

2019 GLOBAL ANTICORRUPTION SURVEY

Increasing awareness of corruption risk
and its effects on business decisions

AT A GLANCE

- Companies are more aware of risks associated with corrupt business practices, and their business decisions reflect this.
- Organizations are looking to enhance their anticorruption programs.
- Executives are eager for more training and knowledge building.
- The need for more digital tools in the face of increasing complexity of governance and volume of data continues to grow.
- Exposure to corruption in certain regions is seen as unavoidable, and some companies have made business decisions to avoid these regions.

GROWING AWARENESS OF RISKS, INCREASING EFFECTS ON BUSINESS DECISIONS

Companies report they are increasingly aware of the risks associated with corrupt business practices and changing the way that they operate in response.

Expanding exposure

94% of respondents say their industry is exposed to corruption risk, and almost 40% of those say they view the risk as significant.

Business lost

51% of respondents believe their company has lost business as a result of a situation involving illicit payments to a government official.

Strength of anticorruption measures

94% of respondents believe their company has sufficient resources to identify and respond to corruption risks, and 93% are confident in their companies' antibribery and anticorruption due diligence processes.

Timely monitoring

84% of respondents said that they monitor suspicious behavior in real time, up approximately 15% over the prior year.

Responsive programs

93% of respondents reviewed (and updated if necessary) their anti-bribery/anti-corruption programs as a result of the Department of Justice's updated Guidance on the Evaluation of Corporate Compliance programs released earlier in 2019.

In addition to bolstering their anticorruption programs, companies are taking corruption risk into account more when making business decisions.

62%

of respondents report avoiding doing business in a region due to the risk of corruption

63%

have ceased doing business with a partner due to corruption concern

75%

have pulled out of or delayed an acquisition due to corruption risk

WHERE ANTICORRUPTION MEASURES FALL SHORT AND HOW TO FIX THEM

Organizations face a wide range of challenges to their anticorruption programs, and the tools for combatting these are growing in strength as technology advances. Multiple factors contribute to the extent of the challenges and the efficacy of the tools for combatting them.



Limited digital tools

81% of respondents said lack of IT systems and software to help monitor for fraud and corruption is a challenge.



Inadequate experience

Nearly 20% of respondents have never conducted an antibribery or anticorruption risk assessment or benchmarking review of their compliance policies.



Narrow program reach

Of respondents with dedicated anti-corruption programs, only half specifically address local, FCPA, FATCA, OFAC, and OECD laws and regulations, and less than one-third address the UK Bribery Act.



Foreign shortcomings

10% of respondents do not conduct internal audits of foreign subsidiaries and 8% do not conduct anticorruption training of foreign subsidiaries.



Weak policy

Of organizations with anticorruption programs, 16% do not clearly define government-related entities or individuals, limiting employees' awareness of when they are interacting with government entities.



New legislation

About half of respondents said new legislation has affected them in the last 5 years, and, of those, more than one-quarter stated that their anti-corruption program needs improvement in relation to the new legislation.



Insufficient employee education. Nearly 10% of companies surveyed don't distribute their anticorruption policy to all employees.

TOOLS FOR STRENGTHENING ANTICORRUPTION PROGRAMS

Defending against compliance

80%

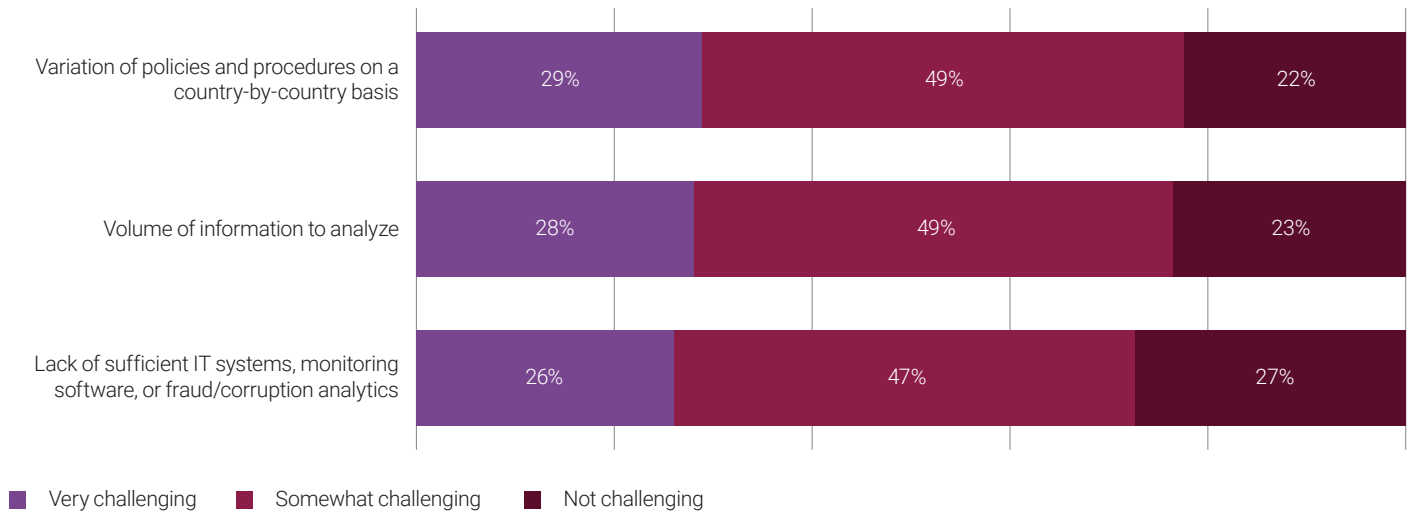
of respondents say the best tools for improving anticorruption measures are:

- Increased involvement of audit committee/board in anticorruption compliance programs
- Anticorruption training given to employees
- Compliance policy that addresses anticorruption
- Internal audits

WHERE TO INVEST: TECH-ENABLED SOLUTIONS

The power of digital tools and advanced analytics to combat corrupt business practices is only growing, and companies want more. Survey respondents said that if they had a larger budget, digital tools would be among their top two purchases, second only to conducting more frequent risk assessments. Despite the increased use of technology-enabled solutions, it's not enough to cope with the massive and ongoing increase in the volume of data to be monitored.

Challenges that most affect ability to address corruption risk



BROADER ACCESS TO WHISTLEBLOWER HOTLINES, MORE TIPS



Companies increasingly offer whistleblower hotlines to a wider array of people, including third parties such as suppliers and customers, and more tips are being submitted.

Tips received

More than half of respondents—**53%**—at companies that have whistleblower hotlines said that they had received a tip in the last year, up from one-third of respondents in last year's survey.

External counsel/adviser hired

49% said their companies engaged external counsel or advisers to address allegations. Their top reasons for retaining these external resources were security protocols, including confidentiality and independence, subject matter expertise, and reputation.

GROWING CONCERN: DATA PRIVACY

Of the myriad concerns that gnaw at executives who work in anticorruption, data privacy causes the most stress. Nearly two-thirds of survey respondents reported that it's their top concern. They also said:

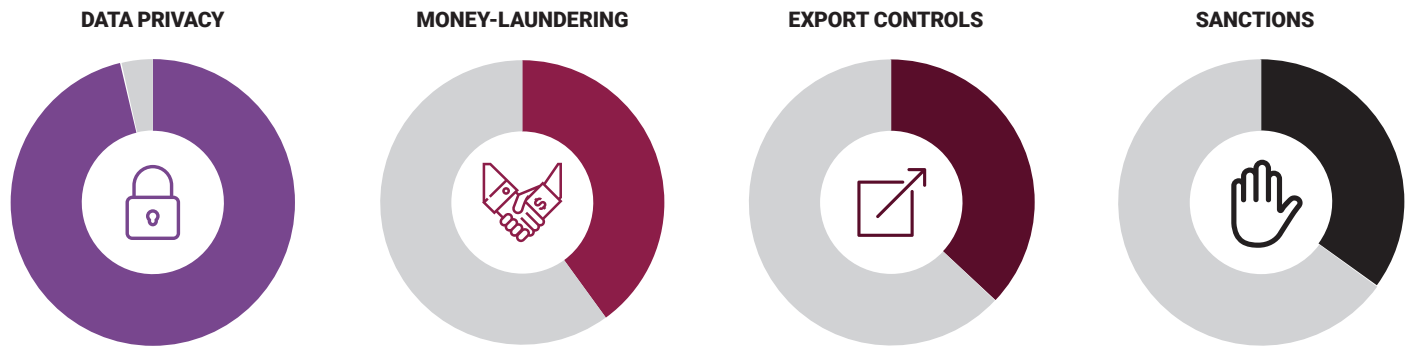
- Dealing with local data protection laws and ensuring security of data are the two biggest challenges to conducting cross-border investigations
- Local laws impede the collection and analysis of data, according to nearly 70% of respondents

2/3

say data privacy is top concern



What keeps you awake at night?



DIFFICULT REGIONS

Where is it impossible to avoid corruption?

Africa, the Middle East, Brazil, and Russia top the list of regions that survey respondents identified as involving particular corruption risk.

37%

AFRICA

30%

MIDDLE EAST

28%

BRAZIL

27% **RUSSIA**

21% **SOUTHEAST ASIA**

21% **GREATER CHINA**

20% **MEXICO**

17% **INDIA**

Most respondents (73%) said:

"It's just not possible to avoid corrupt business practices in certain areas."

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ALIXPARTNERS' ANNUAL GLOBAL ANTICORRUPTION SURVEY

The AlixPartners global anticorruption survey polled more than 300 senior executives—corporate counsel, legal, compliance, accounting/finance, and purchasing/procurement professionals representing more than 20 industries in North America, Latin America, Europe, and Asia in August to September 2019.

ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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