



VERACITY

# BEYOND COMPLIANCE: COVID-19, ESG, AND THE REDEFINITION OF RISK

*Webinar: Association of Corporate Counsel  
Sponsored by Madgwicks Lawyers*

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Level 2, 696 Bourke Street  
Melbourne, VIC 3000 Australia

[veracityworldwide.com](http://veracityworldwide.com)

Veracity Worldwide is a boutique intelligence firm that helps clients **identify, assess, and manage strategic risk issues.**

- We focus on **political, corruption, reputational, and ESG-related matters.**
- We combine **deep local knowledge and experience with on-the-ground source networks** to provide independent insights into some of the world's most challenging markets.
- Veracity is headquartered in New York, with team members in London, Madrid, Melbourne, Singapore, and Tokyo, and advisors—**former diplomats, business executives, military and intelligence officials, lawyers, civil society figures, and academics**—in more than a dozen other locations.

Today's webinar presenter is **Benjamin Weiss**, Veracity's Asia-Pacific director and head of the firm's Australia office.

Just a few weeks ago, what we described as an “uncertain future” still seemed somewhat clear: regulatory and stakeholder pressures were expanding the bounds of risk to encompass **a broader range of stakeholder issues and non-financial considerations.**

- “Social license to operate,” “stakeholder capitalism,” and “long-termism” had become part of the lingua franca of corporates and investors
- Legal *compliance* was becoming increasingly insufficient, as firms’ *ethics and performance* took precedence among investors, activists, and other stakeholders
- Digital disruption and the adoption of new technologies were **creating novel concerns for organizations about cybersecurity, data usage, and privacy**
- On the geopolitical front, **trade tensions, nationalism, and domestic political divisions** were creating a high degree of uncertainty for global businesses

All of those risk issues are still with us, though COVID-19 and the measures taken to address it have made those earlier notions of uncertainty seem quaint and manageable: rather than getting “back to normal,” **we are entering a new realm of business, social engagement, and politics**, the specific dynamics and implications of which are unlikely to be clear for some time.

Economists warn things will 'never be the same again' as coronavirus cripples US

Centrelink facing changes amid ‘absolutely unprecedented’ coronavirus situation

Coronavirus: the unknown and unprecedented risk

**The world before this coronavirus and after cannot be the same**

“Let me emphasize that **all these projections are highly uncertain given the large number of unknown factors** at play here.” — Roberto Azavedo, World Trade Organization (WTO) chief

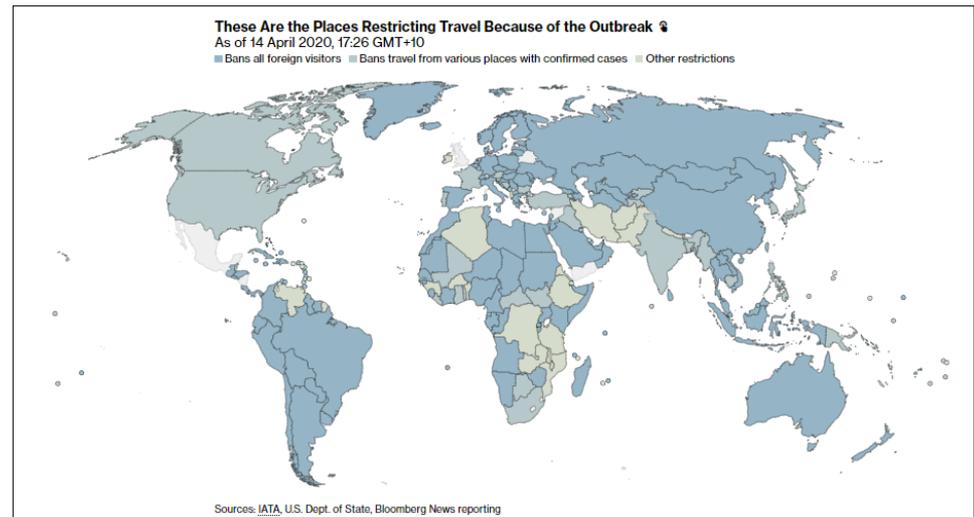
While unprecedented uncertainty abounds, **historical lessons and a few early developments are instructive** as we attempt to understand what the future holds for firms, the global economy, and the nature of business risk.

Themes that can guide our thinking about the future of business risk include:

- Today's **temporary policy measures will become permanent fixtures** of post-COVID-19 life
- The pandemic and government responses to it have **raised serious questions about globalization, the efficacy of multilateral institutions, and the adequacy of the market-based economy** to prepare for crises and protect citizens
- The **heightened centrality of technology to professional life** for many workers will have far-ranging consequences for work, education, and social engagement
- The evolution of firms' attentiveness to environmental, social, and governance issues may be spurring a shift from **ESG to ESG**

Past crises teach us that **extraordinary measures enacted during emergencies often remain in place** long after the crises that spawned them have ended. Like the implementation of passports and pub operating hours during World War I, many of the policies implemented ostensibly to combat the coronavirus are likely to be with us indefinitely.

- Surveillance, access to geolocation and health information, data requests
- Curbs on freedom of expression, civil liberties, elections
- Global travel restrictions
- Strict foreign investment protocols
- Government bailouts and stimulus, and potential impropriety



**Key Takeaway:** Stay abreast of relevant political and regulatory developments, and prepare for them to remain in place.

The pandemic's rapid spread and the manner in which it has been (mis)handled raises serious questions about the **interconnectedness of the global economy, the efficacy of multilateral institutions, and the future of democracy**. New social, trade, and geopolitical paradigms are likely to emerge from this crisis—and at different rates in different countries—shaped by the following dynamics:

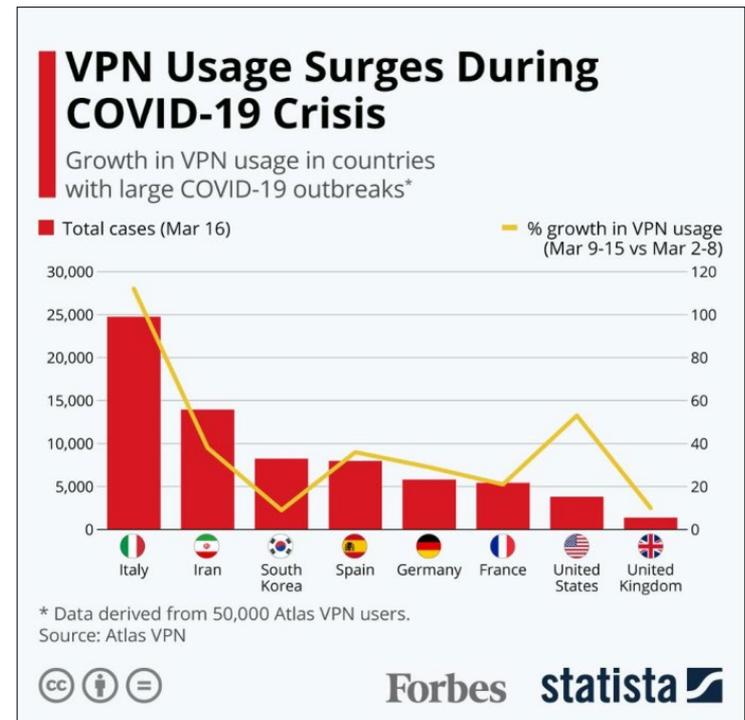
- Barriers to trade and impact on supply chains
- Inadequacy of market-based responses, and the increased role of the state
- Absence of political leadership and international cooperation
- The US-China rivalry
- The unique toll on emerging markets
- Existing issues have not disappeared



**Key Takeaway:** Assess the pandemic's residual risks on a market by market basis and within the broader trading system; due diligence not by microscope, but kaleidoscope.

**Remote working has become the “new normal” for many employees.** With social distancing likely to formally remain in place for many months—and longer, informally—the nature of how we work, where we live, and how we learn will drastically change, presenting a range of heightened and novel risks for firms.

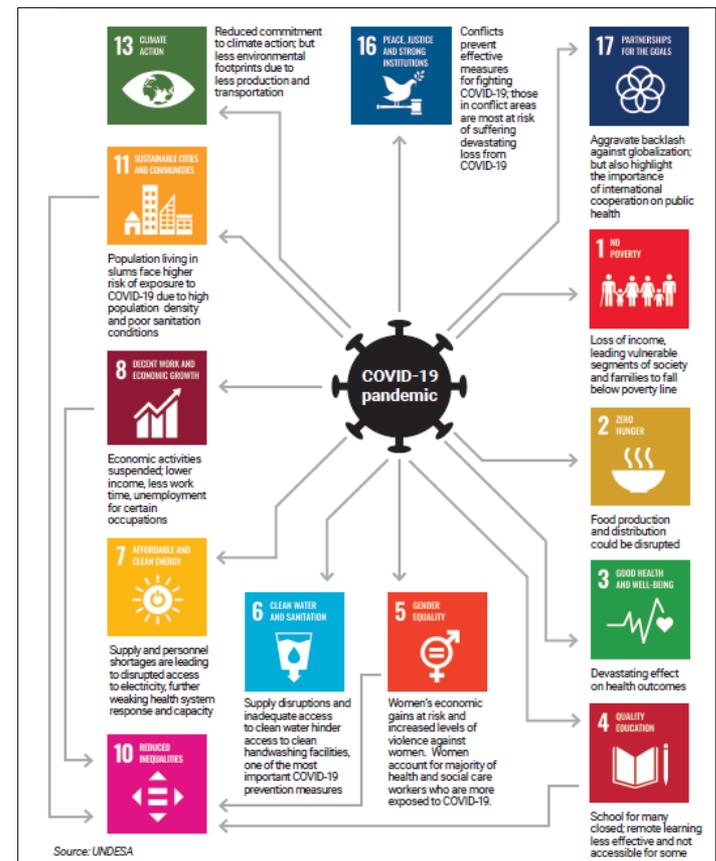
- Cybersecurity and data privacy
- Increased vulnerability to network shutdowns
- Legal liability for home work
- Exacerbating inequality and the digital divide
- Sanctions, decoupling, and vendor practices
- Fallout for industries displaced by telework
- ESG implications



**Key Takeaway:** Prepare to manage regulatory regimes and particularities—digital access, security, political sensitivities—in markets where employees work and data is housed.

Investor expectations for ESG performance have not been dented by COVID-19; if anything, it has reinforced the rationale for ESG. While environmental considerations garnered the lion's share of ESG attention prior to the outbreak, **the pandemic has sparked a newfound urgency around firms' attentiveness to "social" factors**, like employee welfare and customer safety.

- ESG not on the backburner, and all job functions must be attentive
- Legal requirements and stakeholder expectations
- Performance amid the pandemic
- Validation of partner and target performance
- Expanded ESG remit
- "Building back better"



**Key Takeaway:** Test crisis measures through legal, ethical, and ESG lenses. Position the firm—holistically—to address the broader range of issues it will be judged by post-crisis.

Veracity is helping clients to cope with the COVID-19 crisis and address many of the risk issues the pandemic engenders.

## Case Study 1: Risk Monitoring and Framework for Getting “Back to Work”

- A US industrial firm is looking to understand how the US economy will “re-open” so it can anticipate key milestones.
- Veracity has engaged with sources at the highest levels of the US government, state- and federal-level public health officials, and epidemiologists.
- We are monitoring developments, applying lessons learned from other countries, and building a framework to assess the health, economic, and—no less important—political considerations shaping government decision-making.

Veracity is helping clients to cope with the COVID-19 crisis and address many of the risk issues the pandemic engenders.

## Case Study 2: Due Diligence by Kaleidoscope, not Microscope

- A multinational was considering a transaction across multiple Asian countries.
- Beyond investigating typical probity issues in each market, Veracity examined the provenance of licenses, subsidiaries' labor, environmental, and supply chain practices, the views of government and non-governmental stakeholders toward the deal, and the target firm's data privacy and cybersecurity practices.
- Our advice on the interplay of these issues informed legal, financial, and strategic elements of the proposed deal, as well as the client's public and government relations strategy.
- We are now advising on the pandemic's impact on political and health conditions in key markets.
- Further inquiry in light of COVID-19 developments may also consider data regulations and government surveillance practices in each market.

# Q&A

The coronavirus pandemic and the measures taken to address it are moving us toward **a new realm of business, social engagement, and politics**. While an uncertain future lies ahead, historical lessons and a few early developments are instructive.

- **Temporary Measures will be Permanent Fixtures.** Stay abreast of relevant political and regulatory developments, and prepare for them to remain in place.
- **Accelerating Existing Tensions, Building New Barriers.** Assess the pandemic's residual risks on a market by market basis and within the broader trading system; due diligence not by microscope, but kaleidoscope.
- **Digitalization of Work and the Economy.** Prepare to manage regulatory regimes and particularities—digital access, security, political sensitivities—in markets where employees work and data is housed.
- **The Evolution of ESG – from ESG to ESG.** Test crisis measures through legal, ethical, and ESG lenses. Position the firm—and all of its component parts—to address the broader range of issues it will be judged by post-crisis.

**For more information, please contact:**

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