	“Yes” response	Explanation of approach to contracting third parties. Supplier/third-party policy code of conduct (also requested under 3.1).	Annual monitoring report/survey	Third-party agents and intermediaries are a high-risk area for corruption and fraud and have featured in legal actions. Agents and intermediaries should be used only where there is a clear business case. They should also have a binding code of conduct (see 4.1) and receive training (see 3.5).	Data request is included only in private equity investor internal monitoring framework(s).
		6.2 Due diligence on high-risk third parties and ultimate beneficial owners (UBOs) ¹⁹	Did the company screen/conduct due diligence on all high-risk third parties, including identifying UBOs?	Yes/no/partly	“No” response	Not applicable	Annual monitoring report/survey	Due diligence/screening should be conducted on all high-risk third parties including agents, intermediaries, business partners, distributors, sub-contractors, suppliers and targets. Identifying the UBO of third parties is necessary for compliance with anti-money laundering and terrorist financing regulations, as well as being good practice for assessing risk at the level of business partners.	Data request is included only in private equity investor internal monitoring framework(s).
7	Political exposure	7.1 Managing political exposure risk	Does the company have a definition of a politically exposed person (PEP) ²⁰ and a process for identifying and assessing exposure to PEPs?	Yes/no	“No” response	Excerpt from relevant policy including PEP definition and approach to risk assessment	Changes trigger proactive, ad hoc reporting	In some countries, starting or growing a business requires political connections, leading to the risk of bribery and trading in influence. Investors need to understand the company’s level of engagement with PEPs through both senior leadership positions and external interactions.	Data request is included only in private equity investor internal monitoring framework(s).
		7.2 PEPs in senior management	Are there any PEPs on the company board or in senior management?	Yes/No	“Yes” response Dialogue to determine the nature of the PEP status and how this is managed by the company	Not applicable			

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
8	Procurement	8.1 Public contract and bids	How many public contracts does the company have in progress and how many bids are planned?	Number	Not applicable	Bid/tender documents	Annual monitoring report/survey	Procurement, particularly public procurement, is a process which is highly vulnerable to bribery, corruption and kickbacks which can interplay with E&S risk. Having independent, senior management approval helps to mitigate the corruption risk.	Data request is included only in private equity investor internal monitoring framework(s).
		8.1 Independent approval for tenders	For all tenders submitted, was there approval by senior management separate from the tendering team?	Yes/no	"No" response	Procurement policy (also requested under 3.1)	Annual monitoring report/ survey		
9	Allegations and incidents	9.1 Policy breaches and integrity incidents logged	How many suspected and actual incidents occurred during the reporting period with respect to: <ul style="list-style-type: none"> • internal policies (see 3.1) • the code of conduct (see 4.1) • regulations on bribery, fraud, sanctions or tax? 	Number	Notable increase on last reporting period	Not applicable	Annual monitoring report/survey, suspected or actual incident or breach triggers proactive, ad hoc reporting	Companies should log and track all suspected and actual integrity incidents (e.g., policy violations, breaches of the code of conduct, breaches of gifts and hospitality thresholds), and regulatory requirements, as first step to ensuring prompt corrective action is taken. Some investors require investees to report actual incidents on an ad hoc basis as soon as the investee is aware of the incident.	ESRS G1: 25. The undertaking may disclose: (a) the total number and nature of confirmed incidents of corruption or bribery ... (d) details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers during the reporting period and the outcomes of such cases. S&P ESG: Does your company publicly report on breaches (e.g. corruption, discrimination etc.) against your codes of conduct/ ethics? Please specify where this information is available in your public reporting or corporate website.
		9.2 Internal investigation to understand root causes	What percentage of incidents were investigated internally to understand areas of weakness (root cause analysis)?	Percentage	Less than 50%	Not applicable	Annual monitoring report/survey	Knowing that the investee has taken steps to identify and remedy weaknesses helps to prevent future incidents and improves overall processes. If no corrective action or attempts to understand the root causes are undertaken, this is a red flag.	Data request is included only in private equity investor internal monitoring framework(s).
		9.3 Prompt corrective action	What percentage of identified actions have not yet been resolved/closed?	Percentage	More than 50%	Not applicable			SFDR/PAI: Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery.

#	Topic	Indicator	Supporting question	Short-form response	Indicator of risk	Document review	When reported	Why is it important to monitor this?	Supporting indicator from ESG/sustainability standard or regulation
10	Stakeholder engagement	10.1 Engagement with stakeholders	Did you engage with external stakeholders, including project beneficiaries, to discuss business integrity matters?	Yes/no	“Yes” and “no” response Dialogue to understand the nature of stakeholder engagement initiatives or why not undertaken	Not applicable	Annual monitoring report, site visits	Engaging with stakeholders, including project beneficiaries and local communities, builds and maintains trust and a company's “social licence to operate”. Stakeholder engagement is integral to human rights due diligence. ²¹ However, engagement initiatives can create bribery and corruption risks if those leading or participating are improperly influenced to decide in a way which undermines fair engagement.	ESRS 1: 24. Engagement with affected stakeholders is central to the undertaking's ongoing due diligence process ... and sustainability materiality assessment. This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process to identify material impacts for the purposes of sustainability reporting.
		10.2 Stakeholder engagement assessed for integrity risk	Does the company assess conflicts of interest or bribery risks before undertaking stakeholder engagement?	Yes/no	“No” response	Not applicable	Annual monitoring report/survey, reporting, dialogue, company visits		Data request is included only in private equity investor internal monitoring framework(s).

7. BUILDING A COLLABORATIVE RELATIONSHIP ON BUSINESS INTEGRITY

Investors and investees alike face challenges in portfolio monitoring. Investors may lack sufficient capacity to collect comprehensive data and may need to make assessments of risk based on incomplete or poor-quality information. Meanwhile, investees frequently lack the resources and expertise to gather and report the information that investors request or require from them.

To address these challenges, investors should actively support their portfolio companies by facilitating the data collection process and building internal capacity for business integrity reporting efforts. This may mean the investor and investee working together to resolve any issues and understanding where investees are not able to disclose full details.

This approach to monitoring strengthens the investor–investee relationship while improving overall business integrity standards.

Since our inception, we have chosen to be a true partner – providing hands-on support to help our partners meet business integrity and compliance expectations. (Amina Khalil, ESG Officer, Ezdehar Management)

Investors use several practical approaches to help with the data collection and monitoring process:

- **Educational resources:** Short videos and illustrative examples break down complex compliance tasks into manageable steps.
- **Tailored guidance:** Customised playbooks address specific risk areas such as bribery prevention and human rights compliance.
- **Resource libraries:** Extensive collections of templates, tools, and contract terms reduce administrative burden and promote industry best practices.
- **Regular check-ins:** Periodic “compliance coffee” sessions maintain momentum with minimal formality, with reporting scope and frequency adjusted to match each investment’s risk profile.
- **Alert systems:** Investors typically require immediate notification of any changes that could affect an investment’s risk profile.

Effective portfolio monitoring depends on close, ongoing engagement with investee management teams. Successful investors maintain regular contact to foster relationships that encourage open communication and enable timely risk management responses. This engagement integrates naturally with broader governance and impact management processes, making support feel seamless rather than burdensome.

Strong internal structures support effective portfolio monitoring by promoting collaboration across different functions – for example, investment teams working closely with legal, compliance and ESG specialists to ensure comprehensive oversight.

Some investors embed team members within portfolio companies or maintain close operational relationships, which enhances information flow and supports a holistic approach to managing both risks and impact.



Table 1: Examples of collaboration of how investors are helping to build a collaborative relationship

Activity	Example of collaboration
Building a collaborative relationship/ partnership	Trust and credibility take time to build; positioning as a supportive partner, not an enforcer
	Deep involvement in company growth, management and operations helps to build rapport and insight
	Emphasising long-term commitment fosters mutual respect and willingness to collaborate
	Peer networks among portfolio company staff (e.g., general counsels, chief finance officers) help to build a learning community
Hands-on support	Active portfolio engagement makes support feel integrated rather than additional
Providing advice sessions	Drop-in guidance sessions provide accessible, ongoing support
	Over time, as confidence increases, the need for frequent support declines
Providing examples of how to report	Showing illustrative answers helps delivery partners to better formulate responses
	Short videos and illustrative examples simplify complex tasks
Providing toolkits and templates	Tailored guidance and playbooks on key integrity risk and compliance issues
	Extensive libraries of templates, tools and contract terms to reduce workload and promote best practices
Informal check-ins	Monthly compliance check-ins (“compliance coffee”) ensure ongoing progress with minimal formality
Tracking tools for investees	Use of action plan trackers with weighted priorities supports structured ESG improvement and monitoring of progress
	Benchmarking tools allow companies to compare performance within the portfolio and industry sector
Training and workshops	Hands-on training sessions can address specific integrity and compliance issues, tailored to business needs
	Awareness can be raised and standards embedded effectively through interactive formats

CASE STUDY 2: SUPPORTING GOOD GOVERNANCE IN INVESTEE COMPANIES

This case, taken from a non-impact investor, explores how the investor supports its investee companies in building governance structures that go beyond compliance – ensuring that risk registers are accurate, ESG action plans are meaningful and governance is embedded into daily operations. The approach demonstrates that effective governance is about not just policies but cultivating a culture of accountability and risk awareness.

APPROACH

Within the first 12 months of investment, investees are expected to implement the foundational elements of good governance. This includes forming a board with appropriate committees – such as audit, tax compliance and regulatory risk – and establishing a leadership framework supported by a comprehensive risk register. The investor plays an active role in reviewing these registers, offering feedback to ensure that they are not just procedural documents but tools for real-time risk management. In parallel, companies are guided in developing ESG action plans that go beyond governance basics. These plans are expected to reflect a clear understanding of both risks and opportunities, with goals such as setting science-based targets within the first two years.

TOOLS AND SYSTEMS

The governance framework includes:

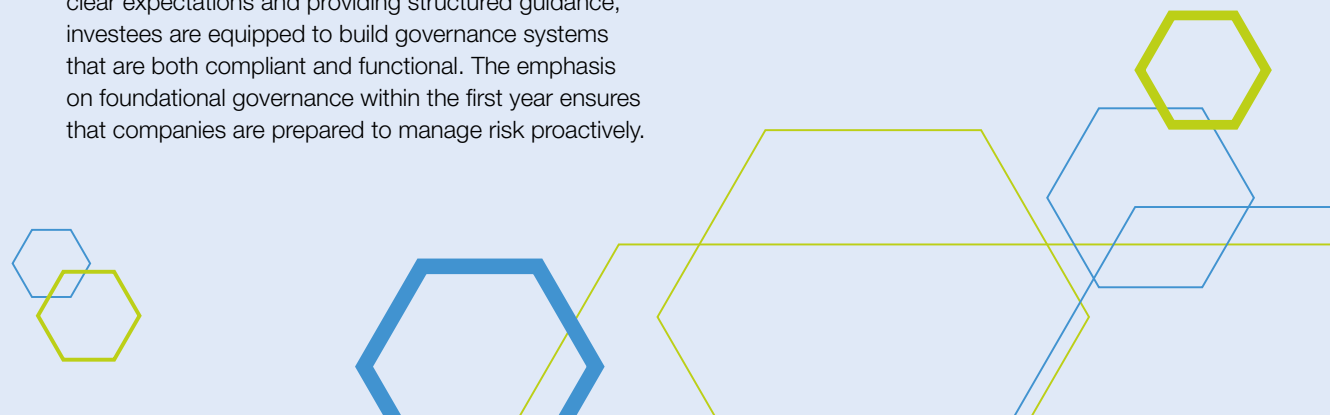
- **board and committee formation:** establishing oversight bodies for audit, tax and regulatory risk
- **risk registers:** regularly reviewed and refined with investor input to ensure relevance and effectiveness
- **policy requirements:** a set of nine core policies, including on anti-bribery, modern slavery and conflict of interest
- **procedural standards:** including sanctions checks, gifts and hospitality logs, and conflict-of-interest processes
- **ESG action plans:** incorporating governance, social and environmental goals, with a focus on continuous improvement

LESSON LEARNED

Success factors: The investor's hands-on support – especially in reviewing risk registers and coaching on governance practices – has proven critical. By setting clear expectations and providing structured guidance, investees are equipped to build governance systems that are both compliant and functional. The emphasis on foundational governance within the first year ensures that companies are prepared to manage risk proactively.

Challenges: Many investees, particularly those spun out from larger organisations, lack internal governance infrastructure. Building these systems from scratch requires time, resources and cultural change. Additionally, investees often have stronger familiarity with environmental metrics than with business ethics or anti-corruption practices, requiring targeted capacity building.

Key insights: Good governance is not a one-time set-up but an evolving system that must be actively maintained. The investor's approach – pairing procedural requirements with practical coaching – ensures that governance is not just a checklist but a living framework. Risk registers become tools for strategic thinking, and ESG action plans reflect a company's maturity and ambition. Rather than imposing a rigid model, this investor's approach is collaborative and adaptive – helping companies to build governance systems that reflect their realities and ambitions.



APPENDIX 1: METHODOLOGY

Research objectives and questions

The study aimed to identify the information that impact investors should collect from investees to monitor the effective management of business integrity risk. It also aimed to develop practical recommendations for proactive portfolio monitoring of business integrity. Four key questions drove the research:

- What are investors' current approaches to monitoring business integrity risks in portfolio companies?
- What is the relationship between portfolio monitoring on business integrity and company performance, in terms of building commercially viable and resilient businesses and achieving development outcomes, including positive E&S impact?
- What information should impact investors collect from investees to manage business integrity risk effectively?
- What are the main challenges and solutions for ongoing monitoring of business integrity risk?

Data collection methods

Research was conducted from November 2024 to March 2025 using three complementary methodologies.

Desk research: Our literature review identified emerging trends in ESG reporting standards, relationships between business integrity and performance, and connections to E&S impact and wider sustainable development outcomes. While we found substantial research on anti-corruption, ESG risks, and relationships between corporate governance and financial performance (see Appendix 2), no prior studies examined connections between business integrity performance and social/ environmental impact or development outcomes.

We analysed six publicly available ESG/sustainability reporting standards and regulations (typically addressed at large or listed companies and/or public equity investors);²² three civil society transparency and benchmarking initiatives;²³ two publicly available monitoring frameworks;²⁴ and eight (non-public) monitoring frameworks shared with us by private equity investors for this research. Through this analysis, we identified trends in business integrity data requests. We identified more than 300 business integrity indicators/metrics in use across these 19 initiatives. While the variance in the wording of these specific indicators/metrics means that the actual data points requested will vary, we were able to group them into 46 general topics.

Semi-structured interviews: Between December 2024 and March 2025, we conducted 24 confidential interviews. Interviews followed Chatham House Rule protocols to protect participant anonymity. Quotes from these interviews used in this guide are included with the permission of the interviewees.

Research participants included investors with diverse investment strategies, from impact-led investment to balanced social, environmental and financial return approaches. These included banks, private equity impact and ESG fund managers, development finance institutions and multilateral development banks, institutional investor impact arms, and foundation investment managers. Non-investor participants contributed expertise from academia and professional organisations. The research was geographically neutral, encompassing investors operating in the EU, and emerging and frontier markets.

Online survey: In January 2025 we distributed a 10-question survey to over 150 impact investing stakeholders, receiving 10 responses. The questionnaire included single-choice and multiple-choice questions, plus open-ended queries to triangulate interview findings.

Creating the business integrity monitoring framework

Our research identified considerable diversity in why and how business integrity information is collected across the investor community, and in the related indicators and metrics included in publicly available and internal (non-public) monitoring/reporting frameworks.

Table 2 sets out how the six ESG/sustainability standards and regulations we analysed for our desk-based research, along with the eight private equity monitoring frameworks, address 37 monitoring/reporting topics. These topics reflect the 46 monitoring topics identified during our desk-based research with a level of consolidation. As the table shows, 29 business integrity topics were addressed

by more than one initiative. The topics highlighted in green are those which were addressed in some form by five or more of these 14 initiatives. The table does not take into account data collected by investors beyond a formal monitoring process, such as informal company engagement, site visits and training.

As Table 2 indicates, the topics addressed in public standards and regulations (as a group of initiatives) and private equity investors' internal frameworks are largely similar, although there are specificities in the data requested. From our review of the actual data requested, we found that private equity investors are more likely to request specific information. Examples include a change in ownership or control; the frequency of reports to the

board; responsibility for business integrity; whether certain policies are in place; improvements made to controls; and investees' approach to logging conflicts of interest and gifts and hospitality.

Our desk-based research findings, stakeholder interviews and survey responses, the research team's own expertise, and peer reviewer insights all informed the prioritisation of topics presented in the business integrity monitoring framework in Chapter 6 and how the indicators are worded. For this exercise, we did not prioritise indicators covering political influence through policy engagement: although this is a key area of corruption risk, policy engagement, particularly through working with lobbyists, is a less common activity for smaller companies.

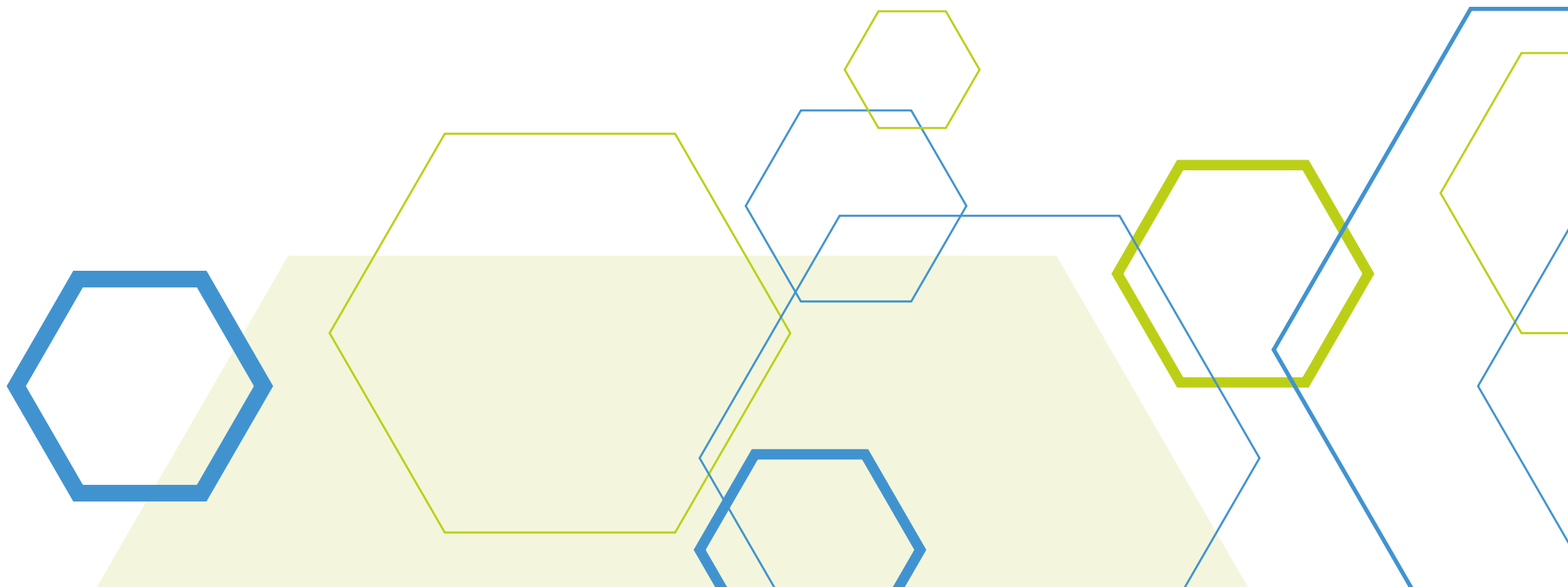


Table 2: Business-integrity-related topics included in publicly available ESG/sustainability standards and regulations and in private equity investors' internal monitoring frameworks

Topic addressed in ESG/sustainability reporting standard or regulation						Business integrity topic	Topic addressed in private equity investor (ESG or impact) framework							
ESRS G1	SFDR	GRI	SASB	MSCI	S&P		Impact	Impact	Impact	Impact	Impact	SFDR article 6 and 8 (light green)	ESG	ESG
X	X	X	X	X	X	Policy commitments	X	X	X		X	X		X
X	X	X	X		X	Risk management system (general)	X	X	X		X	X		X
X	X	X			X	Allegations, incidents	X	X	X		X	X	X	
X	X	X	X	X	X	Whistleblowing channel	X	X	X			X		X
X	X	X	X			Dealing with incidents, corrective action	X	X	X			X	X	
X		X		X	X	Governance, board oversight				X	X	X	X	X
X		X	X	X		Employee training	X	X	X			X		
X		X	X			Risk assessment	X		X			X	X	
X	X		X			Convictions, fines and/or monetary loss	X		X			X	X	
		X	X		X	Conflicts of interest	X		X			X		X
X					X	Responsible function, adequate resourcing	X	X	X			X		
						Gifts and hospitality	X	X	X			X	X	

Topic addressed in ESG/sustainability reporting standard or regulation						Business integrity topic	Topic addressed in private equity investor (ESG or impact) framework							
ESRS G1	SFDR	GRI	SASB	MSCI	S&P		Impact	Impact	Impact	Impact	Impact	SFDR article 6 and 8 (light green)	ESG	ESG
			X			Third parties – screening, due diligence	X	X	X			X		
X					X	Testing/evaluating controls	X		X			X		
X		X			X	Stakeholder engagement				X	X			
			X			Code of conduct/ethics	X		X		X	X		
						Improving controls	X	X		X		X		
X		X	X			Political influence – governance						X		
X		X				Political influence – lobbying activities	X					X		
X		X			X	Political influence – political contributions						X		
						Board reports (management reports to the board, audit committee reports)	X	X				X	X	X
X		X				Policy communication		X				X		X
		X			X	Charitable donations, sponsorships						X		
			X	X		Third parties risk management process incl. audits						X		
				X		Third parties – supplier code of conduct	X					X		
		X	X			Collective action						X		

Topic addressed in ESG/sustainability reporting standard or regulation						Business integrity topic	Topic addressed in private equity investor (ESG or impact) framework							
ESRS G1	SFDR	GRI	SASB	MSCI	S&P		Impact	Impact	Impact	Impact	Impact	SFDR article 6 and 8 (light green)	ESG	ESG
						Procurement (with integrity risk considerations)					X	X		X
			X			Beneficial ownership information	X							
						Ownership and control	X					X		
X						Culture						X		
						Risk register			X			X		
						Internal audit						X		
						Whistleblower reports			X					
		X				Country-by-country reporting								
		X				Third parties – training								
X						Business association memberships								
X						The “revolving door”								

Note: topics highlighted in green indicate those reflected in five or more of the 14 initiatives and are sorted in order of frequency.

APPENDIX 2: USEFUL RESOURCES

1. W. Affes and A. Jarboui, “The Impact of Corporate Governance on Financial Performance: A Cross-Sector Study”, *International Journal of Disclosure and Governance*, vol. 20 (2023)

This paper examines the effect of corporate governance on the financial performance of 160 UK companies between 2005 and 2018. It finds that good corporate governance leads to improved financial performance of companies, measured by return on equity.

2. S. Ahluwalia, L. Ferrell, O.C. Ferrell and P. Gandhi, “Does Being Ethical Pay for Firms?”, Columbia Law School Blue Sky Blog on Corporations and the Capital Markets, 2024

This study finds that companies adopting a code of ethics for senior financial officers experience better financial performance and fewer shareholder disputes.

3. Global Impact Investing Network (GIIN), *Financing the Sustainable Development Goals: Impact Investing in Action* (New York: GIIN, 2018)

This report highlights the critical role of impact investing in achieving the UN Sustainable Development Goals (SDGs). The publication, which takes the form of practical guidance for practitioners, recommends incorporating the SDGs at all stages of the investment cycle, developing innovative financial products specifically designed to target SDG outcomes, enhancing collaboration between the public and private sectors to attract additional resources and expertise, and ensuring robust measuring and reporting of impact throughout the process.

4. Grant Thornton, *Corporate Governance and Company Performance: A Proven Link between Effective Corporate Governance and Value Creation* (London: Grant Thornton, 2019)

This paper analyses the relationship between corporate governance and company performance for the largest 350 companies listed on the London Stock Exchange. It uses a governance index based on 47 indicators covering board structure, remuneration, shareholder rights, audit and stakeholder relations and also identifies which factors which have the highest correlation with financial performance.

5. IFC, *Governance and Performance in Emerging Markets* (Washington, DC: IFC, 2019)

This study explores the link between corporate governance and financial and economic performance. The IFC used “client surveys and portfolio financial, economic, and development outcome data” to test its “hypothesis that better corporate governance is associated with better performance over a defined period.” The study indicates that companies with better corporate governance achieve a better credit risk on average.

6. M. Jenkins and Y. Ishikawa, *The Relationship between Business Integrity and Commercial Success. A Review of Evidence and Findings (1995–2025)* (Bergen: U4 Anti-Corruption Resource Centre, 2025)

This report presents the findings of a literature review, conducted by U4 researchers, examining the relationship between business integrity and firm success. It finds a growing body of evidence that

anti-corruption compliance correlates positively with CSR and commercial success. Specifically, the available literature presents positive outcomes that include fewer incidences of corruption, lower compliance risks, higher profitability, improved customer reputation and better environmental performance. However, the report identifies, however, that while business integrity is positively associated with commercial success, this may not be effectively communicated to intended audiences.

7. Y. Ko, R. Subramaniam and S. Devi, “Capital Market Effects Of Corporate Transparency and Sustainability: Evidence from An Emerging Economy”, *Journal of Asia Business Studies*, vol. 18, no. 3 (2024).

This study analyses the Malaysian Institute of Corporate Governance (2017) dataset – which provides scores on anti-corruption commitment, organisational transparency and sustainability for Malaysia’s top 100 listed firms – and finds a positive correlation between corporate transparency and firm value, particularly for firms with stronger anti-corruption and sustainability initiatives and for politically connected firms.

8. C. Moss, D. Allen and L.J. Spence, *The Value of Business Ethics for APEC SMEs* (Singapore: APEC, 2021)

This research report, which explores the experience of APEC (Asia-Pacific Economic Cooperation) region health-related small and medium enterprises (SMEs) during COVID-19, finds that companies with more mature ethics and compliance programmes demonstrated stronger economic resilience. Those

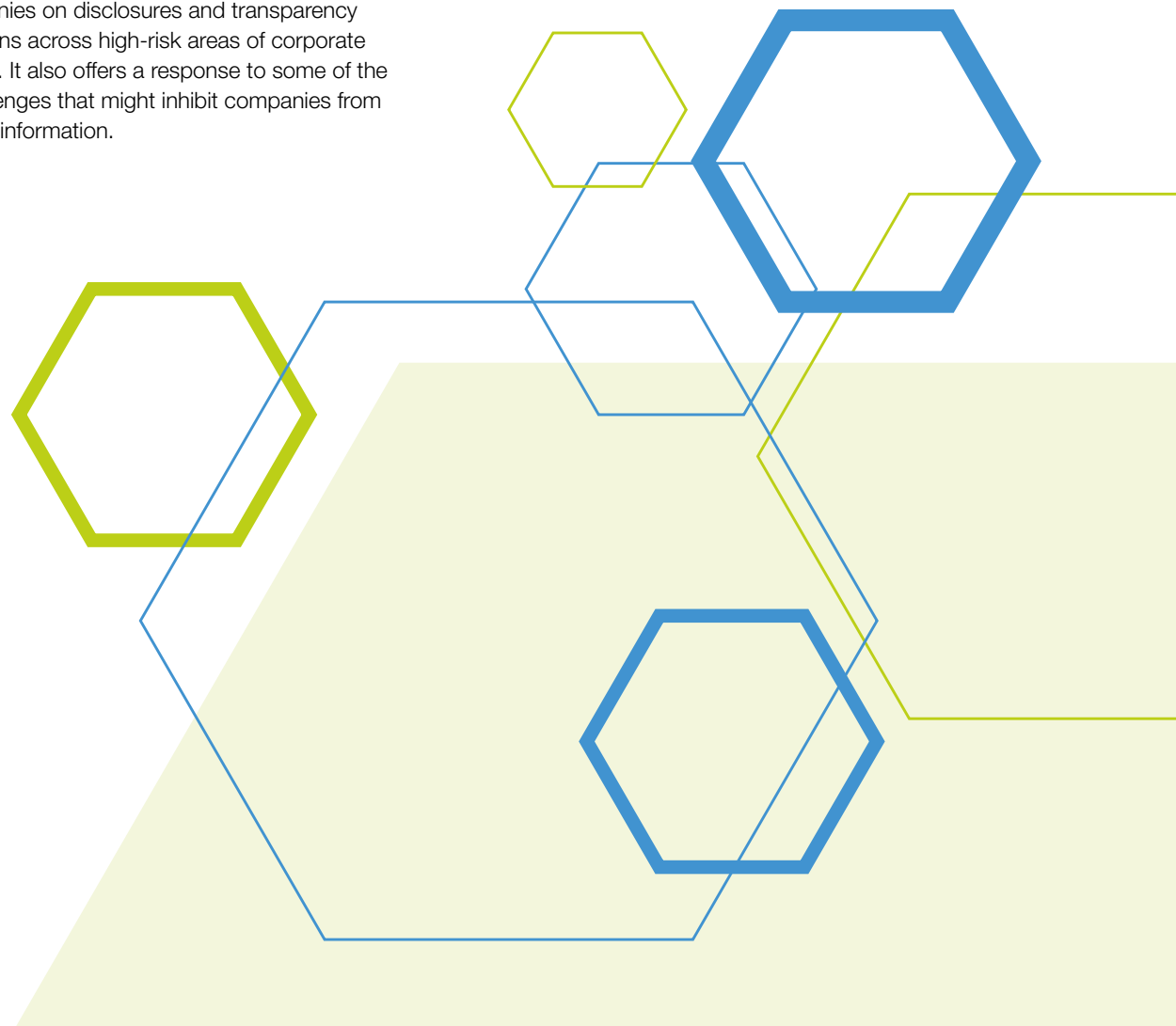
with high or medium programme maturity were more likely than less mature counterparts to grow revenues, increase staff, expand internationally and enter new markets. Notably, 43 per cent of surveyed companies increased their ethics and compliance investment during the pandemic, driven by heightened industry and societal focus on compliance standards, suggesting that robust ethical frameworks have become a competitive advantage in the health sector.

9. Transparency International UK, *Make It Count: Understanding the Current and Emerging Trends in Measuring the Effectiveness of Corporate Approaches to Anti-Corruption* (London: 2021)

This report explores why a company should measure the effectiveness of its approach to anti-corruption, and how it can do so. It analyses what is understood by “measuring effectiveness”, highlights practical considerations and provides examples of metrics that are proving useful for companies, including “activity metrics” (which measure raw activity such as actions taken within an anti-corruption programme, e.g. training sessions conducted, corruption incidents reported) and “impact metrics” (which assess actual outcomes or behavioural changes resulting from anti-corruption efforts, e.g. increased employee awareness and reduced corruption incidents following training). The report outlines methods for evaluating the effectiveness of anti-corruption programmes, including employee surveys and interviews, internal audits, and cultural assessments.

10. Transparency International UK, *Open Business: Principles and Guidance for Anti-Corruption Corporate Transparency* (London: 2020)

This report demonstrates the business case for good corporate governance and anti-corruption transparency (stakeholders’ trust, legislation, competitive advantage) and provides guidance for companies on disclosures and transparency expectations across high-risk areas of corporate corruption. It also offers a response to some of the legal challenges that might inhibit companies from disclosing information.



ENDNOTES

- 1 Transparency International UK, [*Investing with Integrity: The Benefits and Challenges of Integrating High Business Integrity Standards in Impact Investments*](#) (London: 2022).
- 2 Transparency International UK, *Investing with Integrity*.
- 3 IFC, [*Governance and Performance in Emerging Markets*](#) (Washington, DC: IFC, 2019).
- 4 Transparency International UK, [“Managing Third Parties”](#), Global Anti-Bribery Guidance (web).
- 5 M. Jenkins and Y. Ishikawa, [*The Relationship between Business Integrity and Commercial Success. A Review of Evidence and Findings \(1995-2025\)*](#) (Bergen: U4 Anti-Corruption Resource Centre, 2025).
- 6 R. Paniagua, [*Open Business: Principles and Guidance for Anti-Corruption Corporate Transparency*](#) (London: TI UK, 2020).
- 7 Transparency International UK, [*Investing With Integrity II: How Corruption Undermines Environmental and Social Outcomes*](#) (London: TI UK, 2024).
- 8 Transparency International UK, *Investing with Integrity II*.
- 9 Transparency International UK, *Investing with Integrity*.
- 10 EU, [*Commission Delegated Regulation \(EU\) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards*](#) (web).
- 11 EFRAG, [“EFRAG Launches ESRS Statistics and Report Portal on the 2025-Issued ESRS Sustainability Statements and Publishes ‘State of Play 2025’ Report”](#), 23 July 2025 (web).
- 12 For more information, see European Commission, [“Omnibus Package”](#), Directorate-General for Financial Stability, Financial Services and Capital Markets Union Newsletter, 1 April 2025 (web).
- 13 EU, [*Regulation \(EU\) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector \(Text with EEA relevance\)*](#) (web).
- 14 EU, [*Commission Delegated Regulation \(EU\) 2023/363 of 31 October 2022 amending and correcting the regulatory technical standards laid down in Delegated Regulation \(EU\) 2022/1288 as regards the content and presentation of information in relation to disclosures in pre-contractual documents and periodic reports for financial products investing in environmentally sustainable economic activities*](#) (web).
- 15 Sustainability Accounting Standards Board (SASB), [“About us”](#) (web).
- 16 Morgan Stanley Capital International (MSCI), [*MSCI ESG Ratings Methodology: Business Ethics Key Issue*](#) (New York: MSCI, 2025).
- 17 S&P Global, [*CSA Methodology Handbook*](#) (Zurich: S&P Global Switzerland, 2025).
- 18 A whistleblowing channel is a route for employees and external stakeholders to raise concerns about company conduct. It is distinct from a human rights grievance mechanism, which is not addressed in this framework. For Transparency International guidance on setting up a whistleblowing channel, see Transparency International, [“A Framework for Optimal Whistleblower Protection”](#), 31 October 2024 (web). A human rights grievance mechanism should be implemented in line with Office of the High Commissioner for Human Rights (OHCHR), [*Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework*](#) (New York and Geneva: United Nations, 2011), principle 31.
- 19 A beneficial owner is the real person who ultimately owns, controls or benefits from a company or trust fund and the income it generates.
- 20 The Financial Action Task Force (FATF) defines a Politically Exposed Person (PEP) as “an individual who is or has been entrusted with a prominent function.” FATF, [*FATF Guidance: Politically Exposed Persons \(Recommendations 12 and 22\)*](#) (Paris: FATF/OECD, 2013).
- 21 Human rights due diligence is a process whereby businesses identify, assess, mitigate, prevent, and account for potential and actual adverse impacts of their operations on human rights. The process is outlined in OHCHR, *Guiding Principles*, and Organisation for Economic Co-operation and Development (OECD), [*OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*](#) (Paris: OECD, 2023).
- 22 CSRD/ESRS, SFDR, GRI, SASB Standards, MSCI ESG Ratings Standard and S&P Global ESG Scores.
- 23 World Economic Forum Stakeholder Capitalism Metrics, Transparency International UK, Open Business and World Benchmarking Alliance Core Social Indicators.
- 24 Norges Bank Investment Management (Norges) [Anti-Corruption Expectations of Companies](#) and [Norges Tax Transparency Expectations of Companies](#).

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