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FIGHT AGAINST CORRUPTION

**WHAT'S A FAIR
MEASURE OF RISK?**

exton
consulting

STRATEGY &
MANAGEMENT

EDITO

Ethics are becoming increasingly important in business relationships, in some cases even becoming a discriminating selection criterion in the success of some of them.

It is time to have a fair assessment of the risks of corruption and to adjust the corresponding risk management systems, either upstream or in response to the audits carried out by the French Anti-Corruption Agency (AFA).

To meet financial security requirements, financial institutions have made significant efforts in recent years to adapt their third-party compliance arrangements (customers and intermediaries).

Developments in the regulatory framework for the fight against corruption require additional efforts to detect and prevent cases of corruption, which include :

- *Having an **up-to-date mapping of corruption risks***
- ***Strengthening third party management systems** - not only the management of **customers and intermediaries** but also the management of relationships with **suppliers, partners and employees.***
- ***Implementing large-scale awareness-raising initiatives** for employees affected by the risks of corruption to **facilitate the establishment of new behaviours and new, more ethical practices, in compliance with the code of conduct.***

The adaptations to be planned to better control the risks of corruption are opportunities to transform the different dimensions of the operational models in place (direct or indirect marketing processes, purchasing, setting up partnerships, recruitment, etc.).



Through this white paper, Exton shares its convictions on three of the eight pillars of the Fir Law II: risk mapping, third party management and training systems.

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THE FOUR LEVERS OF AN ANTI-CORRUPTION PROGRAMME

For more information :
contactinfo@extonconsulting.com

1 | THE MULTIPLE FACETS OF THE RISK OF CORRUPTION

CORRUPTION AND INFLUENCE PEDDLING: WHAT ARE WE TALKING ABOUT?

TWO MAIN FORMS OF CORRUPTION

Corruption is a crime as old as the hills. It is defined, and outlawed, by the penal code.

"Corruption means the solicitation or acceptance of a gift or advantage of any kind by a person entrusted with a specific function (public or private) with a view to performing, or refraining from performing, an act falling within the scope of his or her functions. A distinction is made between active bribery (offering the gift or advantage of any kind to the person entrusted with the specific function) and passive bribery (accepting the gift or advantage from the person entrusted with the specific function)." »

Influence peddling is a special case of corruption where the counterpart of the gift received consists in "abusing one's influence, real or supposed, on a third party in order to make a favourable decision." »

MULTIPLE CASES OF CORRUPTION

Thus defined, **bribery can occur whenever a natural person - internal or external - is in a position to receive a 'bribe' in return for something that affects the company's relations with the various third parties with whom it interacts (to its advantage or detriment):**

- **Bribery of an employee by a supplier or subcontractor** who offers a bribe to obtain a supply or service contract
- **Bribing of an employee** to obtain a job for a candidate in exchange for a gift to the recruiter
- **Bribery by the company of a public official** to obtain leniency for a breach or pass in exchange for an invitation
- **Bribery by the company of a prospect's representative** to obtain the signing of a contract
- **Bribery of an intermediary** to obtain the signature of a contract with a prospect
- **Bribery of an employee by a customer** to obtain a service, discount or favourable terms

Beyond these cases directly involving the company, **certain professions may be exploited by corrupt practices between third parties**, potentially placing them in a situation of concealment of corrupt acts and justifying a requirement for vigilance:

- Banks through their activity as account keepers or lenders
- Insurers through their life insurance products
- Real estate agencies or art dealers...

| Illustration of cases of corruption in banks

| Illustration of cases of corruption in banks

Clients & intermediaries



Bribes to get credit
Bribes to get a warrant

Public Officials



Bribe to obtain an indulgence for a breach or a pass



Financial institution

Bribe to obtain a supply or service contract

Suppliers & Subcontractors



Bribe to get a job



Employees

Bribes can take many forms: cash, gifts, various benefits, etc.

A NEW REGULATORY FRAMEWORK REQUIRING THE DETECTION AND PREVENTION OF CORRUPTION CASES

INCREASINGLY HEAVY CONVICTIONS

All major countries have criminal law provisions against corruption. In order to effectively combat corruption in the awarding of large international contracts, these regulatory frameworks are also increasingly **extraterritorial**, allowing national authorities to prosecute corruption committed by foreign companies and outside their territory:

- In the USA: the Foreign Corrupt Practices Act since 1977
- In the United Kingdom: the UK Bribery Act since 2011

On this basis, the number of convictions has multiplied, with increasingly dissuasive fines, as illustrated below by the amounts paid by the European companies penalised:

- Alstom \$0.8bn (2014)
- Societe Generale \$1.2bn (2018)
- Ericsson \$1 billion (2019)
- Technip \$0.3 billion (2019)
- Airbus €3.6bn (2020)
- Siemens (in progress)

In addition to these fines, there are usually obligations to implement **prevention plans** designed to guarantee regulators that the abuses observed will not recur.

AN OBLIGATION OF PREVENTION AND DETECTION

The first to codify an a priori obligation of vigilance, France promulgated in 2016 the Sapin II law

(supplementing the 1993 law), in force since¹ June 2017, which innovates :

- by creating an **obligation to prevent** corruption regardless of its materialisation
- by creating an **offence of trading in the influence of a foreign public official** with extraterritorial effect
- by introducing the **offence of failing to implement a compliance program**, punishable by a fine of €1 million (for the company) and 2 years imprisonment (for managers)
- by introducing the possibility of a **public interest judicial agreement** (to avoid criminal proceedings)
- by creating the **French Anti-Corruption Agency (AFA)**

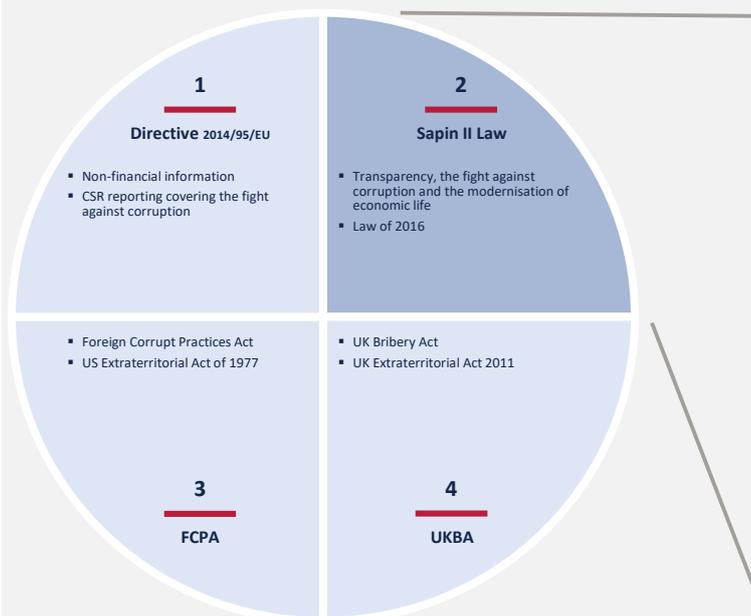
The scope of the Sapin II law :

- covers all large organisations (groups) with **more than 500 employees or €100 million in turnover**
- formulates **requirements with regard to all third parties** related to the company: customers, intermediaries, suppliers, subcontractors, employees, etc.

All large companies must therefore put in place a **comprehensive corruption risk management system** (see the eight pillars below required by the Sapin II law) and be able to justify this to the AFA.

An international regulatory framework reflecting the public priority of fighting corruption

Key anti-bribery laws



The 8 pillars of the Sapin II law

1. Code of Conduct
2. Risk assessment
3. Internal whistleblowing set-up
4. Procedures for assessing the situation of third parties
5. Accounting control procedures
6. Training framework
7. Disciplinary regime
8. Internal control and evaluation framework

2 | RISK MAPPING: WHAT FOR?

RISK ASSESSMENT ALLOWS TO FACTUALIZE AND PRIORITIZE RISKS

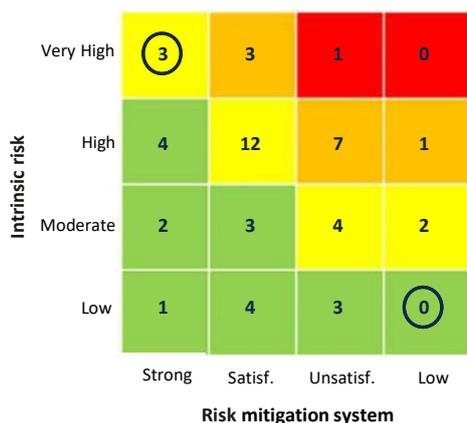
AN ASSESSMENT DEDICATED TO THE MEASUREMENT OF CORRUPTION RISKS

The cornerstone of the prevention approach imposed by the Sapin II law, **risk assessment makes it possible to analyse the company's maturity in the face of anti-corruption requirements.**

This assessment is **complementary to other risk assessments** dedicated to operational risks or non-compliance risks (as found in the banking sector for example under the names RCSA - Risk Control Self-Assessment and RA - Risk Assessment).

Like other risk assessments, it consists of :

- **Identify** potential risk **scenarios**
- **Evaluate** their **frequency of occurrence** and their level of **impact** (intrinsic risk)
- Measure the quality of the existing risk **mitigation system** (governance, processes and procedures, training, controls, etc.).
- Deduce a level of **residual risk** (intrinsic risk corrected by the effect of the mitigation system).
- Finally, produce an **action plan** to reduce residual risks that are considered too high.
- To provide a "**heatmap**" of the intersection of intrinsic risks and risk mitigation system.



the numbers in the heatmap correspond to the number of risk scenarios

For example, this heatmap allows you to identify several scenarios at the ends of the diagonal (see the circled areas opposite):

- Some risk scenarios may be considered intrinsically very risky whereas the associated risk mitigation system ultimately makes them acceptable. This is the case, for example, of **granting credit to an ineligible customer** in exchange for an undue advantage. The banks have set up very comprehensive systems for supervising the granting of loans (authorisation to use tools, four-eye processes, committees, controls) which ultimately reduce residual risk to a very large extent.
- Conversely, certain scenarios considered a priori to be low risk may give rise to a high residual risk if the risk mitigation system is insufficient. This may be the case, for example, of the risk of **disclosure of confidential information** in exchange for bribes, which may seem limited a priori but which is very difficult to control effectively.

RISKS CONCENTRATED ON A SMALL NUMBER OF ACTIVITIES

This risk assessment exercise leads to **the identification of the activities that are most sensitive to the risk of corruption**, whether active or passive.

Some activities are thus sensitive in that their very nature carries risks of corruption:

- Risk of active bribery, e.g. when **negotiating large mandates, representing interests** (lobbying), **applying for licences or permits** or **negotiating penalties** for offences,
- Risk of passive bribery e.g. in **purchasing** or **lending transactions**.

Other activities are sensitive as potential concealments of bribe payments, without precise delimitation of the limits not to be crossed:

- **Gifts and invitations**
- **Facilitation payments**
- **Patronage and sponsoring** operations

RISK ASSESSMENT ENABLES RISK MANAGEMENT SYSTEMS TO BE EVALUATED

RISK MITIGATION SYSTEMS THAT CAN TAKE SEVERAL FORMS

Several elements can contribute to the mitigation of the risk:

1) To prevent mistakes

- Formalization of **policies, processes and procedures**
- Setting up **governance and reporting systems**
- The implementation of **communication and training actions**

2) To detect errors

- The implementation of **controls**
- The deployment of a **wistleblowing** framework

3) To correct errors

- Formalizing an **action plan**
- **Monitoring the implementation** of the action plan

MEASURES AIMED ULTIMATELY AT GETTING IMPACTED EMPLOYEES TO ADOPT GOOD PRACTICES AND BEHAVIOURS

The procedures specify the **mandatory due diligence** to be performed and the operational responsibilities:

- **Persons authorized to** sign contracts or initiate expenses
- More generally, **persons empowered to** use operational tools
- **"Four eyes" validation** requirements

This **work on the procedures and the tools** that support them is an essential element of compliance, **particularly on the management of third parties.**

But neither a code nor procedures are ever precise enough to anticipate all operational situations, which often contain "**grey areas**" where the judgment of the actors is necessary. It is therefore essential to raise awareness and train the impacted populations, not only on the procedures to be applied, but also on the **behaviours that are acceptable or not.**

This awareness-raising must reach a very large population and be based on the examination of **concrete cases representative** of the situations encountered by the impacted people.

Lastly, a **posteriori** controls by **sampling** can strengthen the systems by ensuring that procedures are properly followed, or even more informal instructions.

Accounting controls on payments, purchases and expense reports are added to hunt for wrongful payments or false invoices.

Finally, the implementation of an effective system for **managing alerts** raised by employees (and the protection of whistleblowers) can make a final contribution to the ability to detect deviant behaviour.

3 THE NEED TO STRENGTHEN THE MANAGEMENT OF THIRD PARTIES

THIRD PARTY MANAGEMENT IS AN INDISPENSABLE LEVER IN THE EFFECTIVE FIGHT AGAINST CORRUPTION

THIRD PARTY EVALUATION HELPS TO LIMIT RISKS

By taking a step back from the control of sensitive activities, one can seek to identify and avoid third parties with whom corruption incidents are most likely to occur.

As is standard practice for credit risk, it is indeed possible to identify **corruption risk factors** presented by third parties:

- History of corruption (convictions...),
- Reputation of questionable behaviour in the media
- Roles of representatives or leaders exposed to blackmail or pressure
- Pursuit of business in countries or sectors of activity that statistically concentrate the greatest number of corruption cases
- Uncooperative attitude in collecting this information...

An important lever therefore consists of implementing controls and due diligence in the **listing, contracting and monitoring processes of third parties** with whom the company has a business relationship, in order to collect the necessary information and calculate a **risk score**.

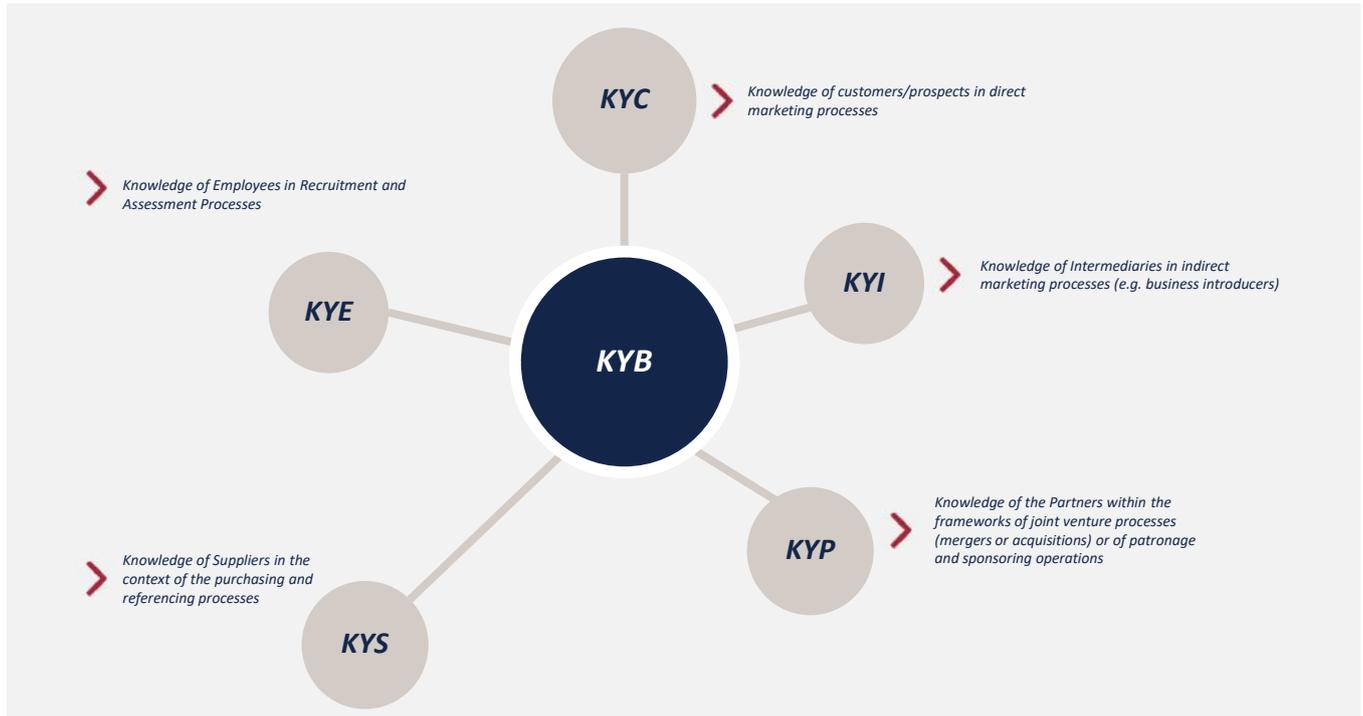
This score thus provides a criterion on which to base formal mechanisms for **deciding whether to enter into a relationship** or to continue/interrupt relationships.

ALL TYPES OF THIRD PARTIES ARE CONCERNED

KYB (**Know Your Businesses**) is at the heart of the anti-corruption system. It is available in several variants depending on the processes impacted. Depending on the type of third party, we speak of **KYC** or Know Your Customer, **KYS** or Know Your Supplier, **KYI** or Know Your Intermediary, **KYP** or Know Your Partner and **KYE** or Know Your Employee.

In many cases, **third party management processes are too informal or ill-equipped** to enable such scoring and effective decision-making. **The challenge is therefore to complete or implement and equip third party management processes.**

Illustration of the types of third parties whose management processes need to be reviewed



THE MANAGEMENT OF CERTAIN THIRD PARTIES IN FINANCIAL SERVICES IS BASED ON SYSTEMS ALREADY IN PLACE TO COMBAT MONEY LAUNDERING

CUSTOMERS AND INTERMEDIARIES ARE SUBJECT TO FINANCIAL SECURITY MEASURES

In financial services, the different categories of third parties do not present the same challenges. As in all BtoC activities, **customers are distinguished by a much higher volume** than all other categories of third parties. Reconciling this with the challenges of controlling administrative costs in the networks and the fluidity of customer flows is therefore particularly delicate.

Fortunately, in financial services (and others subject to anti-money laundering requirements such as the real estate professions), **Know Your Customer (KYC) and Know Your Intermediary (KYO) provisions have already been developed under financial security requirements:**

- Identity verification of natural persons (NP) and legal entities (LE)
- Search for the beneficial owners of NPs
- Screening against international sanctions lists and embargoes (NP and LE)
- Screening against lists of politically exposed persons (PEPs)
- Searching the media for negative information related to money laundering (NP and LE)
- Evaluation of an anti-money laundering risk score,
- Recording information on customers and intermediaries
- Formalized process for validating relationships
- Ongoing monitoring and periodic review.

THE FIGHT AGAINST CORRUPTION REQUIRES THE COMPLETION OF THE FINANCIAL SECURITY MECHANISM

All these measures are also essential for the fight against corruption and should be supplemented as necessary.

They must also be complemented by due diligence to identify **additional risk factors specific to the fight against corruption:**

- Links with countries or economic sectors at high risk of corruption
- Searching for negative information related to corruption
- Links with public actors or decision-makers
- Existence of representation mandates conferred on intermediaries
- Evaluation of an anti-corruption risk score,
- Enrichment of recorded information on customers and intermediaries
- Contractual clauses committing the third party to collaborate in the fight against corruption
- Existence of ethical rules (e.g. code of conduct)

The knowledge of other third parties, in particular Suppliers, does not benefit from this anti-money laundering acquis. **Significant efforts must therefore be made to create dedicated systems (see focus on Supplier management on the next page).**

Comparison of Financial Security (AML/CFT) and Anti-Bribery (ABC) requirements

	Clients	Intermediaries	Suppliers	Employees
Check. Identity & research BE	ABC AML/CFT	ABC AML/CFT	ABC	ABC
Sanction & Embargo Filtration and PPE	ABC AML/CFT	ABC AML/CFT	ABC	ABC
Info neg. and LAB scoring	AML/CFT	AML/CFT		
Info neg. and ABC scoring	ABC	ABC	ABC	ABC
Contractual clauses	ABC AML/CFT	ABC AML/CFT	ABC	
Account monitoring	AML/CFT			

ABC: Antibribery and Corruption (Fight Against Corruption)
 AML/CFT: Anti-Money Laundering/Combating the Financing of Terrorism

FOCUS ON SUPPLIER MANAGEMENT

KNOWLEDGE OF SUPPLIERS IS ESSENTIAL TO THE PURCHASING FUNCTION

Purchasing departments are increasingly inclined to maintain long-term business relationships with their suppliers, as evidenced, for example, by responsible purchasing charters in which the risk of corruption is an integral part.

Improving Supplier knowledge through a KYS approach responds directly to the **priorities of the Purchasing functions** and can bring **tangible business benefits** to the company:

- **Reduction** of fine and reputational **risks** (this is the primary objective of KYS),
- Creation of a quality-controlled **knowledge base on Suppliers**, which can be used to manage the company's ecosystem,
- Formalization of **purchasing** and contractualization **decision-making processes** integrating business rules and criteria,
- **Improvement of the Suppliers' experience** in their relationship with the company, thanks to the automation and optimisation of channel use implemented to facilitate the execution of due diligence.

Suppliers' knowledge to help prioritize purchasing functions



MAKING PURCHASES COMPLY WITH ANTI-CORRUPTION REQUIREMENTS IS AN OPPORTUNITY TO TRANSFORM EXISTING OPERATING METHODS

The implementation of an anti-corruption KYS is mainly based on the following steps:

- Count and qualification of the **supplier portfolio** (determination of the criteria for a risk-based approach),
- Identification of **new information to be collected**,
- Identification of new processes to be formalized or **new due diligences to be integrated** into the already formalized processes,
- Updating of standard contracts or creation of **anti-corruption clauses** to be included in contracts,
- **Change management among buyers.**

The extent of the developments to be implemented depends on the starting situation. Not all companies start from the same situation in terms of purchasing when it comes to implementing a KYS.

We observed two different types of situations:

- The case where the company has a **centralized purchasing process and tools** to start with
- The case where the company initially has a **purchasing process that is not very formalized and well equipped**. In this case, the knowledge of suppliers is reduced to the minimum required to keep accounts payable and pay invoices, the knowledge of suppliers is not carried out at the beginning of the relationship but at the time of invoicing.

DISCUSSIONS ON THE POOLING OF KYS TOOLS AND PROCESSES ARE UNDERWAY

Changes in the regulatory framework for third-party management require companies to upgrade their supplier knowledge systems, creating a new field for possible interbank cooperation. Within the banking sector, several institutions are considering the pooling of their KYS tools and processes.

There are three types of objectives that could be pursued in a KYS space initiative:

- > **Study opportunities for standardization and/or pooling** of means of identification and control of suppliers (proportion of common suppliers, identical tools, similar practices, etc.).
- > **Identify the target for interbank collaboration** on KYS (benefits, business model, possible constraints...)
- > **Define a portfolio of initiatives to be conducted jointly**, to test viability and implement a new business model

Example of two potential interbank cooperation models for KYS

	 Model 1 Standardization of KYS tools	 Model 2 Pooling of KYS processing
Description	<p>The banks use the same tools to create their KYS (supplier repositories, external databases, PEP screening tools / sanctions / embargoes / negative news, etc.).</p>	<p>Banks use a KYS* operator who acts as an intermediary between suppliers and the purchasing departments of banking groups.</p>
Benefits	<ul style="list-style-type: none">  High level of standardization of tools and data  Fluidification of exchanges with suppliers: homogenization of exchange formats  Reduction of costs on common IS (e.g.: centralization of licence purchases, etc.) 	<ul style="list-style-type: none">  Sharing of processing costs between banks (collection and control of data and documents)  Smooth exchanges with suppliers: a single entry point for banks and their suppliers  Focus and repositioning of banks on supplier risk rather than collection  Possible delegation of the choice of tools to the KYS operator
Limits	<ul style="list-style-type: none">  Technological dependency (quasi-monopoly situation of some publishers)  Limited optimization of the operational load of internal teams 	<ul style="list-style-type: none">  Potential difficulties in aligning governance and value sharing  Risk of dependency on the operator <p><i>*several possible ways of delegating service</i></p>

The mutualisation of KYS tools and/or processing can bring short-term benefits in terms of cost control:

- The heavy IT investment required to list suppliers and support anti-corruption due diligence naturally leads to the search for a **shared response** at the Group level or even at an inter-company level.
- This pooling, in which the purchasing departments have a key role to play, may involve the choice of common tools or common information suppliers, but also their implementation within a **shared service centre**.

Nevertheless, the level of pooling depends on the types of purchases made, depending on whether they are **production purchases**, which are directly incorporated into the products and services sold by the company, or **overhead purchases**, which only indirectly contribute to them. In financial services, production purchases are the exception, reserved for certain activities such as insurance or real estate activities. The potential for mutualisation is necessarily limited.

DISCUSSIONS ON MUTUALISATION KYS COULD BE EXTENDED IN THE LONGER TERM TO OTHER THIRD PARTY LEGAL ENTITIES

In the longer term, pooling around the KYS could also be extended to **all third parties** in relation with the company who now share very similar frameworks of third party knowledge requirements. A number of companies are thinking about setting up a **common repository for all Third Parties**, filtering and scoring tools or acquiring data from external service providers for shared use by all Third Parties.

Among the brakes observed, we can note that :

- **The different types of third parties "belong" to different departments that are not used to working together.** For example, the referencing processes of the purchasing department are completely separate from the KYC processes of the business departments, to the extent that a third party that is both customer and supplier is usually not even recognized in its dual role.
- **Each department has already started to equip itself by favouring an integration of the repository with its own processes.** For example, supplier data is often only recorded in specialized tools to support referencing and purchasing processes that are not related to customers and KYC tools.
- **Proximity of information needs is not evident outside of compliance.** We do not manage the same information on a customer (contacts, products held, projects, profitability, credit risk...) as we do on a supplier (quality, operational risk, IBAN, payment terms...).

Nevertheless, the pooling of identifying information of third parties and associated due diligence to meet the various regulations is possible if we believe the solutions proposed by players specialising in the provision of information and its processing on Legal Persons (e.g. Altares Dun&Bradstreet, Bureau Van Dijk...). We also observe several initiatives to share information on Legal Entities in the field of KYC (*cf. Exton article "When shared KYC of Legal Entities becomes a reality"*).

EXCHANGE
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DATA
altares



Laurent Luce
Senior Product Marketing Manager,
Compliance and Security

What new customer needs and trends do you perceive on the compliance of Legal Entities?

Let us first recall the historical needs of compliance of legal entities. **The first step is to clearly identify the third party.** With several million companies worldwide, this step consists in identifying the company you wish to analyse. The pitfalls of homonyms or company names different from the usual name are common and augur errors and a considerable waste of time. Moreover, **screening is now a widespread practice**, here the entity is exposed to sanction lists and negative press.

But for some time now, we have been identifying new needs:

- Firstly, the market wishes to qualify Corporate Social Responsibility (CSR). The Potier law imposes it, but beyond the law, **ethics is or will become an indicator of compliance.**
- We also see that **country risk** and third party **activities** are taken into account, especially for entities that have a primary and secondary activity.
- Finally, today's solutions mostly offer ready-to-use compliance reports and scores, which is perfect to start with, but we are now seeing customers who want to **adjust an indicator** such as the weight of Associates (RCA) in the PEP indicator, for example, or who want to add their **own indicators established via internal data** to the classic indicators.

How does your offer meet the challenges of the fight against corruption?

Whether on the Banking & Insurance market or the Corporate market (Sapin2 law in particular), we **have decided to separate data and usage.**

- Data is obviously essential and we rely on the Dun&Bradstreet network to identify more than 360 million companies and more than 100 million beneficial owners as well as all managers and shareholders. In addition, technical partners contribute to refining the data.
- As for usage, we respect market practices whether in file or API mode, our compliance solutions adapt to customers. **What we see is a need for out-of-the-box solutions, with mass third party loading, one-click compliance process initiation, or a false positive management engine that reduces 90% of identified lines.** The need today is to be able to launch a Due Diligence on 5,000, 10,000, 20,000 or more third parties in a matter of minutes and to be able to provide business teams with an opinion on the integrity and repute of the third party.

4 | THE CHALLENGE OF RAISING THE AWARENESS OF IMPACTED PERSONNEL

A WIDE VARIETY OF TRAINING NEEDS

THE IMPLEMENTATION OF ANTI-CORRUPTION REQUIREMENTS HAS A WIDE RANGE OF IMPACTS

The impacts are of different kinds, beyond the classic impacts on processes and tools, employees are confronted with **impacts of a cultural and behavioural nature**.

The fight against corruption implies adopting new habits and new postures towards clients, Third Parties in general, but also among colleagues.

Raising awareness among employees is essential to give them the keys to :

- on the one hand to **identify and detect** situations of attempted corruption and influence peddling,
- on the other hand to be able to know how to **react**, what behaviour to adopt and to **document** the decision.

The line between a benevolent act and an attempt at corruption can be thin. It is therefore essential to train employees to **distinguish the grey areas**: acts that may seem harmless *at first sight* may be considered corruption, and the same goes for everyday, so-called conventional practices that are part of everyday life.

Raising the awareness of all employees is therefore essential.

SEVERAL AWARENESS-RAISING INITIATIVES TO SUPPORT EMPLOYEES EXPOSED TO THE RISKS OF CORRUPTION

Not all employees are exposed to the risk of corruption to the same extent, so awareness raising and training activities must be adapted to :

- **Most exposed employees**
- **Exposed collaborators** (but not among the most exposed)
- **All other employees**

For example, the employees most at risk are the members of **the governing bodies**, who by virtue of their position **commit the company**, control and validate the work of their teams and must set an example in this respect. They should be **trained as a matter of priority**. Employees in the **purchasing departments**, who have sufficient authority to validate large amounts of money on behalf of the company, employees in sensitive business areas (e.g. human resources, sponsoring, mergers and acquisitions, etc.) and **employees with commercial functions either with risky clients or with clients in sensitive geographical areas** are also employees who are highly exposed to the risk of corruption.

Exposed employees include employees who may be in **direct contact with Third Parties, who have decision-making power or who have the ability to influence a decision** (e.g. signing a contract with a Third Party, call for tenders, etc.). Also **collaborators in connection with PEPs** (Politically Exposed Personnel)/**SPOs** (Senior Public Officers).

Depending on the employee's level of exposure, an awareness-raising and training system must be put in place:

- Training dedicated to the most exposed personnel
- Training tailored to staff who are considered as impacted by the risk of corruption but who are not among those most at risk.
- Compulsory training for all employees, distributed via e-learning (as is the case for other regulations)

These training measures make the new rules effective, however, **run processes must be put in place to ensure that these training actions continue over time.**

Not only does it involve taking into account new employees to be trained (new entrants, job mobility) and possible changes in regulations, but it also involves ensuring that new practices are firmly established by giving employees "refresher shots".

As an example, e-learning for all employees must be provided regularly, for example every 2 years (depending on the regulations).

A PROGRAM WITHIN THE PROGRAM TO DRIVE THE TRAINING

PERSONALISED AWARENESS-RAISING ACTIONS FOR EACH IMPACTED POPULATION MAKE IT POSSIBLE TO INCREASE EMPLOYEE SUPPORT FOR CHANGES IN PRACTICES

In order to change behaviour, employee training cannot be limited to a summary of the Sapin II law, broad definitions, or examples of corruption cases that have made the headlines but are far removed from employees' daily lives.

In order for employees to change their practices, they must feel concerned on the one hand, and on the other hand, understand the risks they incur on a personal basis. The training of employees must therefore be based on **concrete** cases of attempted corruption, influence peddling or conflicts of interest, which they may encounter in the course of their daily work:

- Invitation by a service provider to the restaurant in exchange for a gift;
- Recruitment of an employee with a link to a client in order to develop a business relationship;
- Granting credit to an ineligible prospect in exchange for an undue advantage

It is necessary to **rely on situations experienced** by employees in order to get them to react, to open up debates and *ultimately* to ensure that they find the keys to dealing with them on their own. The keys can be "words to say it", *verbatim*, which must be adapted to the personality and experience of the employee. Some employees will naturally have the necessary aplomb to "say no" to an attempt at corruption, for others, for example less experienced newcomers, it may be more difficult.

THE IMPLEMENTATION OF THIS AWARENESS PLAN REQUIRES CAREFUL PLANNING AND ORGANIZATION

At a minimum, **several hundred or even several thousand** employees are exposed to the risk of corruption within a company. The regulatory nature of employee training in the fight against corruption makes the **system mandatory** for all such exposed employees: the **monitoring and traceability of such training is therefore essential**.

In order to meet the often tight deadlines imposed by the regulators and in view of the staff numbers involved, the **deployment of training by multiplication** (or cascade) should be considered. This means relying on the management line, which must be exemplary, to train all employees concerned.

Often more reluctant to so-called "regulatory" training, the challenge is to demonstrate to employees that it is not a question of slowing down or even prohibiting the development of business relationships, but of doing so with greater transparency and honesty. **Co-hosting training sessions with the business and compliance departments** can help employees to better understand the training.

Successful support for the entire population concerned, within a controlled timeframe, requires the **investment and mobilization of several people** and therefore requires **precise planning**, also to ensure that it is anchored in time, as **behaviors can take time to change**.

Examples of impacts by types of populations and possible corruption situations

Sales Executives

- New processes for validating and assessing the risk of relationships
- New tools for data collection, third party census...

Sales Managers

- Change of culture: more transparency, vigilance... to be adopted in the management of business relationships.
- Exemplarity, managerial impulse

Client Advisors

- New behaviours, new habits to adopt: asking the right questions
- Declaration of gifts, events and invitations received by its relations



Business Meal - Invitation from a loyal client to dinner at a starred restaurant with his wife to congratulate him on his re-election to the position of MP.



Right of Alert - Insistent request from a manager to proceed with the cash deposit of an important client despite the unknown source of the funds.



Charitable Donations - A municipal councillor's promise to retain you in a tender issued by his or her municipality to fund the renovation of a school in exchange for a donation to the local sports association he or she chairs.

5 | THE FOUR LEVERS OF AN ANTI-CORRUPTION PROGRAMME

TRANSFORMING THE THIRD-PARTY MANAGEMENT OPERATING MODEL

1



The implementation of the new third party knowledge processes requires first of all a transformation of all the dimensions of the operational model:

- Publication of new **standards** reflecting Third Party management requirements
- Formalization or reinforcement of **procedures** governing sensitive activities and the management of third parties in each entity.
- Implementation of dedicated **control points**
- Development or enrichment of **repositories** to record the knowledge of third parties
- Development or enrichment of **documentary databases** to record the documents and evidence associated with the due diligence carried out on Third Parties (which will in particular be required by the AFA) as well as contracts.
- Development or enrichment of **workflow** tools to automate and streamline new internal procedures and with third parties.

REMEDY THE STOCK OF THIRD PARTIES PREVIOUSLY BUILT UP

2



An anti-bribery programme does not stop with the compliance of new due diligence processes. It must be supplemented by retroactive treatment of the stock of third parties built up before the new system was put in place:

- **Identification of the third parties** concerned and qualification of the available data concerning them: single repository, multiple files or paper files, quality of the data allowing identification without duplication and measurement of risk (including amounts and end dates of contracts).
- **Definition of a remediation strategy** taking into account the available information and the possible need to adapt the flow management system to deal with the stock (mobilization of resources, use of partners, dedicated management tool, etc.).
- **Execution** of remediation and **quality control** of the remediated stock.

CHANGE CULTURE AND BEHAVIOUR

3



A massive training plan is required to achieve the objectives of awareness and behaviour change:

- More than half of the staff are exposed personnel,
- The pedagogy of behavioural change requires the use of a mix of means: e-learning to raise awareness, face-to-face sessions to analyse practical cases, verification quizzes, etc.

The organization of this plan in a large company requires the multiplication by relays who are themselves trained and motivated.

In order to reach the entire impacted population within a reasonable time frame, a very rigorous planning of awareness raising and training actions is necessary.

TO CONTROL THE PROGRAM AND SECURE THE TRANSITION TO RUN

4



Once the risks have been identified and prioritized, the actions aimed at mitigating them and ensuring compliance must be orchestrated within a program to ensure that they are implemented consistently and are properly sequenced across the various entities of the company.

The keys to this steering are those of any major transformation programme with a regulatory dimension (and therefore constrained deadlines):

- Continuous risk assessment and anticipation
- Detailed planning and consolidation of schedules to manage overlaps and compliance with deadlines
- Implementation of performance monitoring dashboards
- Activation of short decision circuits through action-oriented instances
- Preparing for the run

A dedicated Exton offer to support the Business Units and the Compliance Function in the appropriation of new regulations and the optimisation of their operating modes.

1 A DEDICATED OFFER BASED ON 4 PILLARS



2 TO ADDRESS AREAS OF COMPLIANCE

with the business units and/or functions

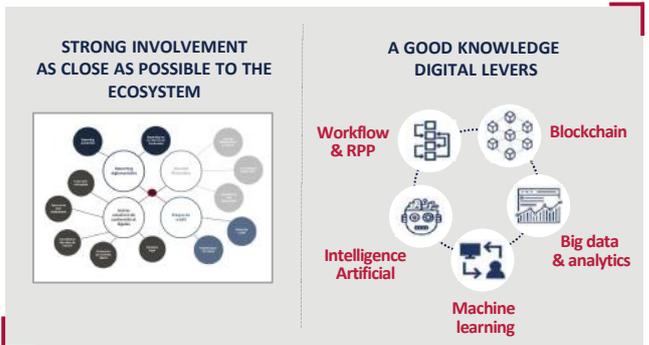


3 A DIFFERENTIATED POSITIONING



Our excellent knowledge of the Bank's business lines and Insurance gives us a positioning expert in the transformation of the Compliance business.

4 AT THE HEART OF THE FINTECH ECOSYSTEM - REGTECH



Julie MAHÉRAULT
ASSOCIATE

j.maherault@extonconsulting.com
06.82.42.49.67



Claire ROCHE
SENIOR CONSULTANT

c.roche@extonconsulting.com
07.60.87.09.91



Ava MARTIN
CONSULTANT

a.martin@extonconsulting.com
06.99.42.61.13

exton
consulting

STRATEGY &
MANAGEMENT

www.extonconsulting.com

Paris • Milan • Munich • Barcelona