2021 Anti-Bribery and Corruption Benchmarking Report
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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 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.

54% of global respondents indicated that ESG creates more challenges than benefits for the compliance function

The survey found that almost three-fourths (70%) of survey respondents indicated that environmental, social and governance (ESG) should be included in ABC programs, however only 54% indicated that it’s currently included in their organizations program. The report ESG factors have taken the spotlight in recent years as companies and investors acknowledge that they can no longer ignore the externalities and internal processes of their partner companies. Yet, despite the majority of survey respondents agreeing that ESG should be part of compliance programs and that ABC programs create opportunities for good governance, 54% of global respondents also indicated that ESG creates more challenges than benefits for the compliance function.

51% of respondents would rate their ABC programs as highly effective, with the U.S. and Canada most confident at 66%

Important findings highlight that compliance officers are now evaluating their compliance programs as generally effective (51%); but 71% of respondents feel that the compliance role will take on increased responsibilities in 2021. 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. Of the professionals surveyed, 46% believe that cyber security and data breaches are the top reason for increased risk, stressing the importance of cyber hygiene and secure technology platforms.

While 72% of respondents felt they had sufficient technology to address current challenges, only 36% were using an automated solution to help the due diligence process.

Survey respondents identified several challenges in the due diligence process, which automation, including artificial intelligence (AI), may be able to solve. The top three most valuable attributes of automation technology were a centralized platform, finding the most relevant information and improved quality of due diligence. While only 36% currently use automation to help with their due diligence, 45% of respondents hope to incorporate it in the next 12-36 months, proving that there is value in using technology to address some of these pain points. The results from our survey make one thing clear—the role of the compliance function to safeguard their organizations against risk has never been more vital.

These key themes are explored further in articles of this report. We hope you enjoy it.
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.

This year, with the world in flux, we eagerly anticipated reviewing the results of our survey. One year 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, environmental, social and governance (ESG) inclusion in ABC programs is emerging, but more strongly in Europe, Latin America and Asia Pacific than the U.S. and Canada, 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 five brief articles will share key findings from our survey and what we think will impact this ever-changing landscape in the coming months. Thanks in advance 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.
Increased Risks are Imminent, but Respondents are Confident in Their ABC Programs

- **90%** expect ABC risks to increase or remain the same compared with 2020.
- **51%** would rate their ABC program as highly effective, with U.S. and Canada as most confident at 66%.

- **71%** feel the compliance function will take on increased responsibilities in 2021.
- **72%** feel their compliance program has sufficient technology to address their current challenges.
- **78%** feel senior management in their organization supports the compliance function.
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**

<table>
<thead>
<tr>
<th>Region</th>
<th>ABC Programs currently part of ESG</th>
<th>ESG should be part of ABC programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. and Canada</td>
<td>36%</td>
<td>48%</td>
</tr>
<tr>
<td>Latin America</td>
<td>62%</td>
<td>84%</td>
</tr>
<tr>
<td>Europe</td>
<td>52%</td>
<td>62%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>64%</td>
<td>84%</td>
</tr>
</tbody>
</table>

**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**

Yet, despite the abovementioned overwhelming respondents’ agreement that ESG should be part of compliance programs and the agreement that ABC programs create opportunities for good governance, 54% of respondents also indicated that ESG creates more challenges than benefits for the compliance function. The number of respondents who think that ESG poses challenges to their compliance program, may be higher in the Asia-Pacific and Latin America regions, because the number of respondents who have attempted to implement ESG into their ABC programs is also higher. Similarly, the U.S. and Canada's limited uptake of ESG in their ABC programs could explain why U.S.- and Canadian-based respondents have faced the lowest number of challenges at 34% so far. Despite ESG becoming a buzzword in recent years, ESG continues to suffer from a lack of standardization, lack of data and lack of transparency regarding its criteria. This ambiguity may lead respondents to believe that (for now) the workload to implement ESG outweighs the rewards of an ESG program.

**ESG Challenges and Concept Ambiguity**

Yet, despite the abovementioned overwhelming respondents’ agreement that ESG should be part of compliance programs and the agreement that ABC programs create opportunities for good governance, 54% of respondents also indicated that ESG creates more challenges than benefits for the compliance function. The number of respondents who think that ESG poses challenges to their compliance program, may be higher in the Asia-Pacific and Latin America regions, because the number of respondents who have attempted to implement ESG into their ABC programs is also higher. Similarly, the U.S. and Canada's limited uptake of ESG in their ABC programs could explain why U.S.- and Canadian-based respondents have faced the lowest number of challenges at 34% so far. Despite ESG becoming a buzzword in recent years, ESG continues to suffer from a lack of standardization, lack of data and lack of transparency regarding its criteria. This ambiguity may lead respondents to believe that (for now) the workload to implement ESG outweighs the rewards of an ESG program.
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
7. https://www.ft.com/content/8e9f8204-83bf-4217-bc9e-d89396279c5b

ESG Creates More Challenges Than Benefits for the Compliance Function

<table>
<thead>
<tr>
<th>Region</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
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<tbody>
<tr>
<td>U.S. AND CANADA</td>
<td>34%</td>
<td>48%</td>
<td>18%</td>
</tr>
<tr>
<td>LATIN AMERICA</td>
<td>64%</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>50%</td>
<td>38%</td>
<td>12%</td>
</tr>
<tr>
<td>ASIA PACIFIC</td>
<td>64%</td>
<td>22%</td>
<td>14%</td>
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Third-Party Risk Management — How Compliance Officers Have Adapted Their Programs During COVID-19

By John Arvanitis, Emanuel Batista and Veronique Foulon

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-person On-site Training</td>
<td>47%</td>
<td>26%</td>
</tr>
<tr>
<td>Distribute or Post Printed Materials for Employees to Review</td>
<td>42%</td>
<td>21%</td>
</tr>
<tr>
<td>Include Anti-Bribery Statement in Code of Conduct Policy</td>
<td>35%</td>
<td>55%</td>
</tr>
<tr>
<td>Online or Web-based Training</td>
<td>34%</td>
<td>25%</td>
</tr>
<tr>
<td>Certification Included in Contract Materials</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>Part of an Onboarding Questionnaire and Process</td>
<td>7%</td>
<td>9%</td>
</tr>
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</table>

### 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.
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

- Cyber Security and Data Breaches: 46%
- Impact of Remote Working/Decentralized Management: 23%
- Disrupted Supply Chains: 16%
- Financial Pressure on Company: 15%
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.
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.
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

- **Cost of enhanced checks**: 19%
- **Data security**: 22%
- **Lack of knowledge**: 18%
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 risks?

Most Common Triggers for Enhanced Due Diligence

<table>
<thead>
<tr>
<th>High risk jurisdiction operations</th>
<th>Red flags identified via a screening database</th>
<th>Potential relationships with PEPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>35%</td>
<td>28%</td>
</tr>
</tbody>
</table>

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.
The Role of Automation Technology in ABC Programs
By Rob Gho and Rob Capella

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

- COST OF PERFORMING STANDARD DUE DILIGENCE: 44%
- CAPACITY CONSTRAINTS: 36%
- RESEARCHER TURNOVER: 32%
- RESEARCH ISSUES: 32%
- KEEPING UP WITH EXPONENTIAL GROWTH OF INFORMATION: 31%
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 due to 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.

**We Use a Solution to Help Automate Our Due Diligence Process**

- Yes: 8%
- No: 36%
- Unsure: 56%

**We Have Sufficient Technology to Address Current Challenges**

- Yes: 8%
- No: 20%
- Unsure: 72%
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

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralized Platform</td>
<td>39%</td>
</tr>
<tr>
<td>Most Relevant information found</td>
<td>50%</td>
</tr>
<tr>
<td>Improved quality of due diligence</td>
<td>39%</td>
</tr>
</tbody>
</table>

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.
Looking Ahead

Looking forward to a post-pandemic work environment, the key question remains: which of the changes from the last year will be permanent, and how will the world move back toward the pre-pandemic paradigm.

For compliance professionals, this question will be focused on the impact of the relevant changes to ABC programs. Changes to hybrid work settings will unquestionably keep the focus on cybersecurity and IT systems improvement. 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 and further integrate automation as applicable.

Already initiated before the pandemic, but further accelerated over the last year as well, is the attention and emphasis on ESG and convergence of this topic across the world with ABC related issues, will drive Compliance officers to once again review the inclusion of ESG in their programs.

Lastly, regulators will be keen to investigate fraud during the pandemic, particularly related to how government aid was obtained and used. The role of the compliance function to safeguard organizations against risk have never been more vital.
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