What is TRACE International?

• A non-profit membership association,
• that pools resources to provide practical and cost-effective anti-bribery compliance solutions
• for companies and organizations operating internationally.

The TRACE Compliance Community

• Hundreds of multinational companies from every industry headquartered worldwide
• Committed to anti-bribery compliance
• Willing to share and establish best practices

“We joined TRACE because we found it invaluable to have access to resources that we’re able to rely upon to enhance our compliance program.”
Benchmarking

What is your company's biggest bribery risk?

- Third Party Liability: 61%
- Off-books payments to government officials: 3%
- Improper gifts & hospitality expenses: 19%
- Kickbacks and other forms of commercial bribery: 14%
- Other: 3%

What is the biggest challenge to the success of your compliance program?

- Difficulty in performing due diligence over third parties: 17%
- Variations in country requirements - data privacy, etc.: 6%
- Lack of resources: 16%
- Expansion into High Risk markets: 13%
- Difficulty in identifying and assessing Risk: 21%
- Cultural / Language issues: 6%
Which resources do you think are lacking? (check all that apply)

- Adequate staffing levels: 84%
- Adequate budget: 44%
- Technology: 44%
- Sufficient Support from Executive Team / Board: 23%
- Training / Professional Development Opportunities: 19%
- Adequate Internal Audit function: 13%
- Legal Guidance: 13%

What new technologies have been integrated into your compliance program in order to carry out various compliance functions? (Select all that apply)

- Online training learning management system: 84%
- System to facilitate anonymous or confidential reporting of bribery or corruption: 81%
- A third party management system to manage due diligence reports and requests, as well as supporting documentation: 69%
- System to manage compliance activities that generates reports: 69%
- Tool to generate a risk assessment and store supporting documentation: 66%
- Tool to generate a risk assessment and store supporting documentation: 66%
- System to process forms related to gifts and hospitality, travel, contributions, etc.: 50%
- Tool to generate a risk assessment and store supporting documentation: 50%
- Knowledge management tools to route news on regulatory or legal updates to the proper personnel: 49%
- Third party management / Due Diligence: 40%
- Third party management / Due Diligence: 40%
- Issue reporting / investigations / Case Management: 36%
- Gift & Entertainment: 36%
- Gift & Entertainment: 36%
- Internal Control Monitoring: 30%
- Internal Control Monitoring: 30%
- Internal Control Monitoring: 30%

Technology Areas

1. Compliance program management
2. Knowledge management tool
3. Policy management
4. Training & Communications
5. Third Party Risk Assessment
6. Third Party Management / Due Diligence
7. Issue reporting / investigations / Case Management
8. Gifts & Entertainment
9. Internal Control Monitoring
Compliance Program Management

• Each requirement of the policy and program should be measurable and auditable.
• Gather data.
  ‣ Helps you to focus time / attention / resources
  ‣ Robustness v. effectiveness
    ‣ 90% workforce trained versus > 90% understand training
  ‣ meeting program goals (KPIs)
  ‣ Creating Board / Business buy-in
  ‣ Benchmarking across geographical units, track over time
• Allows the company to demonstrate its good faith efforts

 Knowledge Management

• Provide materials for compliance team worldwide
• Country guidance
• gifts & hospitality information
• Regulatory guidance & updates
• Training materials

Policy Management

• Streamlines policy creation, review, approval, and distribution
  ‣ Anti-Corruption
  ‣ Bystander Intervention
  ‣ Code of Conduct
  ‣ Competition and Antitrust
  ‣ Data Privacy
  ‣ Conflicts of Interest
  ‣ Preventing Workplace Harassment
  ‣ Reporting and Non-Retaliation
Training & Communications

- Legal and ethics training should be required at every level of the company, third parties where necessary, and should be repeated at intervals stated in the Anti-Bribery policy.
- Use ongoing communications to reinforce training message.
  - CEO messaging
  - Leadership meetings (message from the middle)
  - Company communications – emails, posters, newsletters
  - Company intranet, blogs, social media
  - Annual reviews

Third Party Risk Assessment

- Finite resources - identify consistent risk categories
- Verifying and collecting information
- Red flags and deal breakers
- Documented process

Risk Assessment:
- Countries of operation
- Services performed
- Governmental interaction
- Amount & type of compensation
- Contract with/ invoice customer
- Sole product source
- Industry trends
- Other?

Third Party Management Management System

- Undertake appropriate due diligence on all third party intermediaries and joint venture partners, who should also be required to comply in writing with the company anti-bribery policy.
- Significant third parties throughout the supply chain should be monitored and have their contract terminated if they pay bribes or act in a manner inconsistent with the Anti-Bribery policy.
Managing Third Parties

- Third party training
- Securing certifications
- Re-screening: how often?
  - What level of monitoring is viewed by regulators as an indication of a robust program?
- Monitoring payments to third parties

Internal Reporting

- Employees should have a mechanism by which they can safely and confidentially alert management to both internal and external wrongdoing or areas of concern.
- Promote effective dialogue with employees:
  - Helplines/anonymous emails
  - Involving neutral third parties/ombudsman
  - Providing multiple mechanisms for reporting
- Monitors status of cases

Gifts, Hospitality & Travel

- Company representatives should not offer gifts, hospitality, travel or other benefits or expenses whenever it might improperly affect the outcome of a procurement decision.
- Maintain records on incoming and outgoing gifts, hospitality and travel. See trends / patterns in incoming / outgoing gifts, hospitality & travel.
- Do not ignore a large number of small dollar amounts.
Monitoring & Testing

- A company should be committed to the continuous improvement of its compliance efforts through **monitoring and testing** of the Anti-Bribery Policy.

Challenges

1. **Resources – time / expense**
   - Volume & complexity of data to be converted
   - Limiting the scope

2. **No turnkey solution to everything** – technology will not solve all your problems for you
   - Fundamentals still required - does not replace the need for an understanding of customers, employees, and business partners, expert judgment still needed to apply specifics in the relevant industry and region
   - Enforcement agencies are not going to ask what cutting edge tools you used

Opportunities

Nonetheless, automation can still be incredibly useful
- What are the issues you are grappling with? Where is the bottleneck?
- What does my company need to do to address our own particular compliance risks?
  - Database screening - time consuming, false positives, labor intensive
  - Due diligence – high cost, manual questionnaires, no central repository
  - Online training – employees / third parties around the world, multiple language, tracking training
  - Internal reporting – ad hoc, no reminders, no follow up, generation of reports
Know Your Business

Common Mistake –
“Failing to formally assess and understand your unique risks and business processes”

• Every compliance risk arises in a specific factual circumstance.
• Perform a risk assessment.
• Identify and articulate your potential risks.
• Identify the most effective and efficient controls.
• Prioritize your efforts.

Free TRACE Resources

• The TRACE Bribery Risk Matrix: An index that measures business bribery risk in 200 countries. www.traceinternational.org/trace-matrix
• The TRACE Compendium: A searchable database of comprehensive summaries of international anti-bribery enforcement actions. www.traceinternational.org/compendium

Free TRACE Resources

• TRACE Egov portal: the world’s only global e-government directory
• Publicly-accessible and includes a comprehensive collection of links to country-level e-government services and resources of interest to businesses and their employees
• Makes resources easily available to companies doing business worldwide

The TRACE e-Gov Portal includes over 20,000 links in more than 100 countries. Browse country resources by visiting egov.TRACEinternational.org.