

Deloitte.



Compliance in Belgium

A closer look at the Corporate Sector

Edition 2018

Preface

Deloitte Risk Advisory has carried out this second edition of the Corporate Compliance survey on the corporate sector in Belgium. The goal of the survey is to explore the Compliance landscape and understand a wide range of issues that corporations face today. We used the data to address following topics:

- What is the foundation of existing governance models and the motivators for creating a Compliance culture?
- What are the activities and responsibilities that Compliance departments have?
- What are the specific risks and mechanisms to mitigate identified Compliance risks and the panorama of the Compliance function in the coming years?

We aim to communicate the survey findings in order to serve as a baseline for understanding existing governance models and the practical approach taken by corporate bodies.

The findings of the survey are instrumental in depicting the challenges and trends that companies and Compliance professionals face when conducting business activities and in identifying the future perspectives and corporate strategies supporting the Compliance decision-making processes in a world of growing regulatory unpredictability.

First published in 2015¹, the Corporate Compliance survey addressed the major challenges and existing practices in Compliance in the corporate sector in Belgium. In 2017, similar topics are addressed and comparison is made with the results of the past survey.

The open feedback from respondents allowed us to understand the current and future challenges in companies across different industry areas in the private sector, also including the participation of the public sector. The success of this survey relied on the willingness of companies to share their practices and we expect the results of the survey to help Compliance professionals with useful information.

Deloitte expresses its thanks to all participants with a firm commitment that the answers will remain confidential.

Please do reach out to us as your Deloitte contacts if you would like to discuss any aspects further.

Yours Sincerely,

Laurent Claassen

Inneke Geyskens-Borgions

Angelica Rojas

¹ *Compliance in Belgium, a closer look at the corporate sector 2015.*

“Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined”

G20 OECD principles of Corporate Governance. OECD 2015

Compliance in Motion

I. Why companies do Compliance?

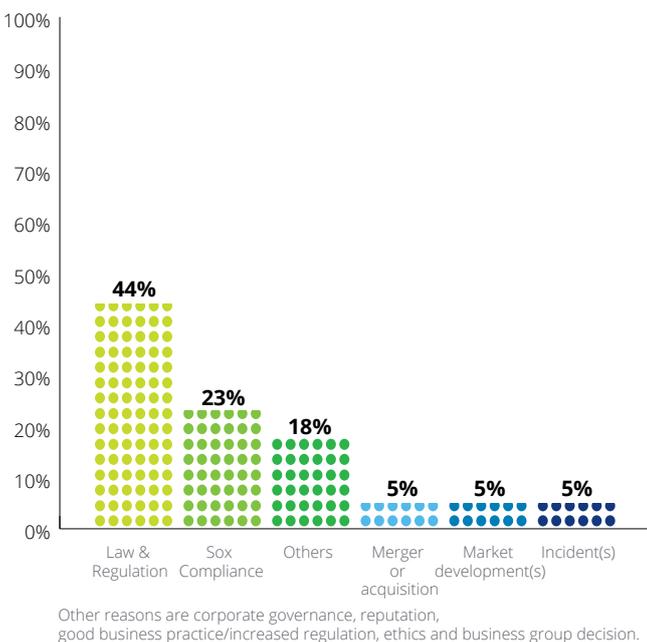
Drivers and Motivators

The majority of the companies reported that Laws and Regulations together with SOX Compliance² are the main reasons for creating the Compliance function, which indicates that international and country legislation defines the path for integrating the Compliance function in the corporate agenda.

Good corporate governance, the influence of Compliance in the reputation of the organisation, good business practices and ethical business group decisions are also drivers to create a Compliance function, according to 18% of the respondents. One of the respondents explained that reporting to the Global organisation in the United States was the main reason for creating a Compliance function in the Belgian business unit.

5% of the respondents reported that incidents, market developments and Merger & Acquisitions (M&A) are reasons for creating the Compliance function in the company. Given that the existence of a Compliance organisation is a new concept in the corporate sector in Belgium, the internal changes in corporate structures, the creation of market value and the remediation of reported incidents determines the corporate focus in Compliance according to respondents.

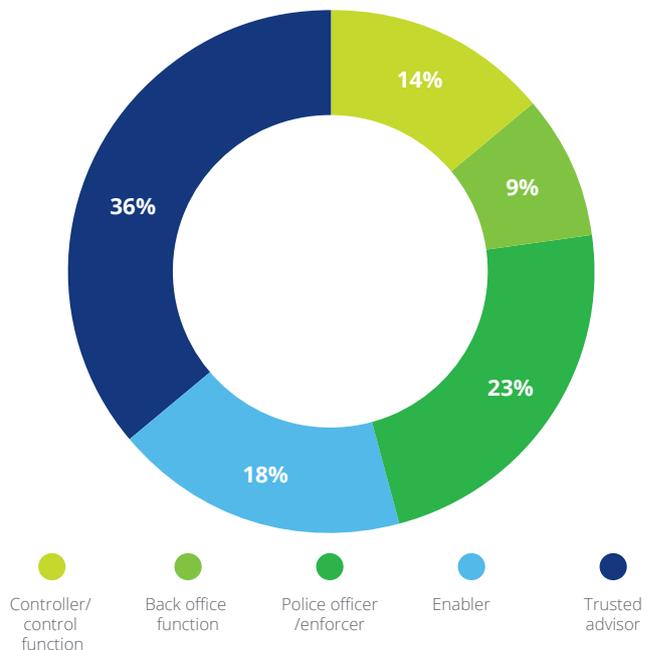
Reason for creating a Compliance function



Business Perception of the Function

The way Compliance officers are seen internally is an important indicator of the maturity of the Compliance function within the organisation. We asked the respondents what the perception of the Compliance officers within the company is, and 36% of the interviewed participants selected "trusted advisor", followed by "police officer/enforcer" and "enabler" with 23% and 18% respectively.

What is the business perception of the Compliance function?



The Compliance function is evolving and revealing its benefits within organisations moving beyond strict Compliance with legislation and policies to a more active integration with other functions. A more proactive Compliance officer skillset is necessary to persuade and to connect with other employees, with the business units and with management. Compliance officers, who are also enablers, are fundamental to adhering to the business strategy whilst responding with agility to the Compliance standards and requirements.

In today's world of mass communication and instant information, the need to convey a clear message to the business, shareholders and Board should not be underestimated; only by clearly communicating the benefits of a Compliance culture can Compliance officers deliver a message that is understandable to the business and that represents and supports the corporate strategy in the organisation.

² The Sarbanes-Oxley Act of 2002 ("SOX").

“A solid Compliance function is one that fosters transparency and openness and brings Compliance to the agenda of the organisation whilst understanding and serving the business needs.”

*Compliance in Belgium - A closer look at the Corporate Sector,
Edition 2018*

II. How do companies address Compliance?

The emergence of Rules and Regulations has been the main driver to construct a Compliance function. But how are companies organising their Compliance function and what is their reporting mechanism?

Do companies have a Compliance function?

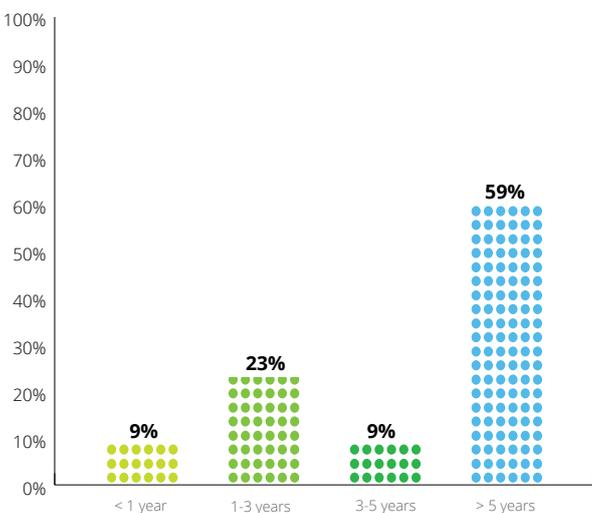
Participants were asked if a Compliance function³ already exists within their companies.

The rate of positive response was high: 96% of the respondents had created a dedicated Compliance function and a small 4% answered that a Compliance function is not yet created.

In the 2015 Corporate Compliance survey⁴ 42% of the companies interviewed reported not having a Compliance function, 42% said that other departments (different from Compliance) traditionally performed Compliance functions and the remaining 16% stated that a separate Compliance function was created internally.

This year's results reflect the changes that companies are introducing within the internal organisation; the Compliance function is becoming more and more important and integrated into the corporate strategy. A solid Compliance function is one that fosters transparency and openness and brings Compliance to the agenda of the organisation whilst understanding and serving the business needs.

How long has it been since the Compliance function was created?



Progression of Compliance

When asked how long ago the Compliance function was created, 59% of the respondents indicated more than five years, 23% replied between one and three years, 9% indicated between three and five years and the remaining 9% indicated that Compliance is created less than one year.

Considering that the majority of the companies report having created a Compliance function more than 5 years ago, this reveals an increased maturity of the Compliance function. As Compliance Programmes mature in the organisation, effectiveness in responding to the business needs and regulatory changes also increases.

While this is a significant growth in maturity, 32% of the companies indicated that Compliance was created between one and five years ago. This suggests that companies will need to focus more on integrating experienced Compliance officers into the organisation whilst leveraging internal skills and capabilities to steer best practice programmes, whereby more resources, time and support are required to move the maturity curve up.

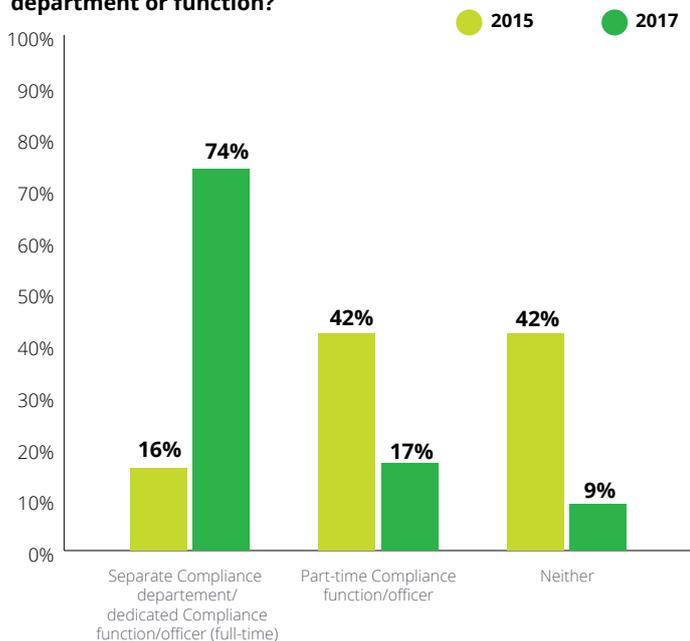
³ Compliance function refers to a Compliance department, Compliance officer or the person/professional responsible for Compliance.

⁴ Compliance in Belgium. A closer look at the corporate sector 2015.

Where is Compliance situated in the company structure?

According to the results, 74% of the respondent companies have a separate Compliance department or dedicated Compliance officer, 17% answered that a part time Compliance function/officer exists and the remaining 9% report not having a Compliance function. In comparison with the results of the 2015 Compliance survey the resource allocation to the Compliance function grew significantly, indicating a higher focus in Compliance aspects with organisational support from the executive level to the Compliance department/function.

Does your organisation have a separate Compliance department or function?

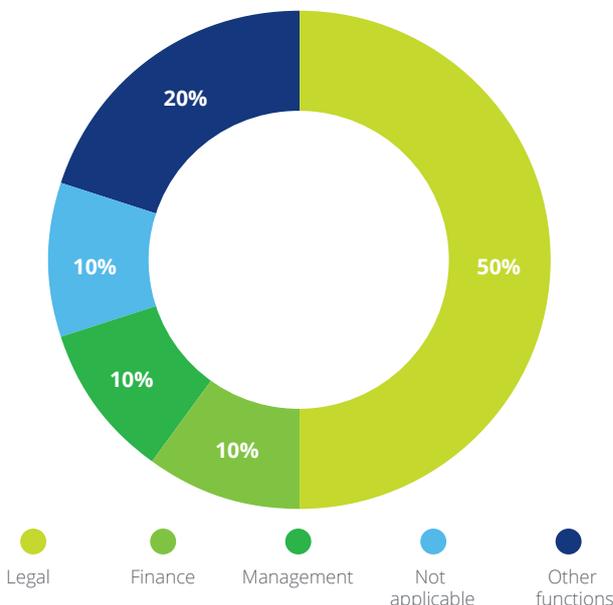


Cross-functional interaction and collaboration between Compliance and the Legal function is present in 50% of the respondent companies. Primarily Compliance is working on collaborating with or taking part in the Legal function. The Compliance role however, moves far beyond addressing purely Legal issues and managing counselling. Since Compliance officers become business enablers, the Compliance function moves to other parts of the organisation and is not necessarily located in the Legal department.

A minority of respondent companies integrate Compliance with Management. Although independent in regards to decision making, Management has a certain degree of cross-collaboration with the Legal function.

In comparison with results of the 2015 Compliance Survey, the Compliance officer worked in collaboration with HR, Risk, and Security, Legal and controlling based on the subject content. Internal Audit and Finance were also considered but to a lesser extent.

Under which department is the Compliance function/officer mainly situated?



Background of the persons involved in Compliance

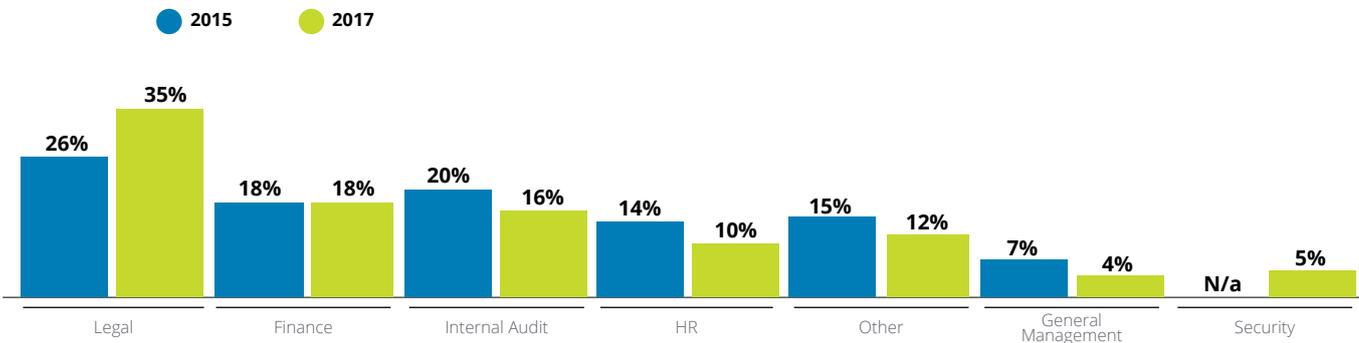
The professional background of the people involved in Compliance influences the way Compliance is organised internally in companies. Usually, the majority of the Compliance officers have a Legal background, namely 35% of the respondents, followed by Finance (18%), Internal Audit (16%), HR (10%) and general Management (4%).

In comparison with the 2015 edition of this survey, where the background of people involved in Compliance was mostly Legal (26%), results are changing in Internal Audit (20%), HR (14%) and general Management (7%).

The main change in this aspect is that the fraction of Compliance professionals with a Legal background became larger, amounting to a third of the population.

The results of the survey and current practices show the increased complexity of legislative and enforcement developments over the past years is influencing how companies organise their Compliance Programmes internally and how they choose the individuals who are best positioned to respond to the regulatory best practices whilst adapting to business goals.

Background of Compliance Officers



First line reporting

The majority of the respondent companies indicated that Compliance reports directly to the head of the Legal function in 26% of the cases, followed by the Chief Executive Officer (CEO), the Board of Directors and the Chief Financial Officer (CFO) in 26%, 21% and 11% respectively. A minority reports to the head of the Customs Teams and the regional Compliance organisation.

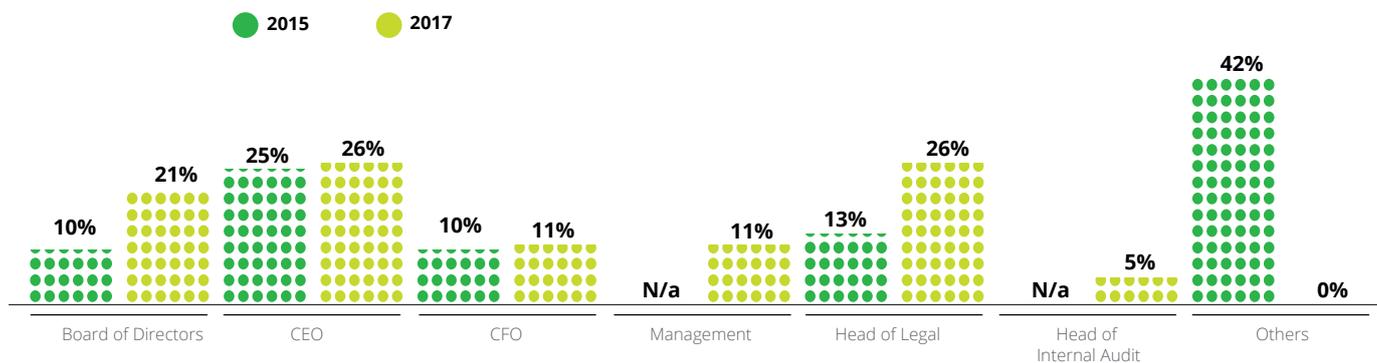
Reporting plays a vital role in the operations of most companies. The trend of internal reporting suggests that reporting is functionally aligned. For example, the majority of the companies answered that the Compliance function is collaborating with or integrated into the Legal function. The results indicate that the reporting line follows the functional alignment, being the Legal department, the Board of Directors, the CEO or the CFO. The internal organisation plays a role as respondents indicated that Compliance reports to the leadership of the specific business if business division exists.

The Corporate Compliance survey of 2015 revealed that 10% of the respondent companies reported directly to the Board of Directors. The 2017 results show that this number has doubled. On the contrary, the figures corresponding to direct reports to the CEO and to the CFO do not register a significant increase.

The results of 2015 indicated that Compliance officers reported to the General Counsel, the Chief Compliance Officer, the head of Internal Audit and the Audit Committee. In the graph, this proportion is shown as 'Others' in year 2015.

The endorsement from the Board of Directors or from the CEO is essential in order to achieve strong business results and a solid integrated Compliance function.

Internal Reporting - comparison 2015/2017



“The board should adopt high standards of business ethics, ensuring that its vision, mission and objectives are sound and demonstrative of its values. Codes of ethical conduct should be effectively communicated and integrated into the company’s strategy and operations, including risk management system and remuneration structures”

Principle 4. Corporate Culture. International Corporate Governance Network (ICGN), Global Governance Principles.

III. Compliance Culture

Current Topics of Compliance

When asked about the current key topics for the Compliance function, respondents were instructed to select three different priority objectives in the organisation.

The development and implementation of a strong Compliance culture, reflected in a structured Code of business conduct, is considered a key priority according to the large majority of the respondents.

Most of the firms have a Code of business conduct as an integral part of the corporate values strategy. A relatively small minority of companies expressed having a Code of business conduct for internal use. Some respondent companies made the Code of business conduct available only for internal circulation.

Detailed examination of the Codes of business conduct in the respondent companies⁵ revealed that integrity, ethics, fairness and impartiality are the main corporate values. Safety and trustworthiness towards individuals are also key values depending on the business areas of the respondents.

Companies that have global activities also referenced ethical standards such as fair competition, conflicts of interest, anti-money laundering, protecting the environment, responsible sourcing and confidentiality.

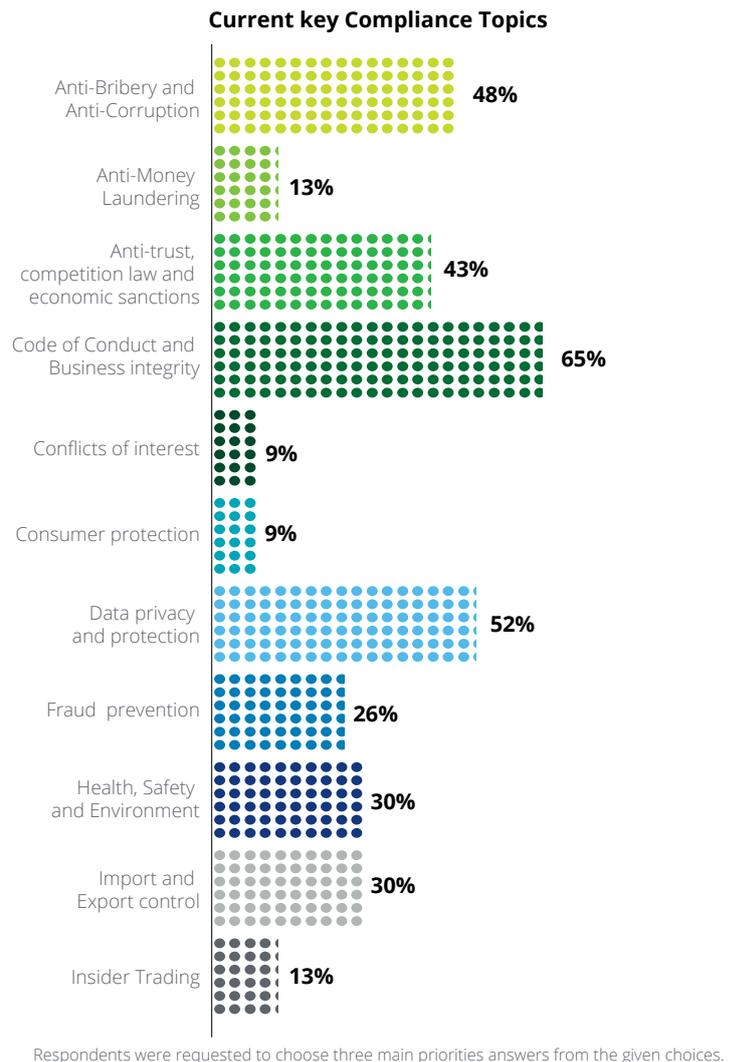
The respondents expressed a growing interest in the Code of business conduct as a sign of the increasing awareness of business Ethics and Compliance. Furthermore, more than half of the companies have implemented policies that cover diverse topics of global interest.

There is a clear focus on creating a whistle-blowing line or a help-line in most of the companies. Conversely, a minority suggested that a whistle-blowing line is not created or is created but not commonly used by individuals.

A whistle-blowing programme is best practice and a majority of the regulators expect that companies have one. It is also in the best interest of the company to provide individuals with a clear mechanism to raise issues and possible wrongdoings internally. A well-established whistle-blowing mechanism must ensure that individuals report wrongdoings without retaliation.

Other key areas of focus indicated by companies have been Anti-Bribery, Anti-Corruption, Competition law and Data privacy.

Bribery, conflict of interest, trading on influence are practices to which companies can be victims or which can put their employees and managers at risk. Globalisation involves two major trends. One is the increased expectation from governments intending to impose heavy fines on those companies who use globalisation to avoid local laws and responsibilities. The second is the digitalisation of transactions, which introduces higher levels of transparency standards. A culture of Compliance and installation of robust due diligence processes is instrumental in reducing the inherent risk posed by daily business transactions.



⁵ Code of business conduct was analysed when made available in public sources by the respondent companies.

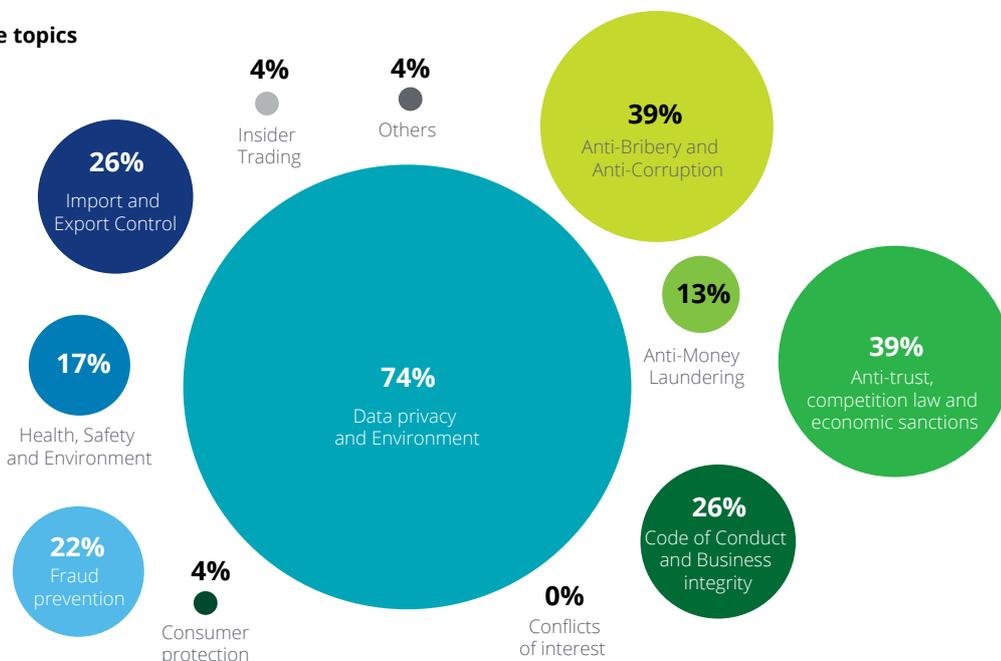
Future Topics of Compliance

Future Compliance priority topics remain significantly unchanged in comparison with the results of the 2015 survey⁷. The interviewed companies agree that higher attention is given to creation and development of a Code of business conduct and to prioritising activities to enhance the areas of Data privacy and protection, Competition law, Anti-Bribery and Anti-Corruption. One of the major challenges for Compliance officers in Europe in 2017 has been the implementation of the General Data Protection Regulation (GDPR) with a deadline in May 2018⁸ and the practical aspects associated with the regulation.

The GDPR sets out strict Compliance regimes that must be put in place and heavy penalties are foreseen for any breaches. The consequences of failing to comply could lead to a fine of up to EUR 20M or 4% of annual turnover whichever is greater.

Anti-Money Laundering and Anti-Corruption are also in the future scope of companies. The 4th AML Directive⁹ paved the Compliance focus of many companies in 2017 and will continue in the coming years. Fully transposed to Belgian law in October 2017, the directive establishes the so-called Ultimate Beneficial Owner Register (UBO Register) is based on Risk Based Approach (RBA), introduces criminal sanctions concerning the obstruction of inspections and the refusal to provide requested information. Additionally, the directive defines specific enhanced Customer Due Diligence measures on potential risks such as PEPs (Politically Exposed Persons), correspondent banking relationships and customers where the identity is verified during the business relationship. To be compliant, companies and individuals shall increase focus on RBA to prevent money laundering and implement risk indicators to foster continuous improvement.

Future key Compliance topics



Respondents were requested to choose three main priorities answers from the given choices.

⁷ Deloitte Compliance survey. A closer look to the corporate sector 2015.

⁸ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. The General Data Protection Regulation (GDPR) aims to strengthen and unify data protection for all individuals within the European Union (EU). It also addresses the export of personal data outside the EU.

⁹ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Managing Risk: Existing activities

Changes in the regulatory framework shape the activities of the Compliance function. In comparison with the results of the 2015 Compliance survey, there is a more evenly distributed attention towards key activities such as creating standards, policies and procedures, providing training, raising awareness and continued work on building a Compliance culture. The respondents estimate that the budget allocated to the Compliance function is currently not sufficient. Moreover, the participants consider that a limited percentage of the organisational budget is dedicated to Compliance.

Managing Risk: Future activities

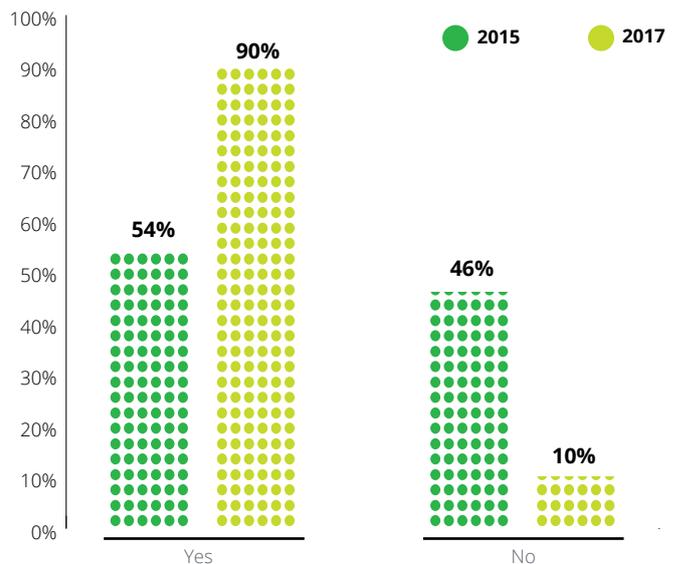
Although the full range of activities varies from company to company, some activities consistently head the priorities.

The main activities selected by the interviewed companies for the coming years are developing training awareness and communications, building a Compliance culture and conducting Compliance risk assessments. Embedding a culture of Compliance is increasingly important in companies and key activities range from cyber resilience to management of regulatory risk. Data privacy and protection are also priorities for next year with focus on regulatory enforcement of the GDPR.

Concerning the least common activities indicated, there are no significant changes in comparison to the 2015 survey results. The least selected activities are setting tone at the top, reporting, governance and incidents prevention.

The vast majority of the companies (90%) expect that the budget dedicated to Compliance in the coming years will grow. The 2015 results reveal that 54% of the respondents expected growth in budget. Conversely, only 10% of the respondent's report that the budget dedicated to Compliance would remain unchanged. This year's results indicate that to be on top of Compliance, having an appropriate budget is key in the organisation: it allows adequate staffing and implementation of policies and procedures, as well as development of an effective and strong Compliance Programme.

Expected growth of the Compliance budget in the next years



Current and future key Compliance activities



Respondents were requested to choose three main priorities answers from the given choices.

Business Partners screening

The majority of the respondents (57%) report that they perform business partner screening prior to any activity. The results show that the following strategies are being used when conducting business partner screening: risk based approach¹⁰, credit information agencies, commercial databases and business partner integrity checks.

In comparison with the results of the 2015 Compliance survey, the panorama improved slightly however there is significant opportunity for further improvement, as 39% of the interviewees have not established a structural system to screen their business partners and to perform due diligence prior to conducting business.

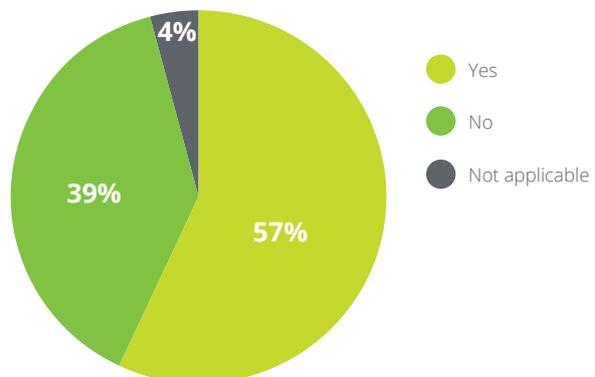
In 2015, the interviewed companies indicated that screening was not necessarily a standard procedure and was limited to the verification of financial strength or the definition of sustainability criteria as part of the supply chain processes.

Managing risks and complying with requirements is a difficult task in a business environment of growing geographic complexity and fragmentation. Companies increasingly deal with a large number of transactions and operations, involving an equivalent number of business partners. Every business must interact with suppliers, vendors, contractors, manufacturers, licensees, banks and more. Each partner is important for business integration, but they also represent risk exposure (financially and commercially) and companies have to consider other risks such as cyber-crime, corruption, bribery, reputational risk and fraud.

Knowing the partners and who they are doing business with is fundamental: for instance, in assessing if they operate in Compliance with international standards, in understanding if they have been involved in illegal activities, if they conduct operations in sensitive countries or if they are politically exposed.

Thus, in order to mitigate these risks, available technologies and systems provide real-time solutions without hampering the businesses. For example, business partner screening applications are designed to handle different data sources and to screen high amounts of data from diverse operating environments, minimising risks of suspicious transactions whilst adapting to the business needs.

Do you perform screening of all business partners prior to any activity?



¹⁰ A risk-based approach to Compliance involves identifying the areas of high risk within the organisation and building and prioritising the Compliance monitoring Programme around these risks.

Economic Sanctions¹¹

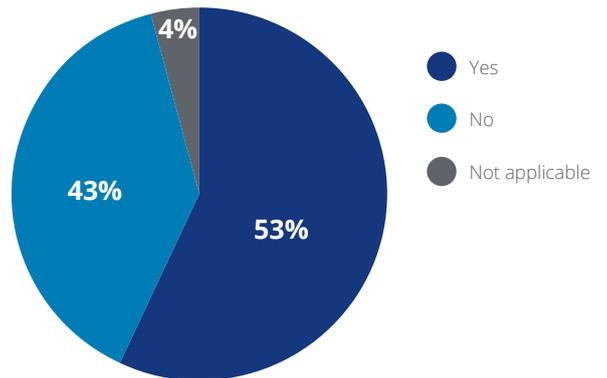
Only a small majority (53%) of the respondents undertakes a proactive approach towards preventing transactions with prohibited countries and sanctioned counterparts. Conversely, 43% of the companies report that they do not conduct any activity to manage the inherent risk in business transactions.

Economic sanctions are a powerful foreign policy tool, targeted to prohibit transactions with sanctioned regimes, entities and individuals. The immediate effect of these sanctions is to freeze the funds of the listed parties.

Regulators expect that the companies will apply reasonable due diligence measures to all business partners they are in business with, in order to reduce the risk of dealing with a person or an entity that is blocked. Hence, it is essential that companies conduct a risk assessment to understand if any of the commercial activities could be potentially impacted by the sanction rules.

System applications are also available to screen data from diverse operating environments, minimizing risks of undertaking transactions in restricted countries. These systems also allow adapting to the specifics of the transactions and identifying the parties before defining the risk.

Do you perform any activities related to embargoed countries and sanctioned counterparts?



¹¹ Economic sanctions are commercial and financial penalties applied by one or more countries against a targeted regimes, entities and individuals. Economic sanctions may include various forms of trade barriers, tariffs, and restrictions on financial transactions.

IV. Compliance Programme

Compliance is not perceived only as a risk-mitigating tool, but rather as a good business practice. Companies that self-regulate, contribute in a positive way to build a solid and trustworthy Compliance culture.

An effective Compliance Programme is useful to prevent problems, to identify gaps in procedures, to build efficiencies and to potentially reduce or eliminate penalties in the event that a misconduct arises.

Has the company created a Compliance Programme?

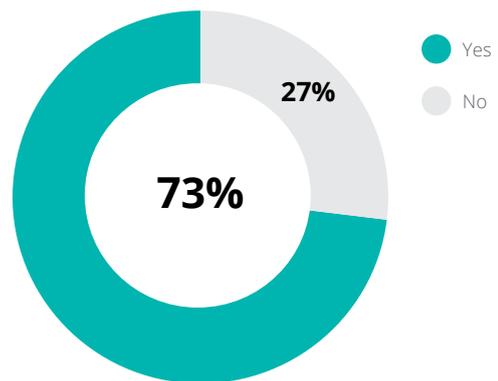
Building a strong Compliance culture goes hand in hand with the company's corporate value. A culture of integrity is pivotal to develop an effective ethics and Compliance Programme. It is therefore key that Compliance professionals identify where controls are required and offer support in translating the business needs into practical solutions.

The majority of the interviewed companies operate internationally and created a Compliance Programme according to global business activities. Participants also report that Compliance Programmes are typically uniform throughout countries.

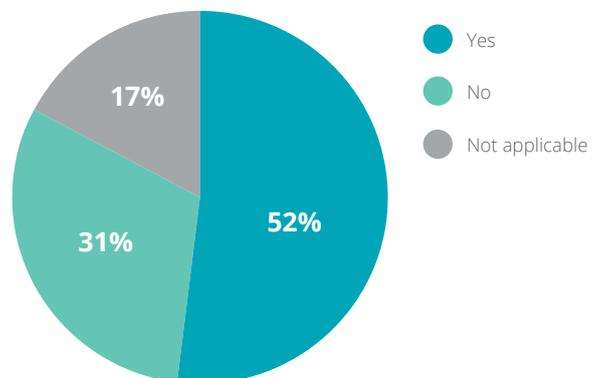
Cultural differences are specific reasons that explain potentially different Compliance Programmes between countries. Business practices and principles are impacted by the Compliance culture in different countries and this is reflected in the 52% of respondent officers who reported that the Compliance culture depends on the different countries they operate in.

Although best practices and global standards mark the direction for companies, culture plays a role when implementing business practices and procedures. In the same way, adequate and resilient solutions should enable the business to operate consistently without disregarding the differences.

Existence of Compliance Programme



Does your Compliance culture differ in various countries you operate in?



Challenges in developing and embedding a Compliance culture

Compliance officers acknowledged that embracing a Compliance culture is a day-to-day effort. The main challenges identified are listed below.

Lack of incentives

Almost half of the respondents indicated that lack of incentives is a challenge, but also an opportunity to develop a Compliance culture. By developing appropriate incentives, Management and shareholders can show their commitment to Compliance in the organisation. Rewards and incentive systems are instrumental for those employees and managers committed to ethics, and consequently contribute to building and embedding a robust Compliance culture within companies.

Lack of commitment from Management

Repeatedly, lack of commitment from Management is seen as a barrier when promoting a Compliance culture. The results from the 2015 Compliance survey reveal the same perception. Effective Compliance Programmes require that the Board of Directors and Management set the “tone at the top”, prioritising actions and Compliance objectives. Management needs to work hand in hand with the Compliance officers on the efforts to promote a culture of Compliance, showing that achieving business goals is possible in a compliant environment.

Challenges in embedding a solid compliance culture



Misalignment of Group Compliance requirements versus Operational Business Processes

Most of the respondents indicate that the potential misalignment between the business and Compliance objectives hampers the integration of the Compliance culture in the company.

A positive approach is key to communicate the purpose of Compliance in companies, because Compliance and Ethics are not only about enforcing Laws and Regulations. It is also about adapting the Compliance framework towards its stakeholders, the recognition of people doing the ‘right thing’ and showing Ethical leadership in the organisation.

Obtaining shareholder value is the key value proposal, however integrating Compliance and a positive approach to enforcement leads to even greater value.

A strong Compliance Programme should demonstrate that the company acts in good faith whilst delivering value.

Metrics for measurement Programme effectiveness

Measuring the effectiveness of the Programme was a challenge according to the 2015 Compliance survey and continues to be so. The past results showed that the most common metrics used to gauge effectiveness were internally focused, e.g. internal audits, analysis of hotline calls, completion rates for training programmes. Metrics that incorporated external information such as regulator reviews and benchmarks were less common. The approach when these were lacking was for Compliance Officers to do what they could rather than what they ideally should.

The results of the present survey reveal a similar trend: the majority of the respondents indicated that completion of a Compliance training, followed by measurements of number of reported incidents and analysis of Internal Audit reports are the preferred metrics of their Compliance Programme.

Qualitative metrics as part of the Compliance Programme and management strategy are instrumental for assessing the level of Compliance. Companies must consider conducting regular Compliance monitoring to identify trends and threats.

Documenting identified risks and undertaking proactive measures to mitigate risks is key, especially when companies are absorbing new technologies and complex business processes.

The following mechanisms are also used across the business: whistle-blowing hot-line reports, management self-assessments, benchmarking with equivalent companies, employee surveys and communication with authorities.

In these mechanisms, technology also constitutes an unrivalled opportunity to develop further measuring and reporting activities across companies and geographies.

Reporting of Incidents

The results show that 91% of the respondents have implemented a mechanism for reporting violations of the company's policies and procedures. Within this 91%, more than 80% offer the possibility to report incidents anonymously, although the level of incidents reported is only at 20%.

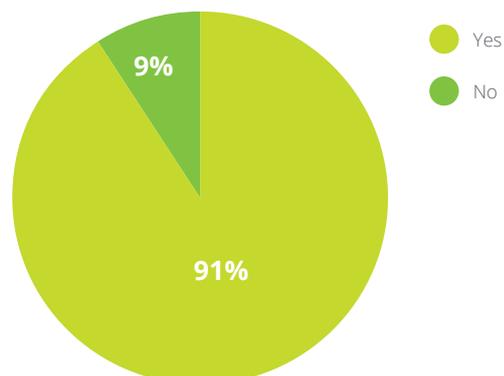
Internal and external reporting procedures and a proactive investigation mechanism are at the core of the Compliance Programme. The results of the survey indicate that the majority of the companies have a record of issues and a process to involve Compliance teams. In a few companies, these services are outsourced and external parties are involved. Defining the gravity and the frequency of issues serves as a barometer of the Compliance status in the company.

The rate of reporting has been rising when compared to the 2015 Compliance survey. Nonetheless, the internal reporting system still demonstrates that companies need to foster an environment of Compliance where employees are not afraid of retaliation when reporting wrongdoing.

Conflict of interest was the most internally reported incident. Otherwise, the results are evenly distributed ranging from fraud, bribery, corruption and theft to health safety, environment incidents and money laundering.

Incidents are usually reported to the Compliance department (32%), followed by Internal Audit (20%) and the Legal department (14%). The head of the corresponding department also investigates the reported incidents, using the direct reporting line in combination with Compliance and the internal Controlling function.

Does your company have a mechanism for reporting violations of the company's policies and procedures?

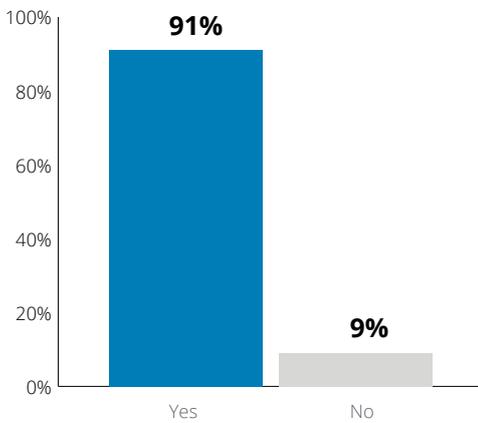


Addressing Compliance internally

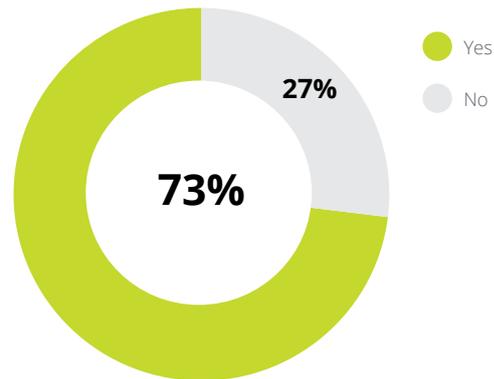
The internal Compliance structure and reporting lines are defined according to the specific needs of companies. Independence is crucial to ensure that the Compliance function maintains the expected level of control. While Management should respond appropriately and ensure that the firm is complying with Laws and Regulations, Compliance plays a supporting role helping Management develop the Compliance Programme and building remediation plans when and where necessary.

Involvement of the Board of Directors and Executive Management in reporting lines is becoming frequent. According to the results, 91% of the respondents report that the Compliance topics are discussed in Executive Management meetings, and 73% say that issues escalate to the Board of Directors' level.

Are Compliance topics/issues discussed during Executive Management meetings?



Compliance topics/issues discussed during Board of Directors meetings



Compliance officers usually report to the Head of Legal and Compliance, followed by Executive Management and Board of Directors. Compared to the survey's results in 2015, the percentage of reports to the Head of Legal and to the Board of Directors has doubled, which may reflect an increased importance of the Compliance officer role within the organisation.

Defining and maintaining appropriate roles and reporting lines should be clearly defined in writing, differentiating the roles of Compliance from the Management or supervisory roles. When investigations occur, the Compliance department shall report findings and recommendations to senior Management. Also, when necessary, the Compliance department shall also report to regulators upon request or if any breach in Compliance is identified.

Awareness and Communication

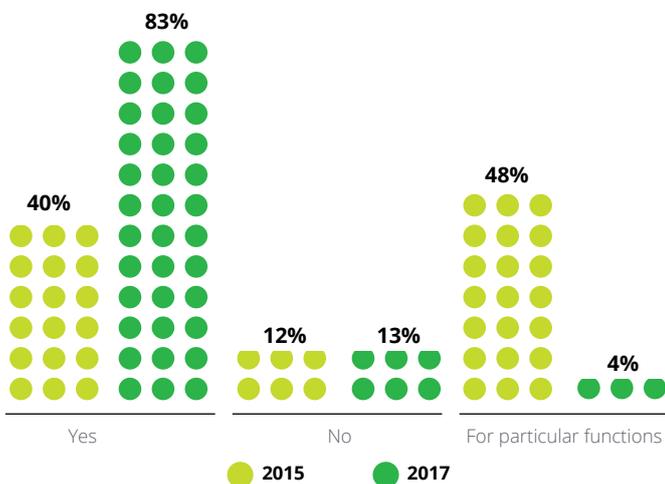
The vast majority of the respondents indicated having an internal training on Compliance policies. In contrast, one participant company indicated no available training exists internally.

83% of the respondent companies made trainings a mandatory requirement for employees, whereas 4% report having mandatory training only for particular functions. A reduced 13% of respondents does not foresee a Compliance training as compulsory for employees.

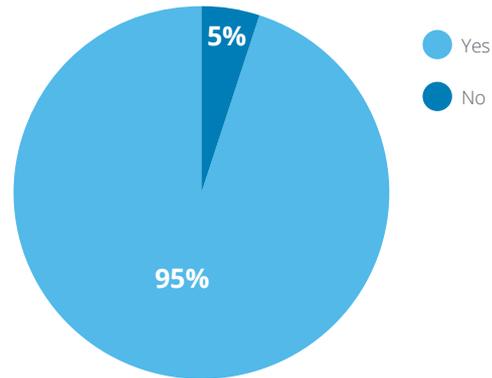
The frequency of Compliance trainings varies across companies: 39% of respondent organisations deliver at least one training per year, whereas 30% provide a training on Compliance topics whenever necessary. Another 13% delivers a Compliance training only for new hires and an equal number have conducted trainings more than once per year.

The results indicate a growing tendency to establish a Compliance training internally in the organisation. However, a small minority lacks a periodic training able to align employees with Compliance expectations across the organisation. Developing a training and communication platform is the next stage in the maturity of Compliance management in the corporate sector. We expect more companies to embrace training, communication and change management as part of the Compliance Programme.

Are Compliance trainings mandatory for employees?



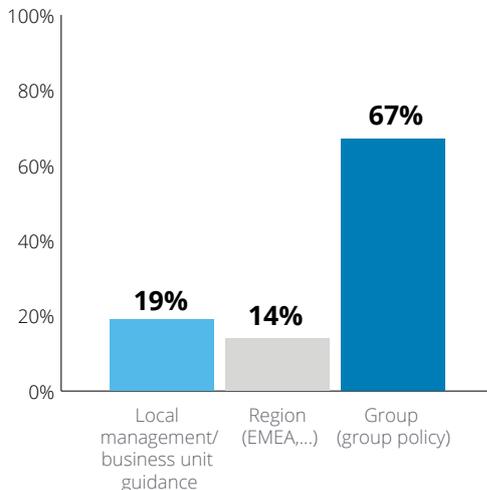
Does your company provide a training on Compliance policies for employees?



Technology plays a role: when asked about the methodology used for internal training in the organisation 86% of the respondents uses a web-based training for employees and individuals, against a small 14% who deliver training using a face-to-face methodology.

83% of the respondent companies foresee change management and dedicated communication channels across the organisation: namely e-mail, intranet and newsletters. The communication's ownership is kept at the Group level and made part of the Group policy in 67% of the respondents. 19% of the respondents transfer the Compliance communication to local Management. A smaller percentage (14%) of the respondents indicated that communication is managed regionally.

Who owns the communication on Compliance?



V. Profile of respondents

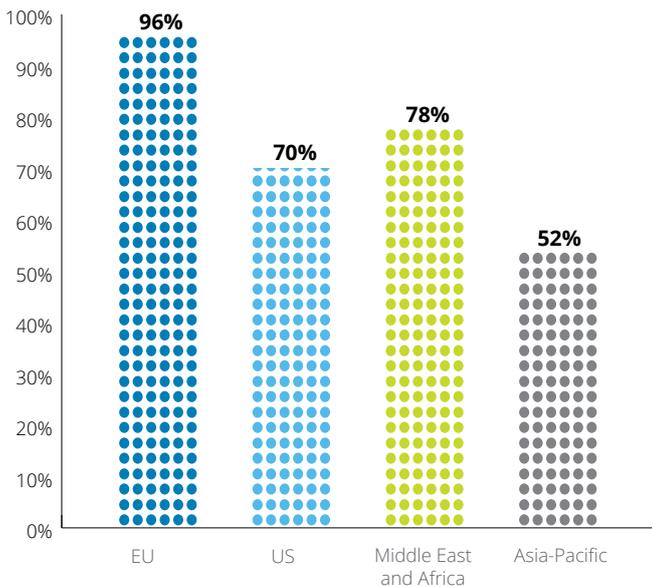
Both listed and non-listed companies were included in the scope of this survey: The numbers show that the majority are listed companies comprising 70% of the respondents. The remaining 30% of companies are not listed.

Business Operations

The 2017 Compliance survey includes companies from the following sectors: Manufacturing and Energy; Resources and Transport; Life Sciences and Health-care; Consumer Business; Technology; Media and Telecommunications and the Automotive area. This edition registered a small participation from the Public sector.

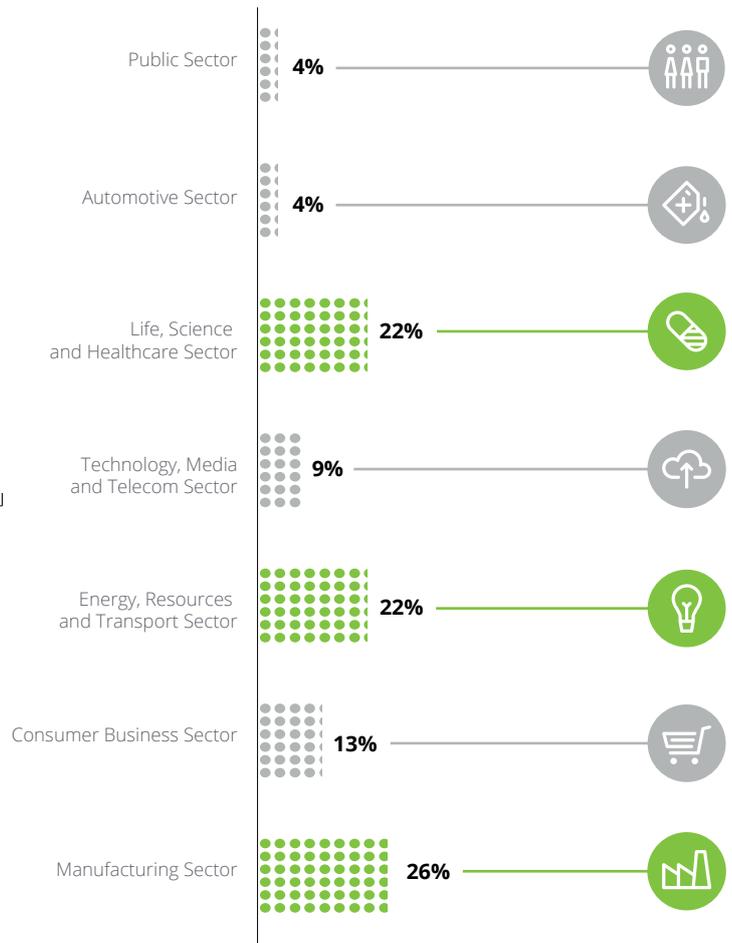
Most of the respondent companies operate internationally. The large majority are active in Europe, Middle East and Africa, followed by respondent organisations that operate across geographies, predominantly, Americas, Asia Pacific and the United States.

Active in several regions



Respondents per industry

Twenty-three companies participated in the survey and 70% are listed.



VI. International Developments

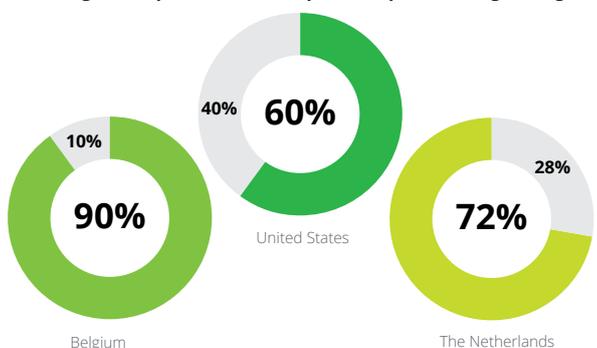
Concerning international trends, we consulted other surveys, published by Deloitte, to assess where companies in Belgium stand in Compliance compared to their peers abroad. The sources were “In Focus Compliance Trends Survey 2016”, a survey conducted jointly by Deloitte US and Compliance Week, as well as, “Compliance in Motion – A closer look at the Corporate Sector” (The Netherlands) 2015 and “New horizons – Compliance 2020 and beyond”, signed by Deloitte UK.

Budget & Team size

Twenty-one percent of the US respondents reported that they do not have a designated CCO (Chief Compliance Officer). In addition, half of the surveyed companies reveal having less than five full-time resources in a Compliance and ethics team. Considering the very limited size of the Compliance teams it comes as no surprise that the budget allocated to the Compliance function is modest. For instance, a robust majority of responses reported having a total annual budget for Compliance functions – comprising people, processes and technology – of less than \$5 million. The current budgetary circumstances for the Compliance function within organisations explains **why 60% of the respondents expect a budget increase in the future**. This trend is similar to the Belgian market

As a result, and similar to the US companies, a majority (90%) of the interviewed Belgian respondents expect a budget increase. This compares with The Netherlands where 72% of the companies interviewed expect a budget increase.

Percentage of respondents that expect Compliance budgets to grow



Compliance Programme and activities

Compliance activities comprise a wide range of activities such as: defining standards, policies and procedures; training and awareness; incidents prevention, detection and investigation and monitoring, among many others. The Compliance Trends 2016 (US) survey highlights three main challenging aspects in the framework of organisations’ Compliance and ethics Programme, namely:

1. Managing third-party risk
2. Developing and promoting employee awareness and training programmes across Compliance risk areas
3. Monitoring regulatory relationships

Nevertheless, the above-mentioned Compliance Programme topics are not always within the Compliance officer’s control. Compliance officers are expected, on a continuous basis, to deliver a solid framework for monitoring and improving the Compliance function within organisations, but are left with a certain level of ambiguity regarding risk and management of risk.

The Corporate Compliance benchmark published in the Netherlands highlighted training, followed by monitoring, risk assessments and updating/rewriting the Code of business conduct as the top Compliance activities.

In “New horizons – Compliance 2020 and beyond”, it is explained that historically Compliance in many organisations featured risk and regulation teams operating in silos, which often resulted in layers of inefficiency and duplication due to lack of coordination. As a result, a new approach targeting the integration of Compliance Programmes may drive to synergies through harmonising processes, risk assessment, training and monitoring; this approach may, in the long-run, promote alignment between the Compliance Programmes and other assurance functions, such as Risk Management and Internal Audit.

Measuring effectiveness of Compliance

Compliance monitoring has become a very important topic since it allows Compliance officers to measure the effectiveness of their Programmes. The most popular way to measure the performance of the Compliance Programmes in the US is by analysing Internal Audit findings (53%) and looking into completion of trainings. 50% of respondents look to training completion rates as a barometer, which is somehow surprising, as this may not truly indicate learning or Compliance with the company's policies and procedures.

Other relevant ways of measuring the Compliance Programmes are, for instance:

- Hotline call analysis (47%)
- Feedback from employee culture and ethical climate surveys (39%)
- Analysing self-assessment results (34%)
- Analysing the results of proactive monitoring procedures (30%)
- Assessment by external parties (22%)

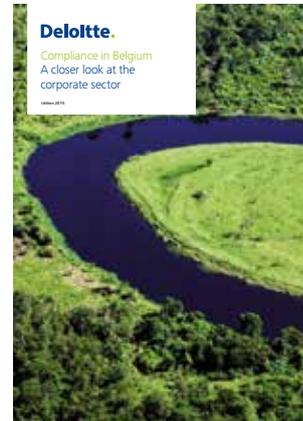
In The Netherlands, 65% of the participating companies use indicators like reports on the number of incidents and analysis of the Internal Audit reports. Likewise, periodic surveys and the completion of trainings are used as valuable indicators.

Furthermore, the Belgian companies participating in this year's survey highlight four main ways to measure the effectiveness of the Compliance Programme, namely:

1. Completion of Compliance trainings
2. Number of incidents
3. Whistle-Blowing hot-line reports
4. Analysis of Internal Audit reports.

Thus, even though there are no international guidelines/standards to measure the effectiveness of Compliance Programmes, these answers indicate that the approach followed by the companies in the international scene is more or less consistent.

Despite having different ways of measuring the performance of Compliance, for many companies it is still difficult to assess the effectiveness of Compliance accurately. Thus, "Compliance 2020 and beyond" suggests actions to tackle this difficulty; for example rebranding of Compliance to include a clear focus on culture, ethics and principles or identifying where Compliance can add further value in translating the rules and supporting the business in understanding the needs.



Conclusion

The results of this survey indicate that the maturity of the Compliance function is growing in certain aspects but the overall challenges of Compliance remain stable in comparison to 2015.

There are significant differences identified with respect to the business activity exposure or the geographical scope of activities; Compliance follows the strategy of the company in aspects such as training, automation and systems integration.

Overall, this report has illustrated that Compliance professionals are facing challenging times ahead considering regulatory uncertainty and even more stringent regulatory requirements in certain areas of Compliance; this is certainly an opportunity for companies to work with a broader scope of regulators and to outline the Compliance future in their companies clearly identifying the priorities.

By using the key areas identified in this survey to take action, companies will be better positioned to offer value to the businesses and to build capabilities to maintain advantage and remain tuned for the challenging upcoming future. The following points are identified as the key points of attention:

Corporate culture, values and ethics

Compliance teams and professionals should become the pivotal point for a corporate strategy focusing on the ethics, values and principles inspiring the business. Inspiring the Compliance culture on a solid Code of business conduct and developing strong and flexible policies will support the organisation and the individuals in focusing on ethics and values when resolving any complicated dilemma as part of their jobs.

Addressing Complexity in the regulatory environment

Companies need to stay ahead of the game and keep well advised in regulatory changes. The General Data Protection Regulation (GDPR) comes into force in May 2018 and introduces fundamental changes to how the personal data of individuals is handled. Conducting a data protection impact assessment and showing that a good data protection strategy is part of the business practices will create an opportunity for balancing the business and Compliance activities.

Technology and Data Analytics

Implementing Data Analytics and using technologies is key to add efficiency and transparency to the processes and needs of companies. The results of the survey show that there is an opportunity for improvement in this area. Investing in technology will enhance not only the capabilities to monitor and to report but those for conducting preventive measures such as Business partners screening, embargo screening and due diligence of partners and individuals.

Awareness, communications and change management

In today's environment where awareness, communication and change management are key, creating a training and communication platform is the next stage in the maturity of Compliance management in the corporate sector. We expect more companies to embrace a training, communication and change management system as part of the Compliance Programme.

Conducting Programme and Risk Assessment

An effective Compliance Programme requires review and updating especially in consideration of new risks. Compliance must keep itself appraised of the Compliance status in the organisation. Evaluating, testing and assessing corporate Compliance best practices to identify areas of attention and to define remediation and supervisory activities must all be considered. Compliance officers should also work with business units so that internal policies and procedures reflect business trends and goals.

Lexicon

- **SOX - Compliance:** The Sarbanes-Oxley Act of 2002 ("SOX") is legislation passed by the US congress to protect shareholders and the public from accounting errors and fraudulent practices in the enterprise. It imposed significant new requirements on companies listed on the U.S. stock exchange and establishes extensive civil and criminal penalties for non-Compliance. The central purpose of the act is to reduce fraud, build public confidence and mitigate identified risks. The Sarbanes-Oxley Act was enacted in response to a series of high profile financial scandals that occurred in the early 2000s at large companies.
- **Business Unit:** Is a segment of a company representing a specific function and a place in the organisational chart under the domain of a business manager. It can also be called a department, division or a functional area.¹²
- **The local unit** is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, depot) or mine situated in a geographically identified place. At or from this place economic activity is carried out for which - save for certain exceptions - one or more persons work (even if only part-time) for the same enterprise.
- **Listed companies:** Company whose shares are traded on an official stock exchange. It must adhere to the listing requirements of that exchange, which may include how many shares are listed and a minimum earnings level.
- **Compliance Incidents:** Compliance events or occurrences in connection with breaching the standards of Compliance in a given organisation.
- **Bribery:** Bribery is the act of giving money, goods or other forms of recompense to a recipient in exchange for an alteration of their behavior (to the benefit/interest of the giver) that the recipient would otherwise not alter.
- **Corruption:** The misuse by government or political officials of their governmental powers and resources for illegitimate, usually secret, private gain.
- **Money laundering:** Process of converting dirty money (money earned in illegal/immoral activities) into clean money. In simpler terms, it is a procedure of transforming black money into white money in which the source of earning illegal income is hidden.
- **Insider trading:** is the trading of a public company's stock or other securities (such as bonds or stock options) by individuals with access to non-public information about the company. In various countries, any trading based on insider information is illegal.
- **Anti-trust- Competition law:** Is a branch of the law that promotes or seeks to maintain market competition by regulating anti-competitive conduct by companies. Competition law is implemented through public and private enforcement.
- **Whistle-Blowing:** The disclosure by a person, usually an employee in a government agency or private enterprise, to the public or to those in authority, of mismanagement, corruption, illegality, or some other wrongdoing.
- **Harassment:** It is commonly understood as behavior that disturbs or upsets, and it is characteristically repetitive. In the legal sense, it is behavior that appears to be disturbing or threatening.
- **Business Integrity:** Business integrity policies include internal company programmes, functions, people processes and controls that seek to prevent, detect and/or address serious corporate misconduct.
- **Holding group:** A holding company is a company that owns other companies outstanding stock. Typically a holding company does not produce goods or services its purpose is to own shares of other companies to form a corporate group.
- **Risk Based approach:** A Risk-Based approach to Compliance involves identifying the areas of high risk within the company, building and prioritising the Compliance monitoring Programme around these risks.

¹² Source Publication:

Council Regulation (EEC), No. 696/93, Section III F of 15.03.1993 on the statistical units for the observation and analysis of the production system in the European Community

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