2021 Anti-Bribery and Corruption Benchmarking Report

Table of Contents

Key Takeaways

Kroll's 2021 *Anti-Bribery and Corruption Benchmarking Report* highlights results of a survey of 200 senior compliance and risk professionals from around the world in January and August 2021 to gain their unique perspective on the global anti-bribery and corruption landscape in 2021. Our report reflects current industry trends, including the changing role of environmental, social and corporate governance (ESG) considerations, evolving challenges with enhanced due diligence, third-party risk management trends, automation technology, regulatory changes and a look ahead to ABC in the post-pandemic work environment.

39% of global respondents say that their compliance program is very effective, a 12% drop from 51% in the first half of the year.

Important findings highlight that compliance officers are less confident in their ABC programs, with 39% indicating their programs were extremely effective, down from 51% earlier in the year. Seventy-two percent of respondents are concerned with increased responsibilities for the compliance function in 2022, but an even larger number (81%) feel they have the support of senior management.

62% of organizations have concerns regarding what might be on the regulatory horizon in the next 12 months, with the majority expecting a stricter and increased regulatory environment.

With a new U.S. administration in place for nearly a year and other global geopolitical changes, 62% of respondents voiced concerns around what's on the regulatory horizon over the next 12 months, predominately about stricter and increased regulations, including new global regulatory requirements and legislation. Echoing these sentiments of concern for the next 12 months, 72% of respondents expect the compliance function will take on increased responsibilities in 2022.

60% of respondents indicated environmental, social and governance (ESG) is included in organization's ABC program, a 6% increase from earlier in the year.

Environmental, social and governance (ESG) factors continue to play a major role in ABC programs, with business ethics being the most widely incorporated factor globally at 32%. Leadership's commitment was stated as the most popular catalyst for incorporating ESG into ABC programs, according to 55% of survey respondents. Despite these advancements, there are still several hurdles including cost, lack of standardization, limited data and a lack of transparency and regulation when it comes to implementing ESG into ABC programs, which could explain why 52% of respondents felt that ESG creates more challenges than benefits for the compliance function.

78% of global respondents indicated that their organization is meaningfully committed to a culture of integrity.

As companies plan for a post-pandemic future, we would expect to see compliance professionals safeguarding and improving their organization's culture of integrity. An ethical culture is the basis for an effective compliance program. Seventy percent or more of the respondents indicated their compliance program incorporates the pillars of an ethical culture, including tone from the top, the scrutinization of new business initiatives and adapting processes to local cultural nuances. With such a high percentage of respondents indicating a culture of compliance it seems counter intuitive that only 39% rated their compliance program as highly effective.

Foreword

Kroll's 2021 *Anti-Bribery and Corruption Benchmarking Report*, the result of a survey of 200 executives conducted earlier this year across the globe, offers thoughtful insights into the state of anti-bribery and corruption (ABC) programs worldwide for the 10th consecutive year.

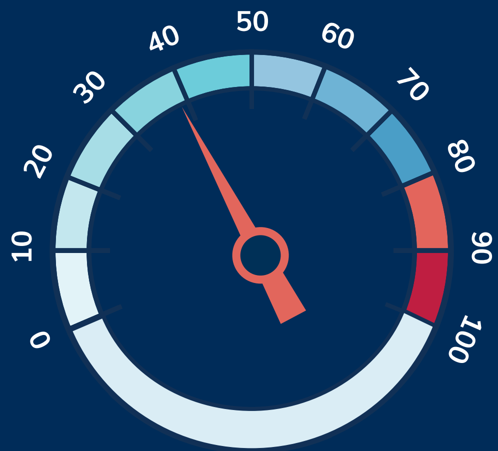
Six months after our initial survey of 200 executives on anti-bribery and corruption topics, Kroll surveyed an additional 200 executives from across the globe to see how sentiments have changed. We've added three new articles to Kroll's *2021 Anti-Bribery and Corruption Benchmarking Report*, which offers thoughtful insights into the state of ABC programs worldwide. As the world continues to be in flux, we eagerly anticipated reviewing the new results of our survey. A year and a half into the pandemic, we regarded this as an especially opportune time to understand and evaluate strengths, weaknesses and emerging trends in ABC programs across the globe. Additionally, this year, the survey not only delved into the views on the efficiency of ABC programs but also probed further into the critical challenges faced by ABC compliance officers in our ever-changing world.

Important findings highlight that compliance officers are now evaluating their compliance programs as generally effective; however, even after years of advances, they still feel the need for more advanced technology and automation tools to support their programs. Importantly, and a new focus of our survey revolves around culture and environmental, social and governance (ESG) inclusion in ABC programs, highlighting important differences across regions.

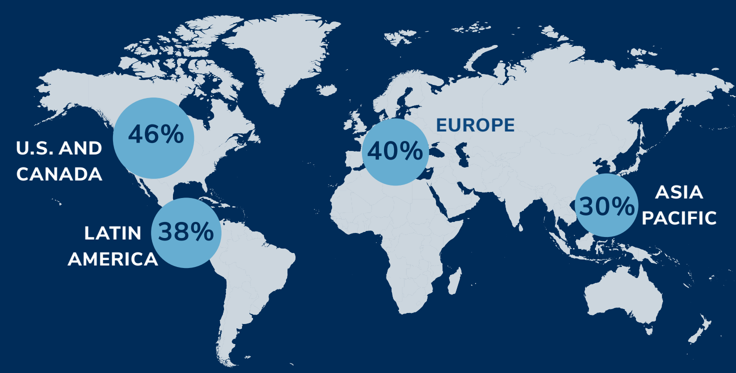
Other findings reveal that high-risk countries and red flags uncovered during initial screening are the biggest drivers for respondents to conduct enhanced due diligence on their counterparties. However, there is also increasing concern around the critical issue of data security when conducting due diligence externally, stressing the importance of cyber hygiene and secure technology platforms. Our eight brief articles will share key findings from our survey and what we think will impact this ever-changing landscape in the coming months. Thank you for spending time to review these results, and as always, Kroll is available to discuss further details and is prepared to assist in improving your ABC compliance, readiness and overall program.

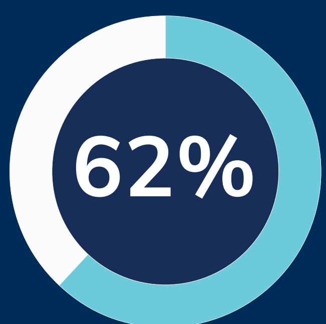
Concerns regarding risks remained consistent from the first half of the year, but confidence in effectiveness of ABC programs has decreased.

39% say their compliance program is very effective, a drop from 51% in the first half of the year.

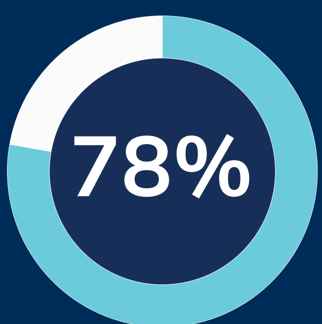


Respondents Who Are Highly Confident in Their ABC Programs

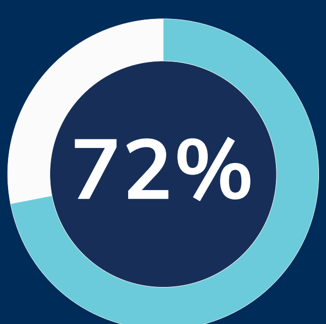




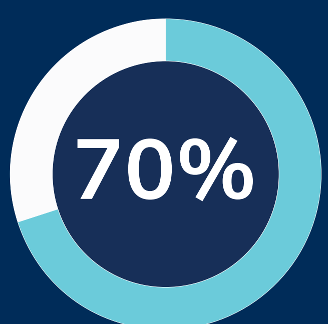
Have concerns regarding what might be on the regulatory horizon in the next 12 months



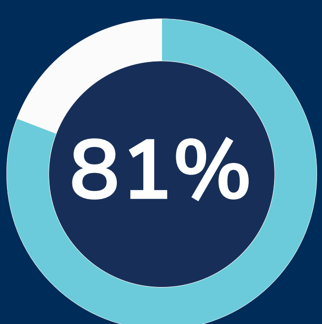
Feel their organization is meaningfully committed to a culture of integrity



Feel the compliance function will take on increased responsibilities in 2022



Feel their compliance program has sufficient technology to address their current challenges



Feel senior management in their organization supports the compliance function

KROLL

Culture as the Basis for Compliance Effectiveness

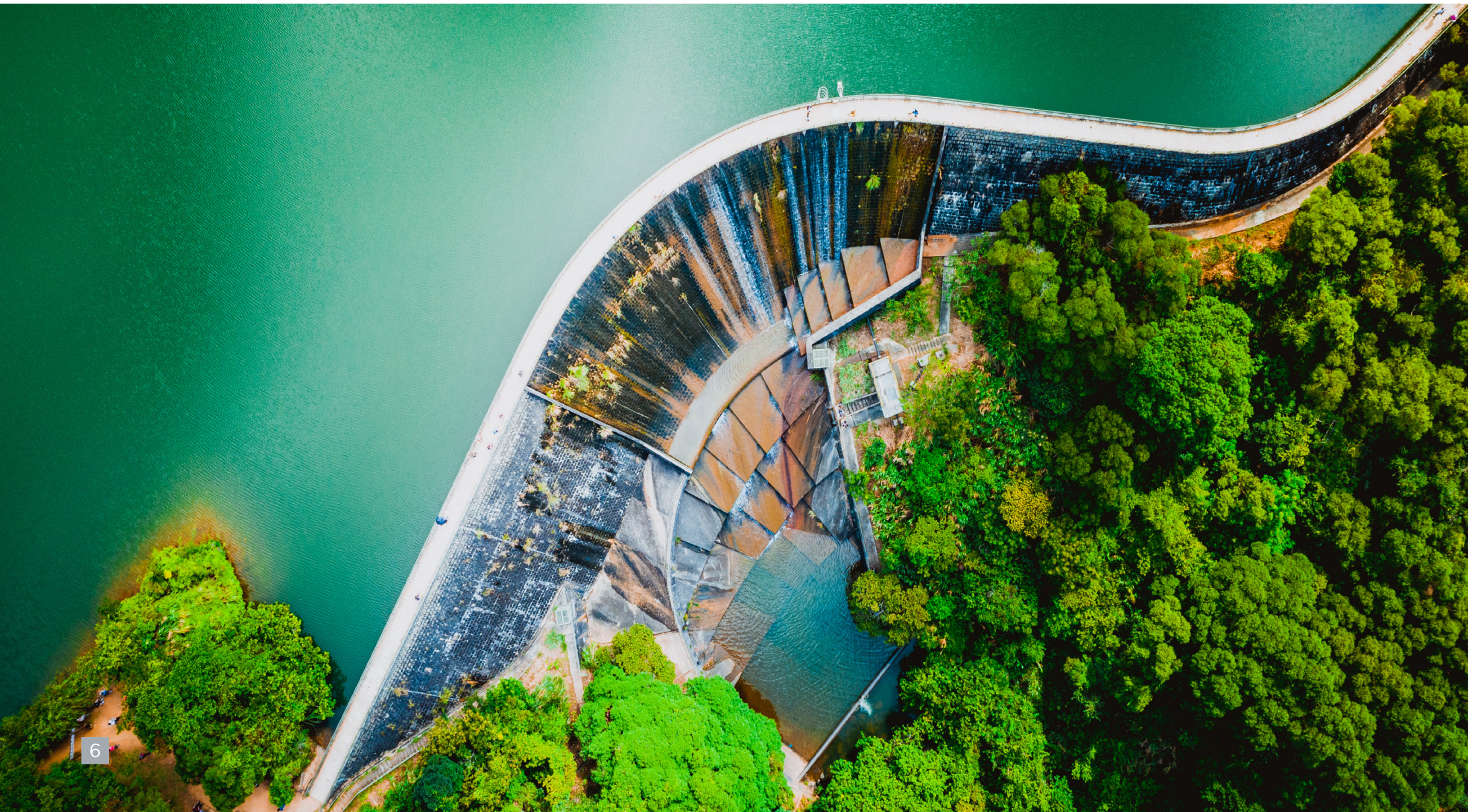
By John Arvanitis and Michael Watt

November 2021

In each of Kroll's 2021 anti-bribery and corruption (ABC) surveys, most respondents expressed high levels of confidence in the effectiveness of their compliance programs. Yet, the compliance function has long been overburdened and under-resourced for many years. This paradox is created from compliance programs that are designed to meet external expectations from regulators rather than organically nourishing ethical behavior. Having a culture of compliance needs to go beyond simply checking a box and something that is embedded within the organization from the top down.

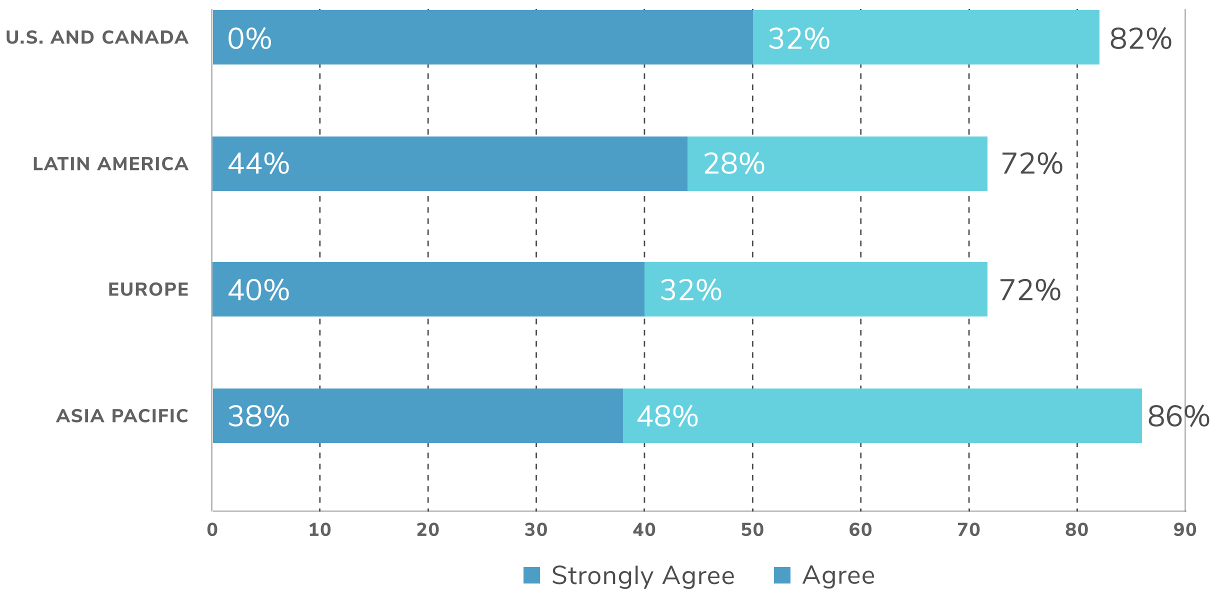
Since 2016, when the U.S. Department of Justice (DOJ) launched a pilot program targeting violations of the Foreign Corrupt Practices Act (FCPA) and established the expectation of ethical culture as the basis for effective compliance programs, culture is rightfully an increasing focus for organizations. Culture is now accepted in the compliance community as the bridge between what an organization defines as ethical workplace conduct and what happens in reality.

This year's ABC survey shows organizations are continuing on the right track. Globally, 78% of survey respondents said their organization is meaningfully committed to a culture of integrity. Respondents in Asia Pacific and the U.S. and Canada were most confident at 86% and 82%, respectively.



Organizational Commitment to a Culture of Integrity

Organizations’ Commitment to Culture of Integrity



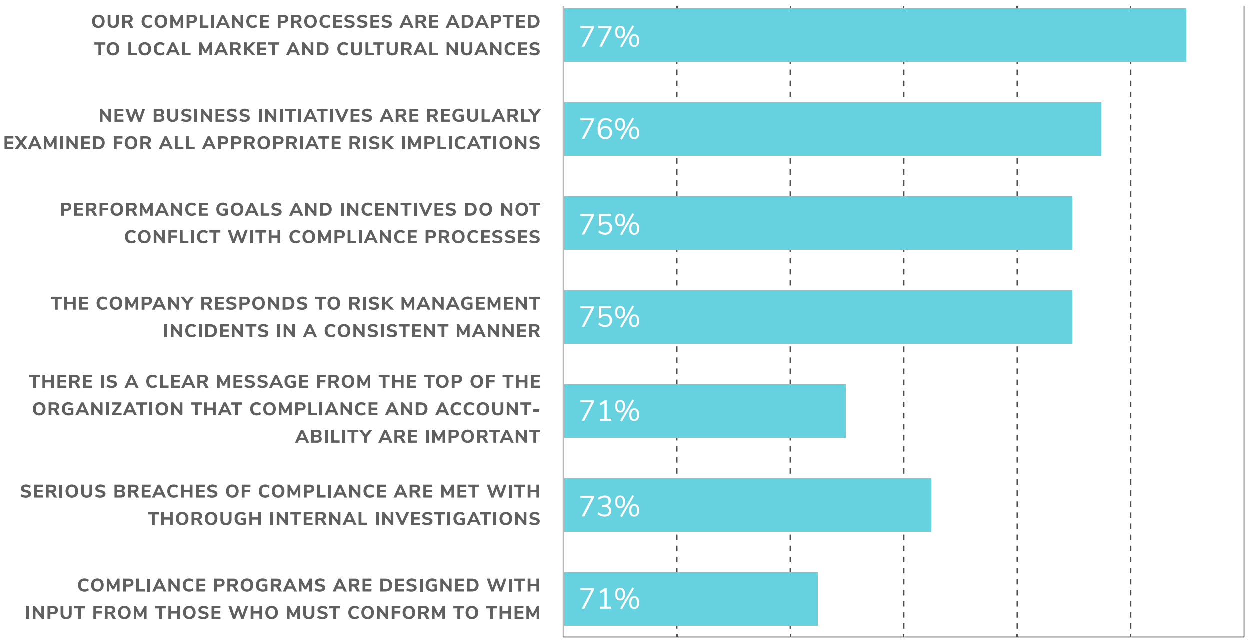
Top-down communication is the starting point for many organizations when assessing their compliance cultures. They focus on tone from the top to indicate the level of commitment and management buy-in of the organization’s values. Seventy-five percent of survey respondents agreed that there is a clear message from the top of the organization that compliance and accountability are important, with U.S. and Canada respondents in strongest agreement at 86%.

However, organizational commitment doesn’t end with top-down communication. This communication should also be embraced and reinforced by management at all levels of the company to ensure it is made actionable for specific roles and functions.

The role of the chief compliance officer (CCO) is another key indicator for how relevant the value of integrity is to the strategic decision-making process. Rather than the compliance role only delivering updates to the executive committee, ethical organizations are more likely to have a CCO that sits on an executive board or reports directly to the CEO.

Designing Compliance Programs to Match Company Values

Organization's Support of a Culture of Compliance



A compliance program that is designed to match a company's value for integrity rather than exclusively consider external expectations from regulators must include a holistic set of policies that are sensitive to both business needs and local conditions.

More than 70% of respondents globally agreed that their compliance processes are adapted to the local market and cultural nuances. European respondents were a clear outlier in this aspect with only 58% agreeing. In Kroll's experience, the classic fraud incident or compliance failure can originate in a far-flung office that either has yet to adopt policies, systems or protocols from headquarters, or they have been forced to adopt a program intended to meet expectations from regulators thousands of miles away. This leads to a disconnect between the compliance function and local business reality, further creating risks from box-checking exercises.

Incentivizing the right business behaviors is another challenge for large, diverse multinational corporations. Globally, 73% of respondents agreed that their performance goals and incentives do not conflict with compliance processes. Latin America respondents had the lowest agreement among the regions with only 64% agreeing. Companies with the strongest compliance cultures purposely integrate integrity into their performance incentive and evaluation frameworks. Without incorporating a company's values into how it approaches business development, employees can be tempted to cut ethical corners to meet challenging sales targets.

Hitting the Reset Button

Given how abstract and immeasurable culture is, companies teetering on the edge of a compliance failure rarely see the cracks in their compliance cultures until a problem is found. An effective cultural assessment of a company focuses not only on policies but also on organizational messaging, training, resourcing, commercial incentives and response and remediation mechanisms. If we use this as the lens to evaluate recent FCPA enforcement actions, weak cultures are cited as the underlying cause of bribery. Enforcers point to how the compliance program works in practice when determining effectiveness rather than how it was designed.

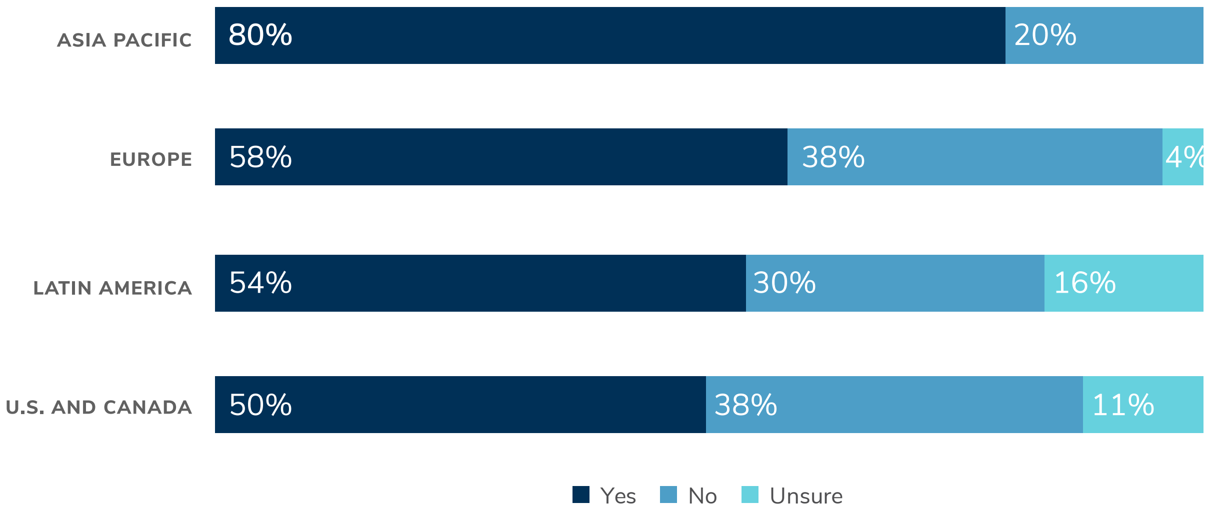
In 2021, the end of the pandemic has felt for many societies like the light at the end of the tunnel that is just out of arm's reach. With many companies expecting to reach that end in 2022, now is the time to meaningfully plan what a "new normal" will look like for their compliance cultures. If a company's culture of integrity went in the wrong direction either due to supply chain disruption, financial issues or remote work, now is the best time to re-assess and pivot. The right kind of new normal requires transformational change—change that is embraced enterprise-wide by all stakeholders.

ESG's Foothold in Anti-Bribery and Corruption Programs

By Veronique Foulon, Anh Pham and Joanna Kozlowska
November 2021

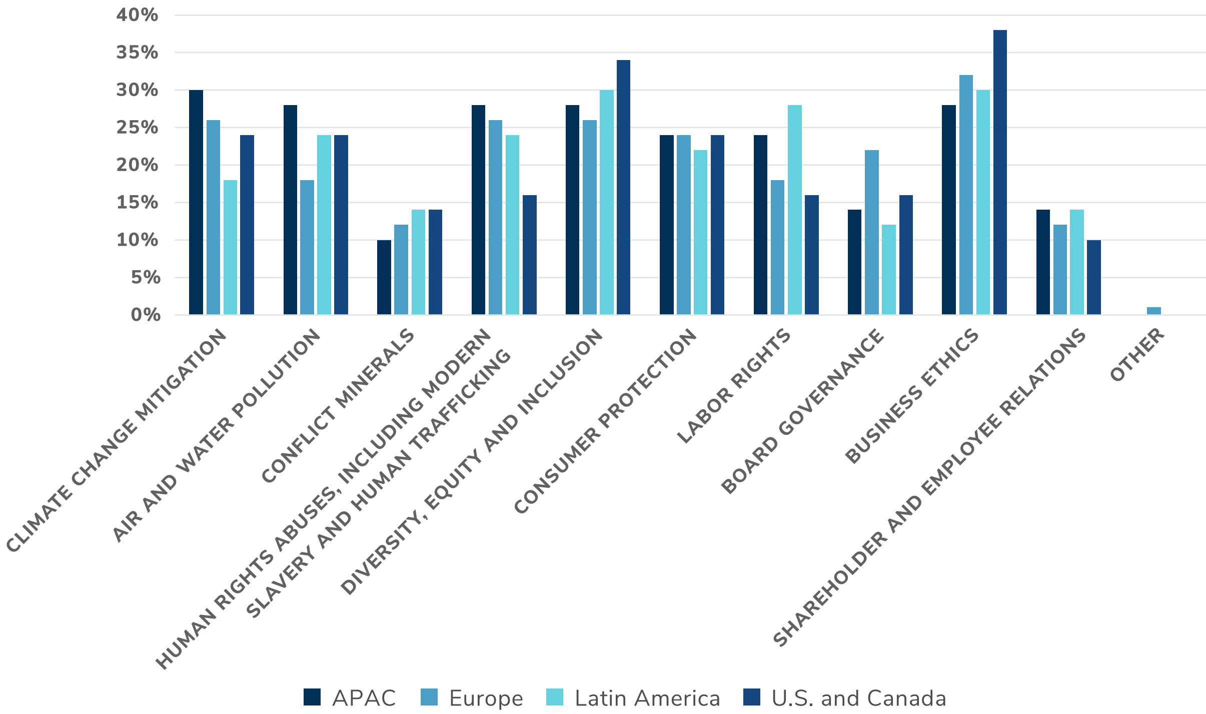
Kroll analyzed global data from 200 senior risk professionals in January and August 2021. More specifically, these executives were asked how they viewed the importance of Environmental, Social, Governance (ESG) standards and programs in relation to ABC programs. The change in sentiment from the first half of the year to the second revealed changes in the inclusion of ESG in ABC programs as well as the most important and challenging factors when implementing the ESG into ABC programs.

ESG Inclusion in ABC Programs



Survey respondents who stated that ESG is currently part of their anti-bribery and corruption program increased six percentage points from 54% to 60% from the earlier half of the year. A detailed breakdown of the responses, however, shows disparity between respondents from Asia Pacific, Europe, Latin America, and the U.S. and Canada. Asia Pacific and the U.S. and Canada experienced the largest increases in inclusion with a 16% and 14% jump, respectively. In comparison, Europe's respondents including ESG in their ABC program increased at a slower pace by 6 percentage points from 52% to 58% between the first and the second instance of the survey. The outlier is Latin America where 54% of respondents indicated that ESG is currently part of their anti-bribery and corruption program, an 8% drop from the survey earlier in the year. Variations in responses may be explained by regional factors and the differences in relevant regulatory and compliance landscapes. With this uptick in the U.S. and Canada, ESG in now included in 50% or more of ABC programs across the four regions' respondents surveyed.

ESG Inclusion in ABC Programs

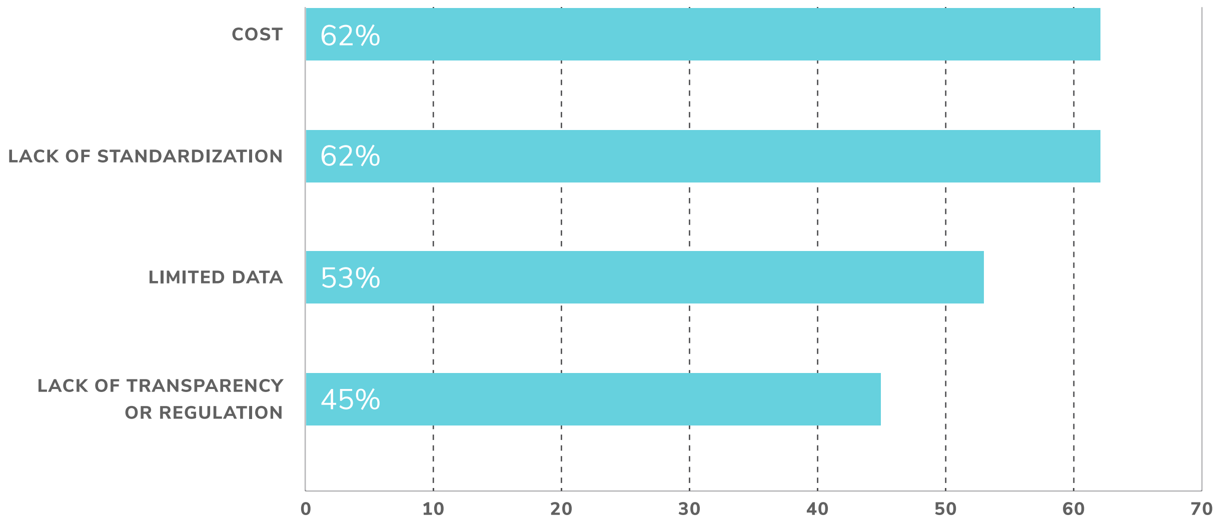


Multiple studies conducted since 2019 by organizations like the World Economic Forum and the Harvard Business Review link both gender and ethnic diversity to improved organizational performance, highlighting innovation in particular.[1,2,3] A 2020 World Economic Forum report suggests that companies with diverse employees have up to 20% higher rates of innovation and 19% higher revenues.[4] Our survey results indicate that business ethics, and diversity, equity and inclusion (DEI) were identified as the most common aspects implemented into ESG programs, with DEI ranked the second most commonly incorporated in three out of four regions surveyed – the U.S. and Canada (34%), Latin America (30%) and Europe (26%).

Conversely, failure to operate intentionally around DEI issues, whether on the level of internal policies or public communications on broader sociocultural issues, can translate into a clear reputational risk for businesses. Media coverage and consumer perceptions aside, a lack of thoughtful and committed DEI initiatives has been linked to labor concerns – ranging from talent attrition to high-profile discrimination lawsuits.[5]

DEI was, however, not the most important aspect in ESG programs for the respondents from Asia Pacific, according to our 2021 ABC survey. Climate change mitigation was most commonly selected by respondents in Asia Pacific (30%), followed by air and water pollution, human rights and abuses, DEI, and business ethics (28% each). The results reflect the regional response to global pressure on reducing emissions, by which many Asia Pacific countries are affected as their economies are developing and rely heavily on manufacturing and agricultural activities. This is also a regional security concern, as Asia Pacific is usually among the top two regions most affected by climate change in terms of weather extremes and community displacement that result in supply chain disruptions and scarcity, causing local tensions and higher security risks. The close difference in selection (30% compared to 28%) also shows that respondents understand the importance of DEI and business ethics.

Chief Challenges that ESG Brings to the Compliance Function



While the benefits of implementing elements of ESG into ABC and compliance programs is widely touted in industry publications, the challenges facing compliance departments in monitoring and complying with these standards may receive less attention. In our survey, 62% of respondents indicated that the cost of ESG program implementation and the lack of standardization across jurisdictions are the chief challenges faced – and for good reason. While the European Union has guidance like the Sustainable Finance Disclosure Regulation (SFDR) to ensure investment managers and financial market participants provide adequate disclosure of account sustainability and ESG risk factors to stakeholders, countries like the UK and the U.S. have yet to implement disclosure or regulating standards.[6] This is not to say ESG factors and their impact on stakeholders are completely unregulated in the UK and the U.S. Both countries govern various aspects of ESG, including corporate governance (e.g. the UK Corporate Governance Code 2018), environmental (e.g. the US Environmental Protection Agency's regulations and the UK Climate Change Act 2008), and social (the UK Modern Slavery Act 2015 and the U.S. Occupational Safety and Health Administration).[7,8] However, many corporate leaders, not just the respondents to our survey, have called for regulatory bodies like the SEC to create standards for sustainability and diversity metric disclosures. Fortunately, both the UK and the U.S. have expressed an intention to adopt certain disclosure standards for climate-related financial information and to police misleading information given about ESG investments.[9]

Our 2021 ABC survey results also reported that cost of implementing ESG programs is identified among the top three enhanced due diligence challenges. As Commissioner Elad L. Roisman said in the ESG Board Forum in 2021, any new disclosure requirements, including (but not limited to) ESG, would generate costs for companies to obtain and present information, as well as the cost of increased liability for making such disclosures, and the cost would be proportionally higher for relatively smaller companies that have limited resources and/or in the growing stage.[10] While there are not any statistics on the cost to implement ESG into compliance, a 2019 report by Bank of America found that controversies related to accounting scandals, data breaches, sexual harassment cases and other ESG issues resulted in over USD 500 billion loss in market value for unspecified companies in the S&P 500 index.[11] With the increasing interests in ESG disclosures of regulators, including the U.S. SEC's creation of a Climate and ESG Task Force in its Division of Enforcement and the release of the EU's Sustainable Finance Disclosure Regulation, both in March 2021, the costs for non-compliance of ESG will likely increase.

Conclusion

While our survey results show an increase in inclusion of ESG in ABC programs, there is still a long way to go in terms of implementation, managing costs and measuring success due to a lack of benchmarking. The good news is, with ESG set as a high priority for regulators and executives alike, ESG disclosure regulations are likely to be standardized in the future across many countries and the costs associated with implementing these standards is not as daunting as some may think. In fact, the cost of not considering ESG factors in ABC programs may be even greater.

Sources

1. https://www.weforum.org/agenda/2019/08/3-reasons-why-business-leaders-cant-afford-to-ignore-diversity/
2. https://www.weforum.org/agenda/2019/04/business-case-for-diversity-in-the-workplace
3. https://hbr.org/2020/11/getting-serious-about-diversity-enough-already-with-the-business-case
4. https://www.weforum.org/reports/diversity-equity-and-inclusion-4-0-a-toolkit-for-leaders-to-accelerate-social-progress-in-the-future-of-work
5. https://hbr.org/2016/07/why-diversity-programs-fail
6. https://www.jdsupra.com/legalnews/the-eu-s-increasing-esg-regulation-and-7966413/
7. https://www.diligent.com/en-gb/blog/esg-regulations/
8. https://www.sec.gov/news/speech/can-the-sec-make-esg-rules-that-are-sustainable
9. https://www.jdsupra.com/legalnews/the-eu-s-increasing-esg-regulation-and-7966413/
10. https://www.sec.gov/news/speech/roisman-esg-2021-06-03
11. https://www.ft.com/content/3f1d44d9-094f-4700-989f-616e27c89599

Increasing Concern for ABC Regulatory Enforcement in the Year Ahead

By John Arvanitis and Michael Watt

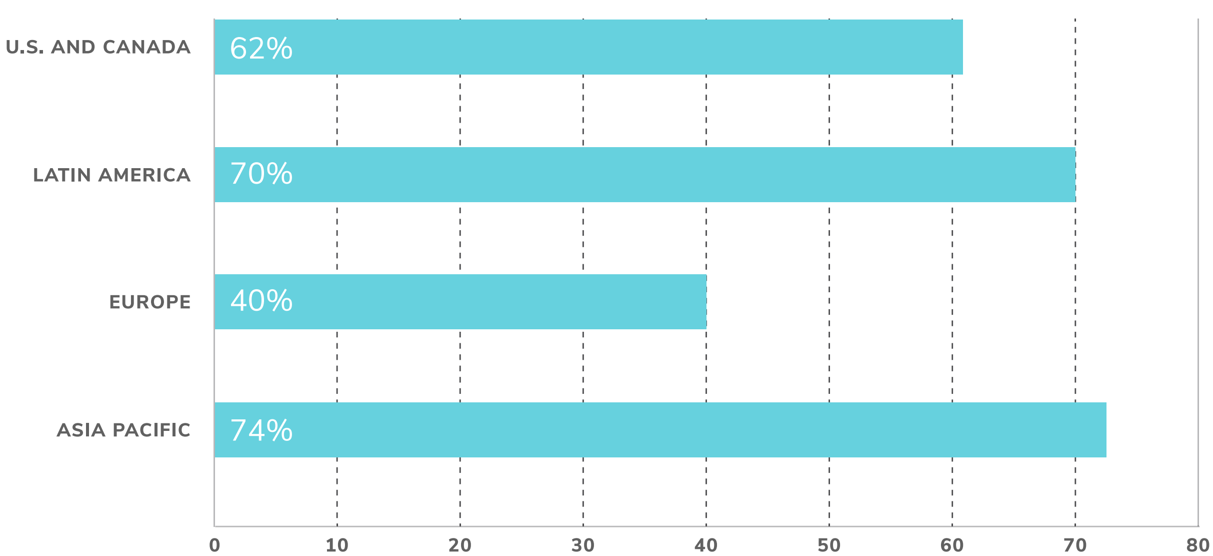
November 2021

In Kroll's analysis of benchmarking survey data from August 2021, nearly 90% of survey respondents believed their ABC risks would increase or stay the same in 2022 compared to 2021. Looking forward to the next 12 months, 62% of respondents also have concerns of what may be on the regulatory horizon. The majority of these respondents cited their expectations for a stricter and increased regulatory environment as the main source of their concern.

In the U.S., companies have followed the Biden administration's actions during its first year in office to understand how its anti-bribery and corruption agenda could impact the regulatory landscape. The administration has continued their public commitment to fighting corruption on a global scale as specific policies have begun to take shape. In his first significant action to fulfill this commitment, President Biden launched an anti-corruption initiative in June 2021 that declared combatting corruption as a core national security priority.[1] By linking corruption to national security, the administration continues the long-argued claim that corruption destabilizes democratic processes and supports rogue states. The June 2021 directive began an interagency review to develop the administration's "whole of government approach," which is supported by a promise to create a unified set of policies to fight corruption both domestically and abroad. The intention is to localize the directive into each government agency's agendas to assess and bolster their specific efforts in the anti-corruption fight.

However, as with all U.S. presidencies that start their term in a highly politicized landscape with seemingly never-ending domestic challenges, we can likely expect an ambitious anti-corruption agenda to face roadblocks at home and abroad. Progress may be slow, but many observers, including Kroll's survey respondents, expect the regulatory pace to quicken. The Pandora Papers investigation, the largest leak of offshore records to date, has further exposed the shroud around the beneficial owners of shell companies, trusts, foundations and similar entities and their use in not only tax mitigation but also in the hiding of financial crimes in certain low- or no-tax jurisdictions, including certain U.S. states. The recent revelation has renewed public interest in combatting financial crimes, and such public interest may continue as resulting investigations develop further. The introduction of bipartisan legislation such as the ENABLERS Act in response to the Pandora Papers could also be the kickoff of a reinforced focus to strengthen anti-money laundering laws and the relevant regulatory powers from Congress.[2] Despite the 2020 Anti-Money Laundering Act (AMLA), new regulations to enforce effective compliance on investment managers have yet to be enacted. Legislative progress will largely be dependent on sustained public attention and focus from legislators, as with past offshore leaks revealing the continued use of the U.S. as a shelter for illicit funds.

Organizations have concerns regarding what might be on the regulatory horizon in the next 12 months



Of the 62% of respondents with concerns of what may be on the regulatory horizon in the next 12 months, the anticipation of stricter and increased regulatory requirements was the most significant concern shared across all four of the surveyed regions.

European respondents notably were the least concerned with regulatory developments over the next 12 months at only 40%. Similarly, only 16% of European respondents were concerned with an increased reliance on self-reporting despite the implementation of the EU Whistleblower Directive. However, progress may nonetheless continue. Forthcoming changes in EU AML/Countering the Financing of Terrorism (CFT) legislation (as proposed by the European Commission in July 2021) may lead to increased enforcement action and larger fines issued within the EU in the coming years.[3]

Respondents in Asia Pacific might be reflecting on China's sustained efforts to improve whistleblowing and aggressively enforce its anti-corruption laws. Recent laws such as the Supervision Law will strengthen President Xi's anti-corruption campaign over the upcoming months.[4] In June 2021, China also further complicated the complexity of compliance officer responsibilities by passing a new law that empowers the State Council to enact sanctions against those that implement sanctions against China. This codification of counter-sanctions leaves foreign corporations with the dilemma of which sanctions regimes they are required to comply with. Developments also continue elsewhere in the region. For example the Australian Senate has continued its gradual reform of the country's anti-money laundering and counter-terrorism financing (AML/CTF) legislative framework.

In Latin America, respondents had similar levels of concern as Asia Pacific respondents for what may be on the regulatory horizon. In Brazil, 2021 saw the country's anti-corruption progress shaken by a dramatic kickback scandal involving health ministry officials and vaccine procurement that may have impacted the presidential election next year. Central America has been a particular focus for U.S. regulators following the Biden administration's naming of corruption as a core national security priority. Even prior to the White House initiative, Central American public officials have been targeted with a range of anti-corruption measures, including sanctions pursuant to the Magnitsky Act.[5] With the Biden administration also seeking to strengthen diplomatic ties with many Latin American countries, most plans for future civil society and private sector investments intend to be tied to anti-corruption and judicial reforms.

In a multipolar world with some regulatory regimes progressing at different paces, some collaborating, and others competing against each other, ABC regulatory complexity will continue. Combined with the belief from 47% of respondents that their bribery and corruption risks will increase in 2022, ABC compliance programs will need to continue their dedication to not only comply with regulatory expectations but also protect their organizations from illicit activity.

Sources

1. https://www.whitehouse.gov/briefing-room/presidential-actions/2021/06/03/memorandum-on-establishing-the-fight-against-corruption-as-a-core-united-states-national-security-interest/
2. https://malinowski.house.gov/media/press-releases/representatives-malinowski-salazar-cohen-and-wilson-introduce-bipartisan
3. https://www.kroll.com/en/insights/publications/financial-compliance-regulation/global-enforcement-review
4. http://english.www.gov.cn/news/topnews/202109/21/content_WS614915f6c6d0df57f98e09c6.html
5. https://www.kroll.com/en/insights/publications/compliance-risk/engel-list-look-into-central-americas-corruption-risks

Social Media Checks in Enhanced Due Diligence

By Rob Gho and Veronique Foulon

November 2021

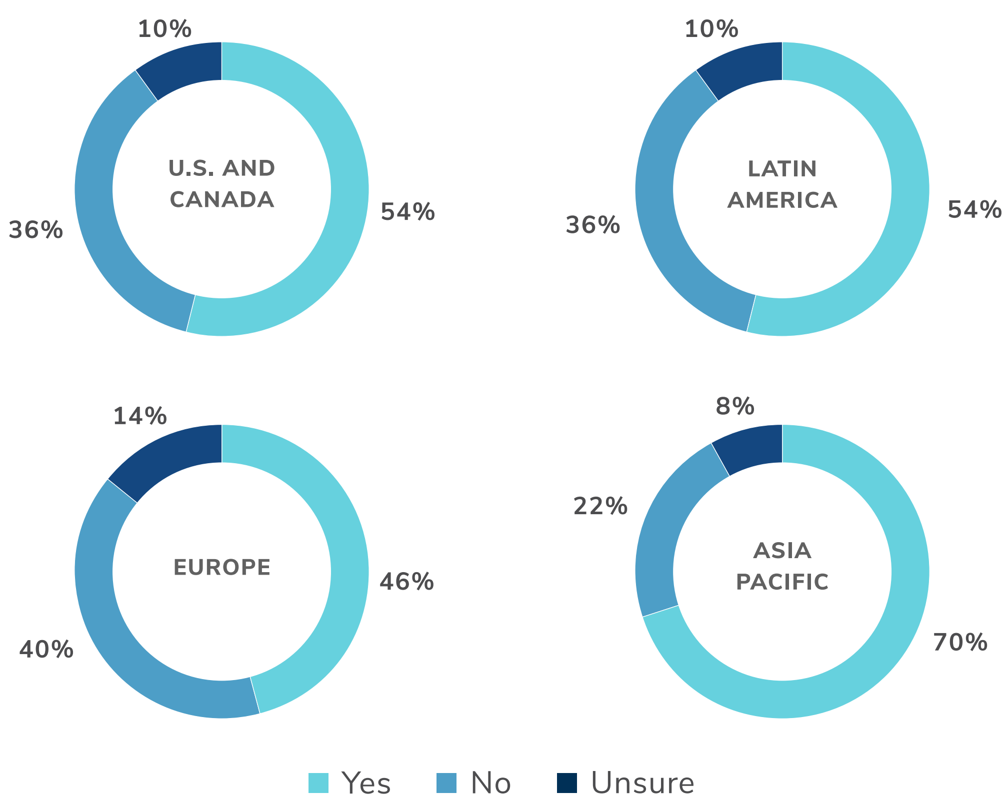
Social media searches have increasingly become part of anti-bribery and corruption (ABC) programs. Globally, 56% of respondents to Kroll's August 2021 ABC survey indicated that their organization conducted social media checks when assessing potential third-party risks during the due diligence process. An interesting trend shows that respondents in the Asia Pacific region (70%) are more likely than respondents in any other regions to include social media checks during the due diligence process. Overall, compliance professionals appear to rely more heavily on social media checks in jurisdictions where public record accessibility or disclosure and the size and nature of the employment market makes ABC information garnered from social media profiles more relevant.

Recently, social media has become an important component to understand a third-party's online footprint. Social media searches can be used to help manage ABC risk and is increasingly becoming part of ethics and compliance programs.

In data from Kroll's January ABC survey, 40% of respondents said they use social media searches among data sources to identify or validate level of third-party risk for each party of concern. The same survey had social media searches ranked 10th among 16 data sources used as part of the respondents' enhanced due diligence protocol. Main data sources before social media searches were public record (fraud, criminal record, bankruptcy, etc.), the internet, international screening database, including sanctions and restricted party watch-lists, adverse media or real time news, politically exposed persons (PEP) content, country or industry risk scores, cyber security breaches/ vulnerability scores, credit rating or credit risk scores and data of financial holdings.

In August 2021, Kroll surveyed an additional 200 global respondents to see how sentiment had changed from the first half of the year and specifically asked respondents about social media checks as part of ABC programs' third-party enhanced due diligence. Overall, 56% of respondents across APAC, Europe, Latin America and the U.S. and Canada indicated that their organization conducted social media checks when assessing potential third-party risks—clients, customers, vendors—during the due diligence process.

Usage of Social Checks to Assess Risks During Due Diligence Process



Q29. Does your organization conduct social media checks when assessing potential risks associated with clients/customers/vendors during the due diligence process?

An interesting trend in responses from our second survey showed that respondents in the APAC region (70%) are more likely to include social media checks during the due diligence process than respondents in Latin America and the U.S. and Canada (54%). Respondents in the European region (46%) are the least likely to conduct social media checks as part of their ABC due diligence of third-party risks.

One reason for APAC's emphasis on social media checks could be explained by the large size of its employment market as a growth market with a large workforce, a significant turnover, and the consistency of pre-employment background checks. Social media checks tend to provide more relevant information as part of ABC when it comes to individuals. While this may not be the only explanation, it could certainly be part of the reason. The APAC region also features jurisdictions, such as Indonesia, where many businesses have a social media profile rather than a website and social media checks are consequently the most relevant.

Overall, compliance professionals seem to rely on social media checks more, in jurisdictions where access to publicly available information is less assured or where companies use social media rather than a website to provide their services and contact.

Social media information highlights money laundering, corruption and reputational risks not always identified through standard public domain information, including public record, internet and media, and litigation and regulatory repositories. As social media checks may help identify regulatory risks such as high-risk business, political connections, insider trading risks, connections to extremist or organized crime groups, they could also take more prominence among screening solutions for environmental, social and governance (ESG) requirements. While social media may not be as widely used as other sources, it certainly has a role to play in ABC programs.

Evolving Challenges with Enhanced Due Diligence

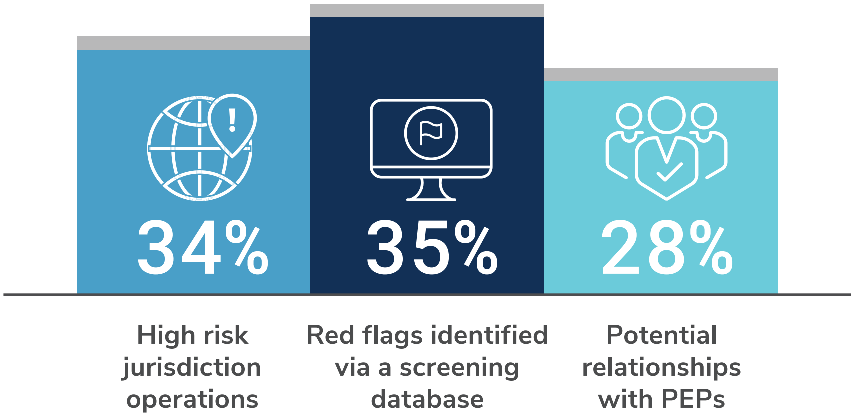
By Michael Watt and Veronique Foulon

June 2021

In each year of Kroll's Anti-Bribery and Corruption (ABC) Benchmarking Survey, we have analyzed survey results and tracked a number of themes around the "when, why and how" compliance organizations conduct enhanced due diligence. With more than 85% of 2021 survey respondents having their third parties undergo some level of enhanced due diligence, most companies continue to rely on this process to develop risk profiles, ensure ABC compliance and protect their reputations around the globe.

In 2021, we took a closer look at the process-related challenges compliance organizations face when conducting enhanced due diligence externally. Data security (22%) was the top response, closely followed by costs (19%) and "lack of knowledge" (18%).

Biggest Challenges with External Enhanced Due Diligence



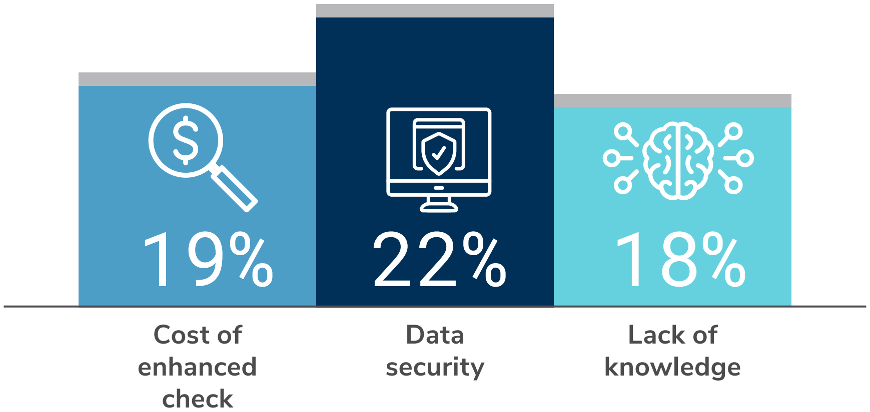
Data Security as the Top Enhanced Due Diligence Challenge

The new reality of remote working and increasing digital interconnectivity has created a multitude of risks for all aspects of an enterprise, and the compliance function has been no different. In addition to these evolving risks, compliance officers are challenged by various data protection regulations that require them to pay closer attention to their own cyber hygiene and to the exposure their organizations have to third-party cyber risk. The mismanagement of these risks results in costly fines and legal fees, lost revenue and stock value, and potential long-term reputational damage, adding to the number of challenges keeping compliance officers up at night.

From a due diligence perspective, data security is further challenged by remote work because, while many jurisdictions maintain online records that can be accessed remotely, many do not. In countries where one needs to conduct in-person checks of corporate registry or court records, the relevant government offices have been operating with a reduced staff if they are even open—leading to long wait times and even slower third-party onboardings.

How can effective due diligence be conducted on a third party when the compliance officer and the business have not been able to meet in person? Fortunately, there are many online screening databases, onboarding platforms, third-party data and virtual trainings on the market. But can companies effectively implement these new tools and processes to safeguard against

Most Common Triggers for Enhanced Due Diligence



Challenges to Decision Making

With the emergence of new challenges, ever-restricted compliance budgets, and expectations from regulators to take a risk-based approach, compliance organizations must also question if they are effectively making the right decision of when to conduct due diligence. When asked under what circumstance is enhanced due diligence conducted, survey respondents shared that red flags arising from a screening database or during onboarding (35%) and operations in high-risk jurisdictions (34%) are the leading catalysts. Red flags in screening databases or found during onboarding rarely have sufficient context to be able to decide to decline a third-party relationship, which is why they lead to enhanced due diligence more than any other factor. In many instances these screening databases do not sufficiently cover the multiplicity of third-party risks, whether sector-, transaction-, or relationship-specific, and deeper analysis can provide clarity beyond those limitations.

Given that 59% of respondents conduct enhanced due diligence on at least a quarter of their third parties, how do they decide to allocate their due diligence budget? Compliance professionals recognize that not all third parties should have the same level of due diligence conducted to ensure compliance with regulatory expectations and best practices. Deciding on an appropriate level of due diligence should be proportionate and based on potential risks that a third party poses to your organization. Conducting desktop research, including negative news screening into a third party, is often one of the first steps that compliance professionals perform when considering onboarding a new third party. Moreover, implementing a risk-based onboarding questionnaire is an optimal manner for collecting data, documentation and attesting an organization's compliance policies and procedures as it relates to complying and acting in an ethical behavior. Furthermore, 17% of the respondents advised that they used risk scores from onboarding questionnaires to determine the level of due diligence needing to be conducted.

A Safeguard for Compliance Officers

Survey respondents reported that 31% of their organizations now conduct enhanced due diligence on more than half of their third parties, compared to only 12% in 2020. This approach could again be attributed to the COVID-19 pandemic and the limited direct access compliance professionals have to third parties and the risks they pose to their organizations. These factors balanced against commercial pressures to expedite the onboarding process necessitates proportional scrutiny. In these ever-changing times, the utilization of risk-based due diligence to ensure compliance with regulatory obligations and organizational requirements associated with third-party management must be the approach committed to by compliance professionals. While enhanced due diligence will continue to be rife with emerging and evolving challenge, we expect that it will be continued to be a primary line of defense for compliance officers.

Third-Party Risk Management — How Compliance Officers Have Adapted Their Programs During COVID-19

By John Arvanitis, Emanuel Batista and Veronique Foulon

June 2021

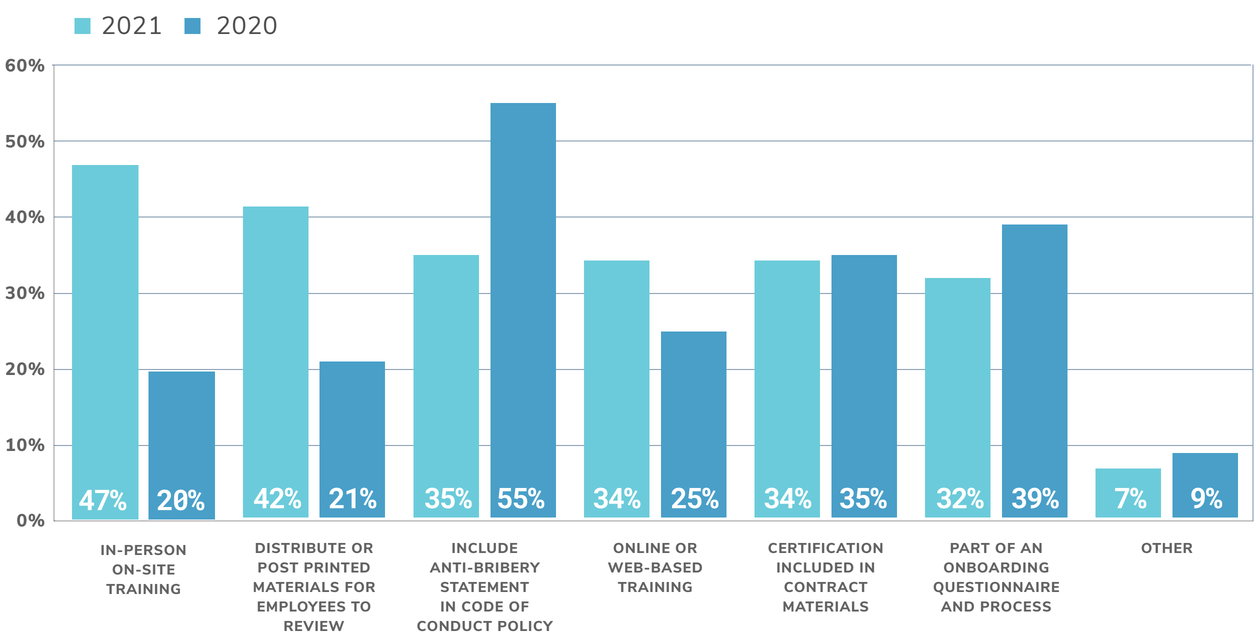
As compliance professionals continued their commitment and efforts to safeguard their business' reputations across the globe, they faced numerous challenges from the COVID-19 pandemic, including increased demand and expectations associated with managing their third-party risks. As a result, compliance professionals had to quickly adapt to this "new normal" by ensuring that proper compliance controls and procedures for onboarding, training, risk assessment, risk-based due diligence, and the approval and monitoring of global third parties were occurring effectively. To achieve these objectives, innovative approaches were needed for virtual third-party mandatory training, including creating customized training documents, and automating the onboarding processes for new third parties via technological solutions that more efficiently facilitated the identification and remediation of potential third-party risks.

Kroll's 2021 Anti-Bribery and Corruption (ABC) survey provides details on how the pandemic has impacted compliance policies and procedures and changed compliance professionals' approach and thought processes on how they oversee and monitor their compliance program in a challenging environment.

Compliance Officers' Preference for In-Person Third-Party Training

Responses to Kroll's 2020 survey described the inclusion, review and acknowledgement of an anti-bribery statement in a company's code of conduct policy as the main approach to third-party training. This year's survey showed a focus on third-party anti-bribery and corruption training with in-person on-site training as the preferred method to educate organizational members and external partners. This method may be fueled by the latest U.S. Department of Justice's guidelines on corporate compliance programs, which detailed the importance of conducting effective and risk-based training for vendors to ensure compliance with an organization's policies and procedures. Although preferred, sadly, opportunities for hosting in-person trainings were limited in the past year. Deciding to host in-person or virtual training sessions for third parties largely depends on a compliance officer's ability to travel and the number of third parties needing to be trained. Additionally, organizations consider the role of their third parties when determining the specific content of the training material presented.

Education of Third Parties on Anti-Bribery and Corruption



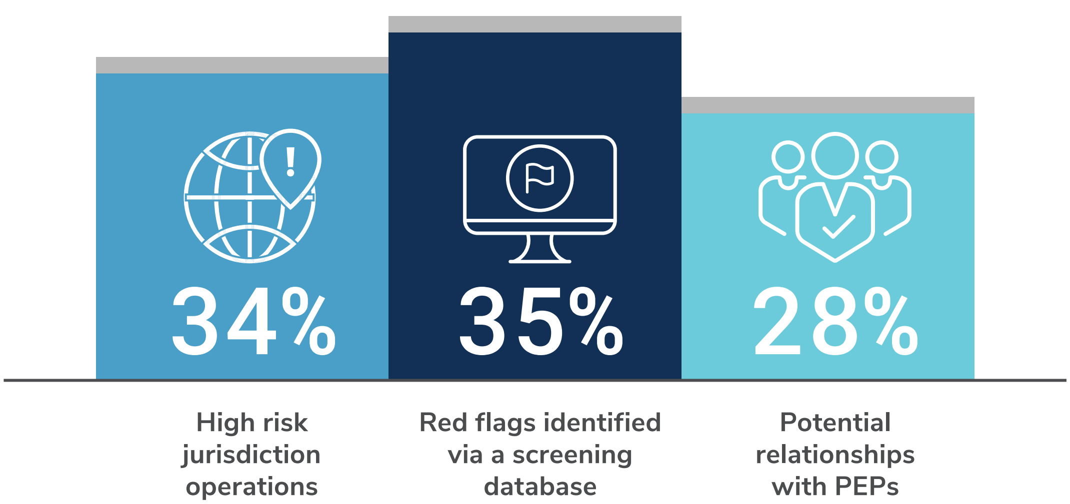
Use of Electronic Onboarding Questionnaires to Assess Risks

This year's survey shows that respondents who included training as part of their onboarding and questionnaire process decreased by 7%. Across all respondents, this training-at-onboarding method represented the second most common approach in Kroll's 2020 survey responses, but in the 2021 survey appears to come second to last compared to other third-party education steps, such as web-based training or a certification included in contract materials. This shift in preference between 2020 and 2021 may be attributed to the impact of COVID-19 and a slow-down in business operations leading to fewer third parties being onboarded. This approach demonstrates the organizations' commitment to the compliance requirements associated with third parties, while leveraging monitoring, questionnaires and continuous training to prevent potential bribery and corruption risks. Additionally, the natural decline of business activity throughout Q2 2020, as a result of the initial impact of COVID-19, may have resulted in fewer third parties being onboarded, and thus a lesser need for ABC education and a greater need for assessing a third party's value to the organization.

Identification of Red Flags Triggered Due Diligence Engagement

Compliance professionals recognize that not all third parties require the same level of due diligence to ensure adherence with regulatory expectations and best practices. Deciding on an appropriate level of due diligence should be based on potential risks that a third party poses to an organization. 35% of 2021 survey respondents shared that they would conduct enhanced due diligence based on red flags identified when using a screening database, following outcomes of questionnaires, when higher risk jurisdictions of operation are included or as a result of other information collected during the onboarding process. Among the multiple risk-based management and escalation triggers to identify and understand their third-party risks 34% of respondents detailed that they would engage in due diligence for any third parties operating in high risk jurisdictions, yet only 28% would seek to conduct due diligence in situations where a third party could potentially have a relationship with a politically exposed persons (PEPs) and as such create a potential environment for greater risks associated with bribery and corruption.

Most Common Triggers for Enhanced Due Diligence



Conducting desktop research into a third party is often one of the first steps that compliance professionals perform when considering onboarding a new third party. Moreover, utilizing a risk-based onboarding questionnaire is optimal for collecting data and documentation and attesting to an organization's compliance policies and procedures as it relates to complying and acting ethically. Furthermore, 17% of respondents advised that they used a risk score from onboarding questionnaires to determine the level of due diligence that needs to be conducted.

Other factors considered for conducting enhanced due diligence include the value of the commercial opportunity involving the third party (27%), a lack of understanding on how the third party operates (23%), unclear or opaque ownership (15%) and underdeveloped or decentralized compliance programs (12%). These factors help determine overall risk exposure and assist organizations in taking proper measures to validate a third party.

Striving During Challenging Times and Safeguarding the Company's Reputation

Compliance professionals recognize that a check-the-box third-party risk management program is not ideal or acceptable by regulators around the globe. An organization's compliance officer should set the standards for ethics and compliance policies and procedures to ensure that their program is tailored to the organization's risk tolerance in regard to industries, geographies and services being provided by its third parties.

The pandemic has made onboarding processes and training more challenging, thus necessitating increased scrutiny of compliance professionals when evaluating current and new third-party relationships. This past year has been a great example of the resiliency and innovation put forth by compliance professionals as it relates to ensuring the reputation and integrity of their brands and the third-party relationships they maintain. This dedication and commitment of compliance professionals is the "ethos" of the profession and what drives them to protect their respective organizations from regulatory and other challenges.

KROLL

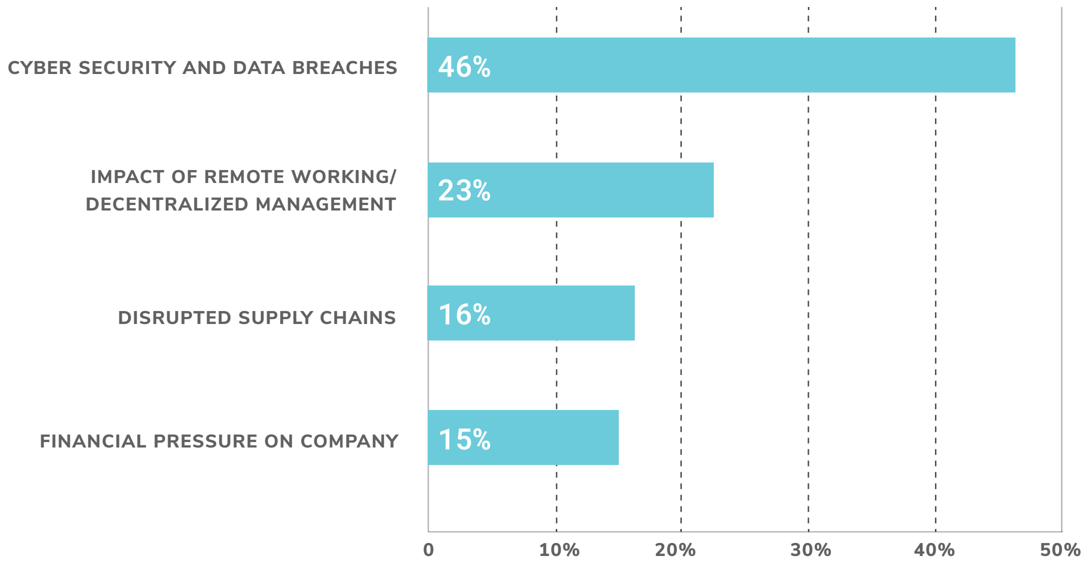
How New Governments Impact ABC Enforcement

By John Arvanitis and Michael Watt

June 2021

Few factors influence an organization's perception of their anti-bribery and corruption (ABC) risks as much as the risk of regulatory enforcement action. 90% of survey respondents believe their ABC risks would increase or stay the same in 2021 compared to 2020, and with the pandemic and political shifts, it is likely that compliance professionals will keep a close eye on how regulations may change.

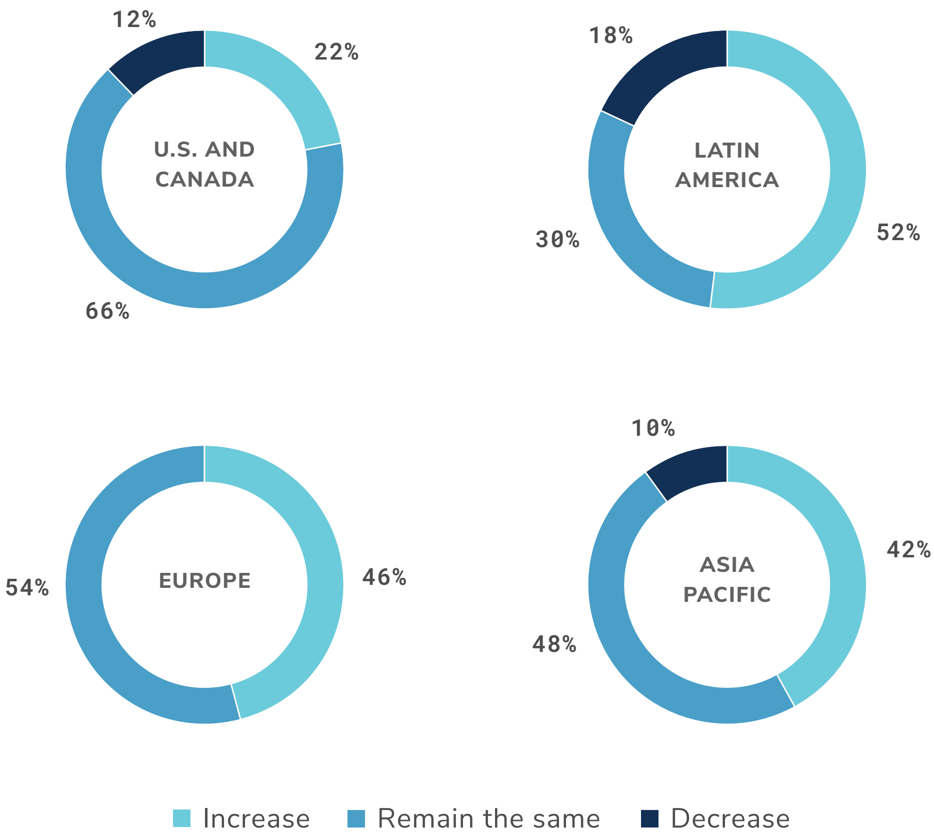
Factors Driving the Increased Risks in Anti-bribery and Corruption



In the U.S., compliance professionals are closely following actions from the Biden Administration as it navigates towards its first six months in office to understand what expectations may look like over the next four years. Leading up to the presidential election and now into his administration, President Biden has been vocal regarding his commitment to fighting corruption on a global scale. As a primary objective of the Biden Administration, compliance professionals must continue to be prepared to address the added expectations and scrutiny they will likely be under as a result of this commitment and the administration's view that corruption is a core national security matter for the U.S. As such, this approach will necessitate increased time commitments to key areas of concern related to corruption and its prevention, as well as ensuring that appropriate resources are in place to meet the ever-changing and developing regulatory landscape governing U.S.-based financial institutions and corporate entities operation on a global scale. This "whole of government approach" and the potential for regulatory enforcement action around the globe, will continue to necessitate that dedicated compliance professionals identify, remediate and monitor corruptions risks they face to ensure they are meeting their organizations' supervisory expectations as they operate around the world.

For those who have followed corruption as a campaign issue through multiple U.S. presidential administrations, it is expected that we hear from a newly elected President on the degree of commitment to this subject. Yet compliance professionals, no matter who may occupy the White House, consistently seek to ensure and achieve transparency, accountability and integrity across the globe on a day-to-day basis in regard to how their enterprises operate. Risks associated with corruption are top of mind for compliance professionals on a daily basis and require continuous review to ensure effectiveness as it relates to risks posed by third parties and the evolving expectations associated with environmental, social and governance (ESG) commitments, cybersecurity, supply chain resilience and financial pressures. Corruption does not discriminate from an industry perspective. Given the fact that we are gradually emerging from a global pandemic, it is imperative that compliance commitments to the execution and robustness of program policies, procedures, systems and controls be constantly monitored, allow for remediation of critical issues identified and, in certain instances, self-reporting to regulators to potentially achieve a reduction in sentencing if penalized.

How Will Anti-bribery and Corruption Risks Change in 2021 Compared to 2020?



Outside of the U.S., more survey respondents believe their ABC risks will increase in 2021 compared to 2020. International enforcement will continue to be shaped by the ongoing pandemic, as regulators have expressed eagerness on prosecuting pandemic-related fraud. In many regions, enforcement agencies were significantly impacted by the pandemic with resource and movement restrictions impeding investigations and prosecutions. It is likely that enforcement activity will return to a similar or more ambitious pace than before. Particularly in Europe, we can also expect continued regulatory attention on how businesses took advantage of government aid, and how that aid was obtained and deployed. Companies can conduct look backs of their organization's activities during the pandemic to ensure they were not unknowingly exposed to additional corruption risks. In the UK, enforcement agencies will likely experience additional budgetary challenges following Brexit and leading to a greater emphasis on self-reporting in 2021. With the EU implementing the Whistleblower Directive in 2021, companies with footprints in the UK and the EU have additional incentive to review their whistleblower policies and position on self-reporting.

In Latin America, a diverse region with many countries where anti-corruption is a top political issue, 52% of survey respondents believe their ABC risks will increase in 2021. The region saw significant regulatory developments in the wake of the 2014 Car Wash investigation, and many of these regulatory developments were heavily impacted in 2020 by the pandemic, intense economic and currency pressures, and political change. With the end of the Car Wash investigation in Brazil in 2020, President Jair Bolsonaro declared his government to be corruption free. However, regulators have directed particular attention to how emergency contracts were awarded and have already begun uncovering significant fraud. In Mexico, a country still working to implement anti-corruption–related judicial reform and legislation, 2020 was a hallmark year for investigations into public officials and their decisions during previous executive administrations. The administration of President Andrés Manuel López Obrador announced an investigation in late 2020 into key members of the opposition party that is expected by many to be far-reaching and dominate national headlines throughout 2021. Companies would be prudent to re-review their activities not only during the pandemic, but also any relationships they or their affiliates may have had with public officials.

In Asia-Pacific, a vast and diverse geography that is largely still waiting for widespread anti-corruption enforcement efforts, 42% of survey respondents believe their ABC risks will increase in 2021 and 48% would stay the same. The region is seeing early indicators of a return to normal in certain countries, although many expect that the various pandemic-related challenges, such as those caused by disrupted supply chains and new market trends, will continue in 2021. In China for example, the continued spread of e-commerce platforms and the additional risks of commercial bribery has led Chinese regulators to pursue additional efforts to improve their whistleblower regime and combat non-compliance. U.S. law enforcement priorities related to anti-corruption investigations are also expected to maintain the same course that it set in Asia (and particularly in China) prior to the new U.S. administration.

The Way Forward

Companies that operate in many different countries and under varied regulatory regimes always have a certain level of uncertainty within their compliance function when political winds change. Regardless of how governments may further shift their enforcement focus, the slow move to a post-pandemic world necessitates a re-commitment to anti-corruption programs that not only comply with regulatory expectations but also protect the organization against other unknowns into the future. ABC compliance programs were exposed to numerous unexpected challenges in 2020, and have developed a resiliency to prepare for other challenges in recognition of their ever-evolving corruption risks. No matter if we are in a pandemic or a post-pandemic era, what is consistent is that regulators will enforce legal obligations and bring action against those not adhering to compliance requirements.

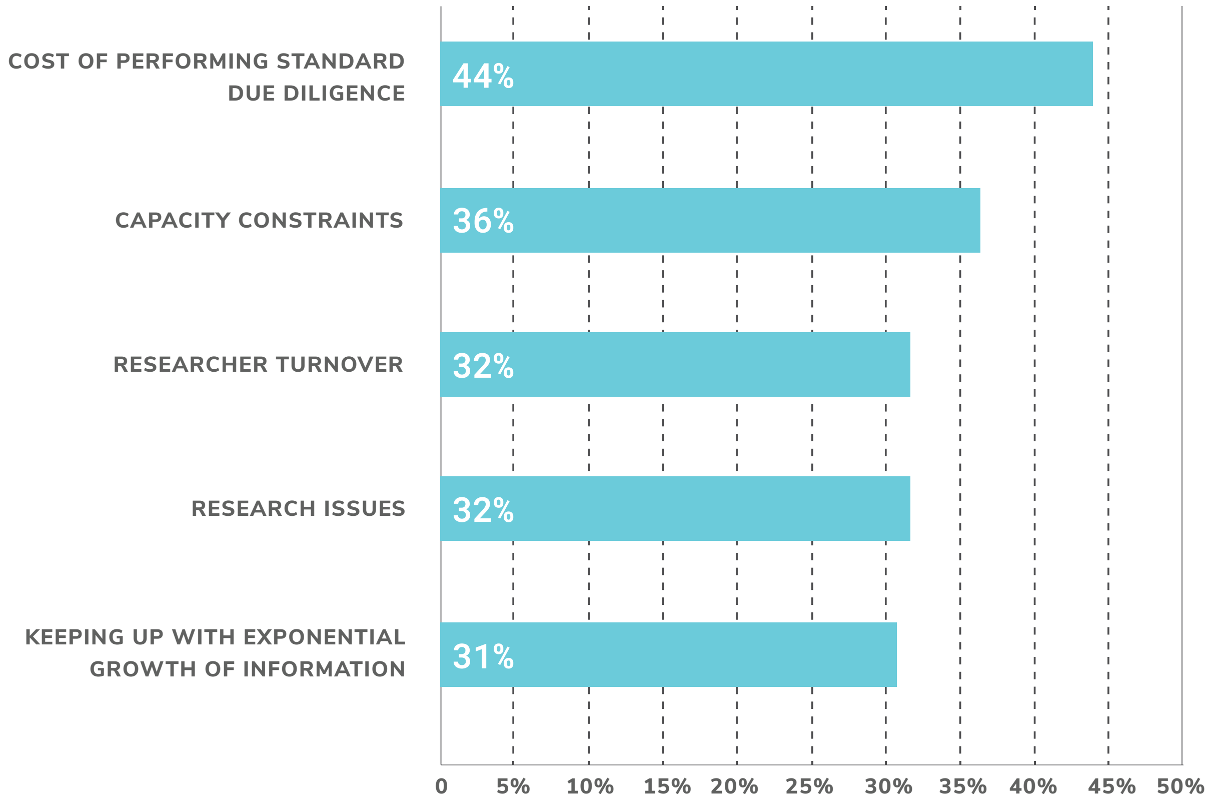
KROLL

The Role of Automation Technology in ABC Programs

By Rob Gho and Rob Capella
June 2021

Our 2021 Anti-Bribery and Corruption (ABC) Survey asked several questions around the impact of technology, specifically automation and AI, on ABC programs. Market forces are constantly evolving, requiring businesses to stay agile. These forces can include regulatory, competitive or geopolitical considerations, just to name a few. The one constant is the rise of technology–specifically automation–and its ability to aid businesses, whether that means easing the burden of critical processes, keeping costs in check or supporting rapid growth.

Due Diligence Pain Points That Would Prompt Consideration of Automation Options



Can Automation Reduce the Pain Points of Due Diligence?

Our ABC survey found some interesting insights into organizations' assessments of their challenges around due diligence. It is surprising to see that there are several competing pain points, all weighted relatively equally.

Our survey found that cost is the leading pain point related to carrying out standard due diligence. One can understand that there are significant costs associated with building out and sustaining a team of qualified compliance professionals to conduct high-quality risk research.

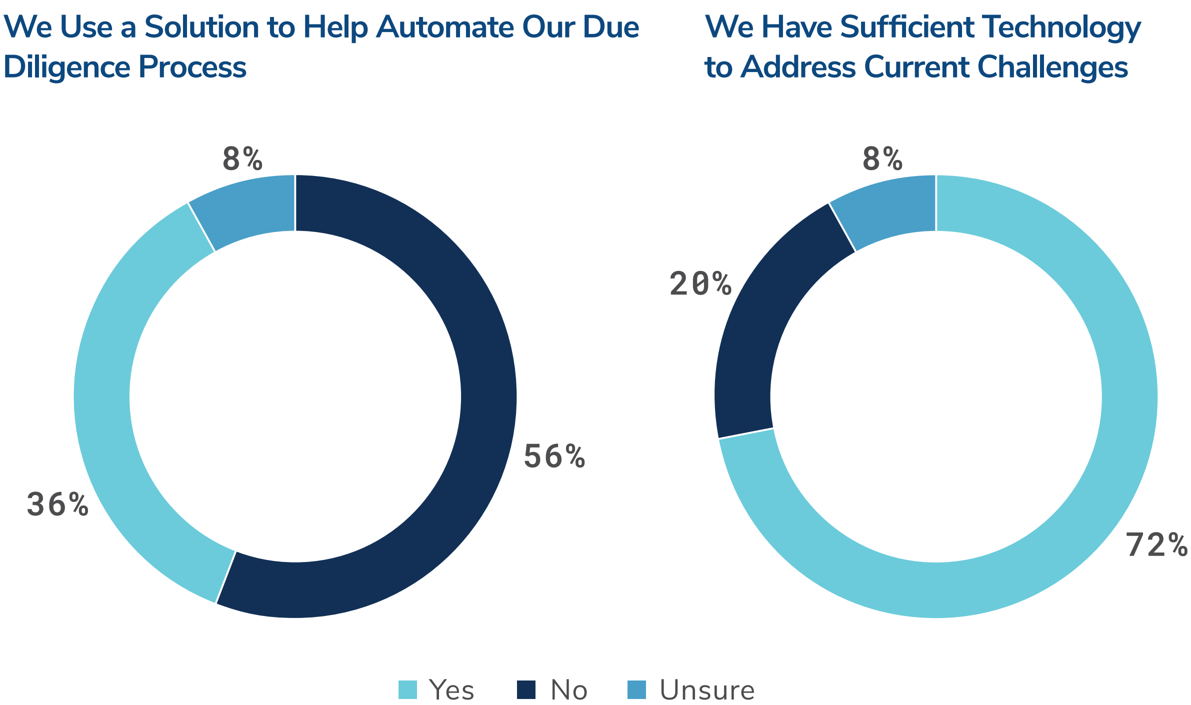
What is interesting is that the next three major pain points–capacity, turnover and research issues–are directly related to the management of the personnel. Across all industries, due diligence work can be highly labor intensive and detailed work; this results in a great deal of time sensitivity associated with it. It is no wonder that many companies struggle to ensure that they have teams with the bandwidth to keep up with the work. These struggles can lead to increased turnover dueto researcher burnout and issues with the research output itself.

One final challenge that will be ever-present in today's landscape is the issue of keeping up with the sheer amount of information that compliance and diligence professionals must work through in order to build a comprehensive and accurate risk picture.

When all primary challenges are considered, an organization can then begin to think about how best to solve them. As we will discuss next, automation may be a clear solution, though it may be the one that has been overlooked.

Exploring Organizations and their Relationship with Automation

Our recent ABC survey surfaced an interesting insight when we asked a similar question in two slightly different ways.



How can it be that most organizations feel they have sufficient technology for their programs, yet simultaneously, many also state that they do not use automation?

The answer may lie in how organizations define technology. Certainly, there are many applications and enterprise-level platforms in the market, all of which can be effective technology for assisting organizations. Automation, however, is a specific area of technology. It is a form of technology that can vastly improve the issues and pains described earlier. When employed correctly, automation can not only reduce overhead costs, but also support the scaling of operations, increase the speed and quality of a compliance team's work, improve morale and help keep up with the exponential growth of information available.

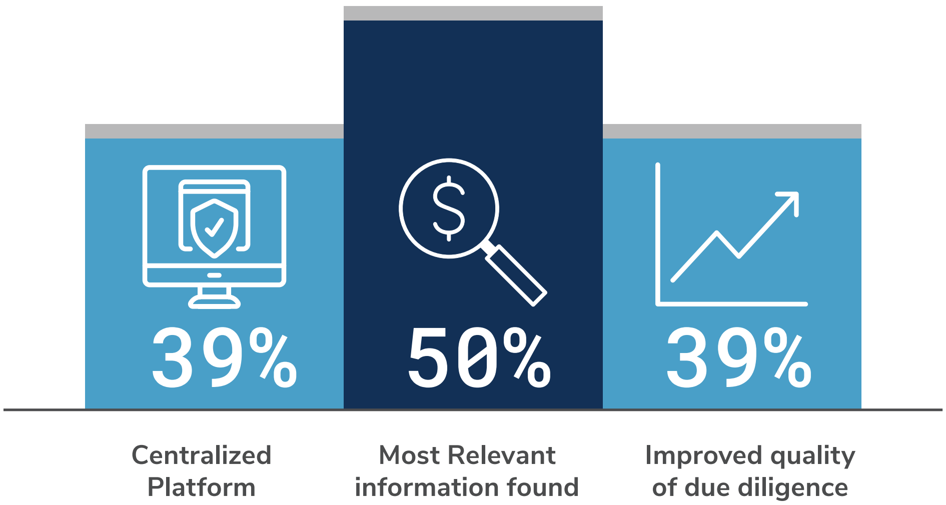
In the due diligence world, automation tools have been successfully streamlining workflows and processes for some time now. What has been interesting to see is the rise of automation linked to specific technologies like AI and machine learning (ML) over the last few years.

Ultimately, technology can be a broad term. What our survey bears out, however, is that the specific challenges due diligence teams experience and the solutions and value they seek might be found in automation, making it worth deeper exploration.

The Value that Automation Delivers

Next, let's look at the results from our ABC survey regarding value. Given below are the areas of value that organizations expect to derive from automation.

Most Valuable Attributes of Automation Technology



Some of these findings align with the challenges we discussed earlier, while others are not mentioned. For instance, we know cost, capacity and turnover are indeed challenges organizations struggle with. However, it turns out that companies value the quality of output the most. What this might be telling us is that cost, capacity and turnover are pain points that can be overcome when automation solves for the more important challenges: 1. finding relevant information more quickly and easily; and 2. having quality due diligence results. Not surprisingly, this is precisely what AI-powered automation is intended to deliver to due diligence professionals.

The need to have a centralized platform garnered a fair amount of attention by those surveyed. This makes a great deal of sense when you consider that due diligence operations within an organization can be comprised of a large set of individuals–often spanning multiple teams in multiple locations. Transparency and coordination are clearly top needs, particularly for large multinational corporations. Luckily, due diligence products that automate processes via AI or ML are sure to be cloud-based platforms that allow for a central view, where many users can access and coordinate their work.

Is Automation the Way Forward?

While the choice to move toward a more automated due diligence process is ultimately up to each organization, many organizations are currently looking to learn more about this form of technology. According to our survey, 60% of respondents are either using or plan to use this technology over the coming two to three years. This spans across multiple forms of AI, including ML, as well areas like natural language processing and robotic process.

While automation offers many benefits to strengthen ABC programs, it is up to each individual organization to decide if these technologies are the right fit for their organization.

KROLL

The Changing Role of ESG and its Impact on the ABC Landscape

June 2021

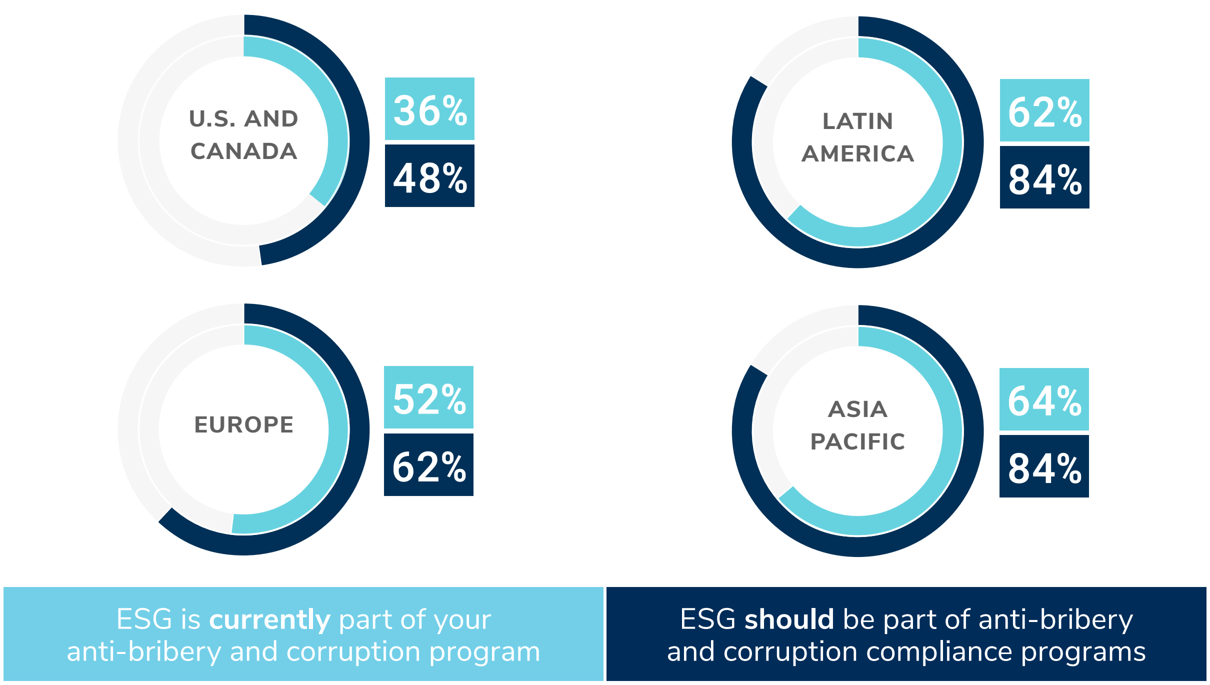
While anti-bribery and corruption (ABC) programs have long been a part of many company's risk analysis and are governed by various countries' legislation, an increase in investor and shareholder focus on environmental, social and governance (ESG) has further emphasized the link between a robust ABC program and a company's ESG compliance, because all aspects of an ESG investment can be undermined by instances of bribery and corruption. The Kroll 2021 ABC Survey results indicate that respondents are overwhelmingly in support of ESG as an integral part of ABC programs and acknowledge the positive impact ESG programs can provide, but that this support differs based on the respondents' geographic location and continues to be constrained by the challenges of implementing a robust ESG program.

Regional Differences in Support of ESG in Compliance Programs

Across the globe, bribery and corruption have existed as a cause for concern of investors and, although various regions may have different ways of addressing the issue, with an increased focus on ESG there may be a reciprocal increased focus on strong ABC programs. According to our 2021 ABC survey results, 65% of respondents agreed or strongly agreed that anti-corruption and corruption risk, relative to ESG, is important. This has resulted in over half of the respondents in Asia-Pacific, Latin America and Europe now including ESG in their ABC programs. The driver of ESG integration in compliance programs appears to be region-specific needs and interests. As we will explore in this article, there may be a correlation between perceived levels of corruption and the demand for ESG, but ESG integration is also driven by regional economic and industrial factors. For example, the push for ESG in Latin America is primarily driven by environmental and social concerns stemming from the extractive industry's negative impacts, while in the Asia-Pacific region the focus lies on business resilience and employee rights.

Moreover, our survey indicates that even respondents who do not currently have ESG integrated into their ABC compliance programs will likely do so in the future. The survey results indicate that an additional 20% and 22% of respondents in Asia-Pacific and Latin America, respectively, and an additional 10% of European as well as 12% of U.S. and Canadian respondents believe that ESG should be part of compliance programs. Despite the relatively smaller integration and desire for ESG programs in Europe as well as in the U.S. and Canada, it is expected that ESG is expected to grow in these two regions. There has been a focus on regulating and mandating ESG in Europe. For example, the EU Sustainable Finance Disclosure Regulation (SFDR) came into effect on March 10, 2021, and requires some financial sector firms to disclose their ESG investment impact. In the U.S., the recent change in executive and legislative administrative control is expected by many to lead to a reprioritization of environmental and social policies, which may also necessitate changes in ABC policies and compliance priorities at American companies.

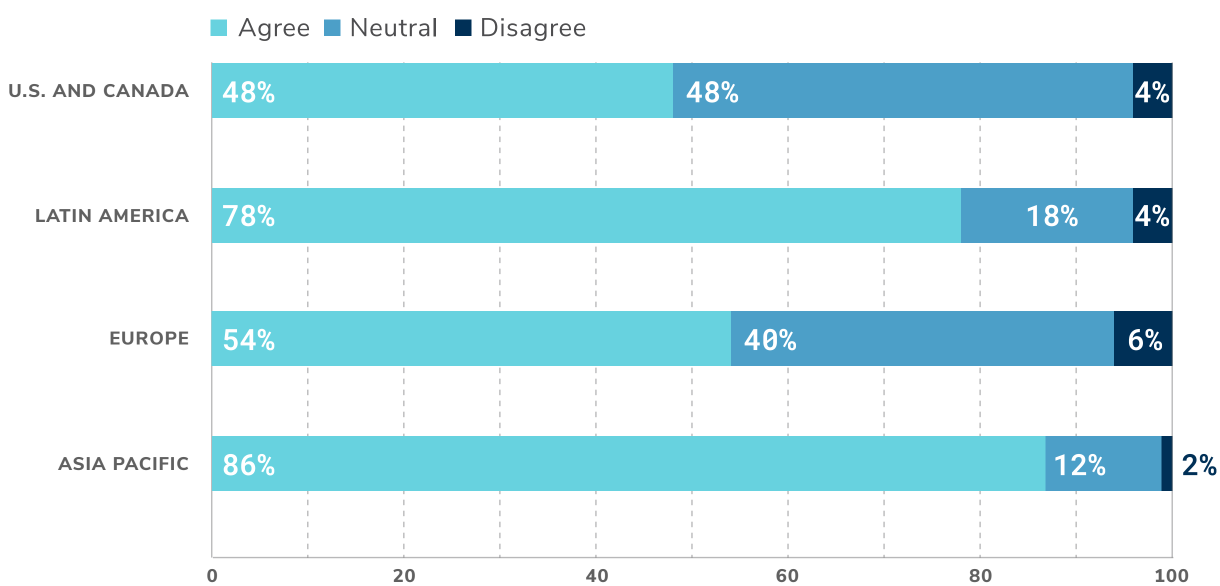
Inclusion of ESG in ABC Programs



ESG Advantages and Opportunities

All aspects of an ESG program, including its ability to have robust environmental, social and corporate governance policies, can be undermined by instances of bribery and corruption, thus reemphasizing ABC in ESG. The percentage of people who believe that ABC programs create opportunities to capitalize on good governance and transparency may be linked to the perceived levels of corruption in the region. As our survey demonstrates, the Asia-Pacific region has the largest percentage of respondents who agree that ABC programs are beneficial for good governance and transparency. This may be due to two factors. One is a 2020 Transparency International survey that found that one out of five persons, equal to 836 million people, who used public services had paid a bribe in the past 12 months. The other is that at least 57% of investors in the Asia-Pacific region have largely incorporated ESG issues into their investment analysis, including corporate governance issues like ABC policies. The Latin American region's percentage in agreement is also demonstrative of that the fact that, in its 2019 survey, Transparency International found that 53% of Latin American citizen stated that corruption had increased in the region over the past 12 months. For the U.S., Canada and the European regions, the lower reported importance of ABC programs to good corporate governance and transparency is likely tied to the several countries' pre-existing strong bribery regulations, including the UK Bribery Act 2010, Canada's Corruption of Foreign Public Officials Act, and the U.S. Foreign Corrupt Practices Act.

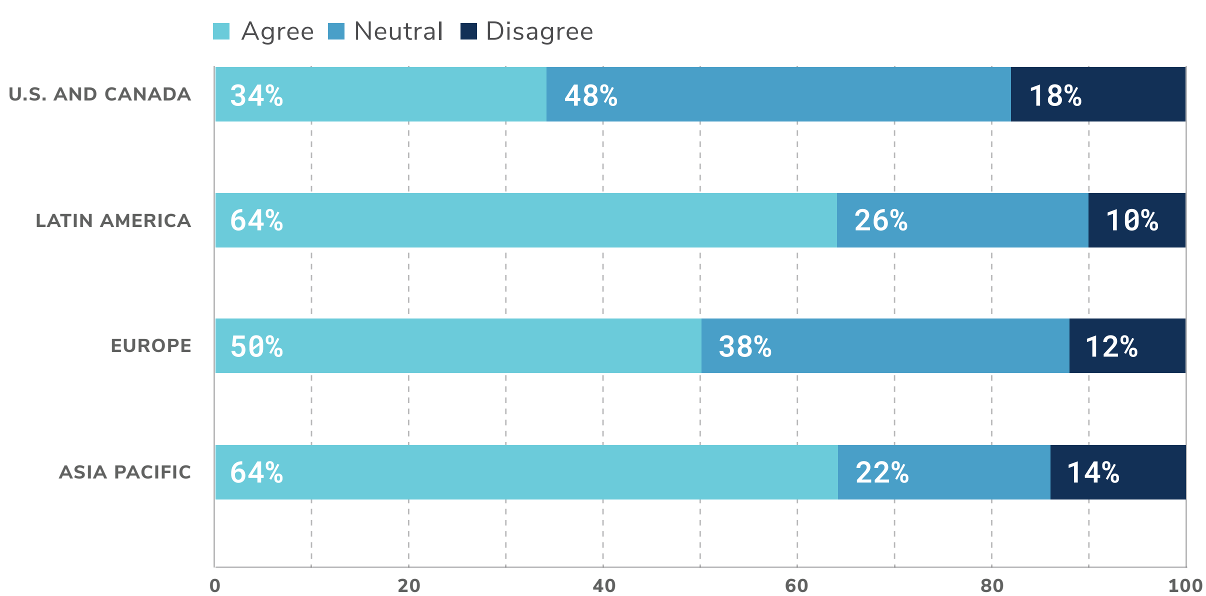
ABC Programs Create Opportunities to Capitalize on Good Governance and Transparency



ESG Advantages and Opportunities

All aspects of an ESG program, including its ability to have robust environmental, social and corporate governance policies, can be undermined by instances of bribery and corruption, thus reemphasizing ABC in ESG. The percentage of people who believe that ABC programs create opportunities to capitalize on good governance and transparency may be linked to the perceived levels of corruption in the region. As our survey demonstrates, the Asia-Pacific region has the largest percentage of respondents who agree that ABC programs are beneficial for good governance and transparency. This may be due to two factors. One is a 2020 Transparency International survey that found that one out of five persons, equal to 836 million people, who used public services had paid a bribe in the past 12 months. The other is that at least 57% of investors in the Asia-Pacific region have largely incorporated ESG issues into their investment analysis, including corporate governance issues like ABC policies. The Latin American region's percentage in agreement is also demonstrative of that the fact that, in its 2019 survey, Transparency International found that 53% of Latin American citizen stated that corruption had increased in the region over the past 12 months. For the U.S., Canada and the European regions, the lower reported importance of ABC programs to good corporate governance and transparency is likely tied to the several countries' pre-existing strong bribery regulations, including the UK Bribery Act 2010, Canada's Corruption of Foreign Public Officials Act, and the U.S. Foreign Corrupt Practices Act.

ESG Creates More Challenges Than Benefits for the Compliance Function



KROLL

Conclusion

The results of the survey indicate that, while there is overwhelming support for the integration of ESG into ABC programs, as well as an understanding that understanding ESG relative to bribery and corruption is important, many respondents struggle with the implementation of ESG programs. However, with increasing ESG regulations and the stellar performance of ESG funds, ESG criteria will likely become more standardized and manageable in the future. The growth of ESG is especially evident in the Asia-Pacific and Latin America regions, where respondents answered more positively towards ESG than their European-, U.S.- and Canadian-based counterparts. Because the latter regions are more strongly associated with corruption, a company's abilities to conform with ESG compliance requirements in these regions especially, will only be successful with a demonstrated ABC program.

Sources

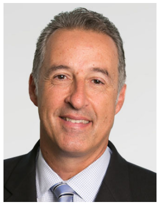
1. https://www.legal500.com/gc-magazine/interview/esgs-undeniable-influence-on-investment-in-latin-america/
2. https://www.cnbc.com/2021/03/04/sustainable-esg-investments-surged-in-asia-pacific-in-2020-msci.html
3. https://www.paulhastings.com/insights/international-regulatory-enforcement/esg-due-diligence-in-latin-america-under-a-covid-19-world
4. https://www.transparency.org/en/gcb/asia/asia-2020
5. https://www.cnbc.com/2021/03/04/sustainable-esg-investments-surged-in-asia-pacific-in-2020-msci.html
6. https://www.transparency.org/en/gcb/latin-america/latin-america-and-the-caribbean-x-edition-2019
7. https://www.ft.com/content/8e9f8204-83bf-4217-bc9e-d89396279c5b

Looking Ahead

As the world continues to move into a post-pandemic work environment, compliance professionals will be focused on the impact of the evolving challenges associated with their respective ABC programs. Already initiated before the pandemic, but further accelerated over the last year, is the ever-increasing attention and emphasis on ESG. While there has been progress on ESG's inclusion in ABC programs, there is still much to accomplish. The same can be said of instilling a culture of integrity that drives compliance programs rather than simply meeting minimum standards. The continued concern around the regulatory environment is weighing heavily on compliance professionals as they expect increased legislation and enforcement of regulatory requirements over the next 12 months. With many companies continuing with hybrid work settings, the focus on cyber security and IT systems improvement will need to continue to evolve. Remote monitoring of third-party relationships will have to be further improved and the industry will have to stay focused on the use of the most appropriate and scalable technologies to further integrate automation. As we look ahead to 2022, one thing is clear - compliance officers will continue to play and increasingly critical role in safeguarding organizations against risk.

KROLL

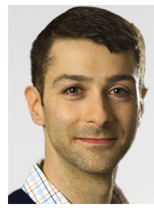
CONTRIBUTORS



John Arvanitis
Managing Director
+1 212 833 3254
john.arvanitis@kroll.com

Rob Gho
Associate Managing Director
+65 6645 4950
rob.gho@kroll.com

Emanuel Batista
Associate Managing Director
+1 571 521 6140
ebatista@kroll.com



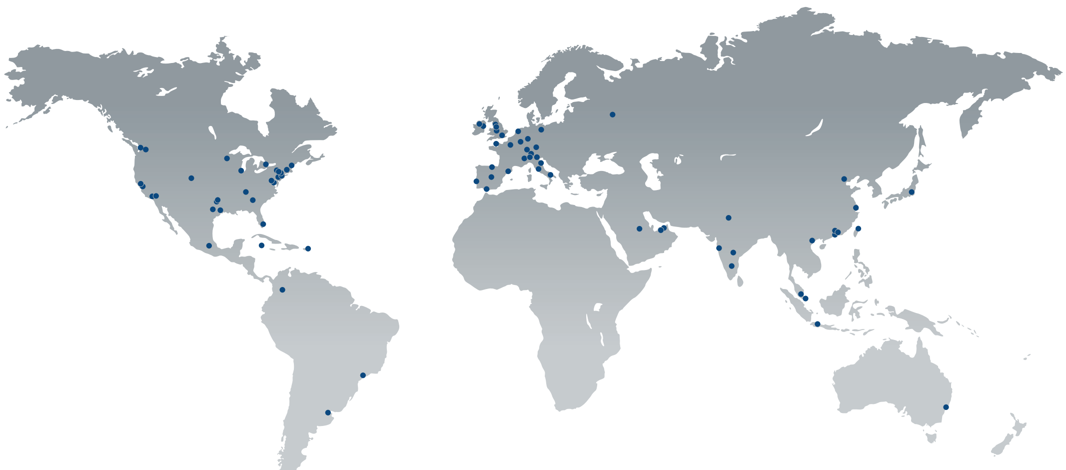
Rob Cappella
Product Manager
+1 212 523 0600
rob.cappella@kroll.com

Michael Watt
Associate Managing Director
+1 571 521 6235
mwatt@kroll.com

Vero Foulon
Senior Manager
+44 20 7029 5155
veronique.foulon@kroll.com

About Us

Kroll is the world's premier provider of services and digital products related to governance, risk and transparency. We work with clients across diverse sectors in the areas of valuation, expert services, investigations, cyber security, corporate finance, restructuring, legal and business solutions, data analytics and regulatory compliance. The firm's nearly 5,000 professionals are located in 30 countries and territories around the world.



About Our Compliance Risk and Diligence Practice

We partner with clients to anticipate, detect, and respond to regulatory and reputational risks associated with ethics and compliance obligations worldwide.

We offer a market-leading portfolio of enhanced due diligence services and technology solutions focused on Anti-Bribery & Corruption (ABC), Anti-Money Laundering (AML) to assist with Know Your Customer, Third-Party Due Diligence, M&A transactions, IPOs and Supply Chain due diligence.

Due Diligence	**Compliance Technology**
Third Party Screening	**Compliance Consulting**

Through a combination of in-depth subject matter expertise, global research capabilities, and flexible technology tools Kroll can help clients:

- Design, set-up, and implement compliance programs and policies, taking into consideration the complex and unique laws across the world
- Establish an overarching compliance strategy and culture, including firm-wide training programs
- Manage third party risks leveraging Kroll's Third-Party Compliance portal, a web-based due diligence, governance and compliance platform
- Take a risk-based approach to compliance through a broad range of Screening and Monitoring Services and Enhanced Due Diligence capabilities
- Respond to potential risks through Kroll's investigative, remediation, and look-back solutions

About Kroll

Kroll is the world's premier provider of services and digital products related to valuation, governance, risk and transparency. We work with clients across diverse sectors in the areas of valuation, expert services, investigations, cyber security, corporate finance, restructuring, legal and business solutions, data analytics and regulatory compliance. Our firm has nearly 5,000 professionals in 30 countries and territories around the world. For more information, visit www.kroll.com.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Duff & Phelps Securities Ltd. (DPSL), which is authorized and regulated by the Financial Conduct Authority. Valuation Advisory Services in India are provided by Duff & Phelps India Private Limited under a category 1 merchant banker license issued by the Securities and Exchange Board of India.