



# **Compliance Trends in Russia and the CIS**

Insights from the 2019 Compliance Survey

2020 г.

# Foreword

Any company operating in the CIS market today, or indeed in any jurisdiction, faces a range of business risks that can only be managed directly as part of the compliance process. Stricter domestic and international regulatory oversight as well as reputational risk and the higher price of compliance failures are just a small portion of what's on management's agenda.

The role of the corporate compliance function is expanding year by year. Compliance officers are increasingly taking on multiple roles, such as compliance culture champions, "centers of excellence" for meeting regulatory and policy requirements, business ethics coaches, risk managers, talent scouts, and, finally, the go-to person responsible for efficiently running the compliance function and implementing technology to optimize its work.

Requirements for compliance officers as well as the operational scope and maturity of a company's compliance function can vary significantly depending on the company's core industry.

Deloitte Forensic has surveyed compliance executives at over 50 companies across various industries and countries to gain greater insight into relevant market trends and help management ensure they're on the right track when assessing how well their compliance functions are meeting their organizational goals.

"If you think  
compliance is expensive,  
try non-compliance"  
**Paul McNulty**  
US Deputy Attorney General, 2006–2007

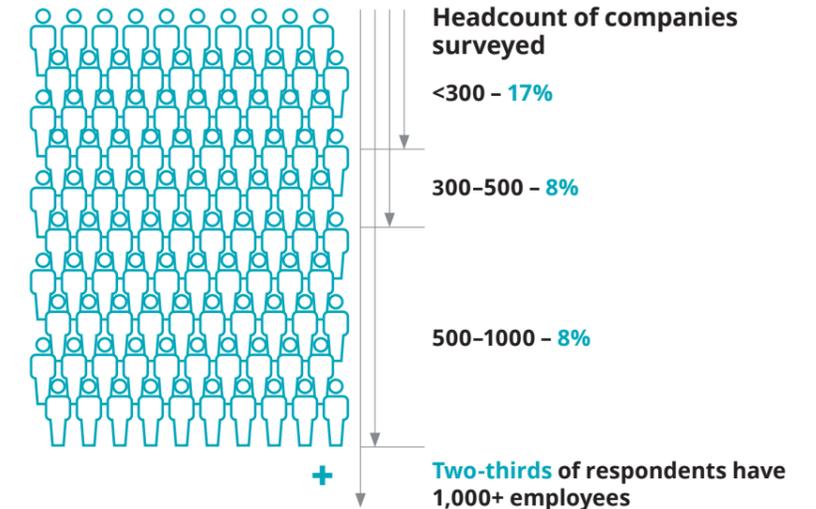
## Survey overview

53 companies | 18 industries | 15 countries

**The 2019 Compliance Survey covers 53 companies** in various industries, with offices in Russia, the CIS and other countries. Thirty-five of the 53 companies surveyed employ over 1,000 people each.

This represents a more-than-twofold increase in scope as compared to our 2017 Compliance Survey, which encompassed 22 Russian companies, including 20 with over 1,000 employees each.

The highest number of responses received as part of this survey was 53, whereas the lowest was 48.



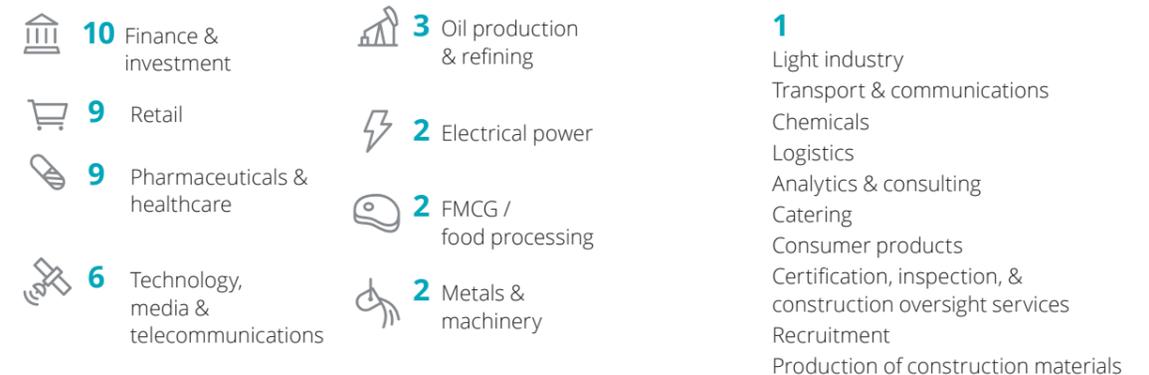
### Survey geography

We surveyed compliance executives at companies active in these countries:\*



\* Although some respondents indicated that their companies have offices in CIS and EU countries, they provided no specific details.

### Industry sectors



# 2017 VS 2019

## What's changed ...



**AVERAGE ANNUAL BUDGET OF THE COMPLIANCE FUNCTION (EXCLUDING SALARIES)**

~\$170k

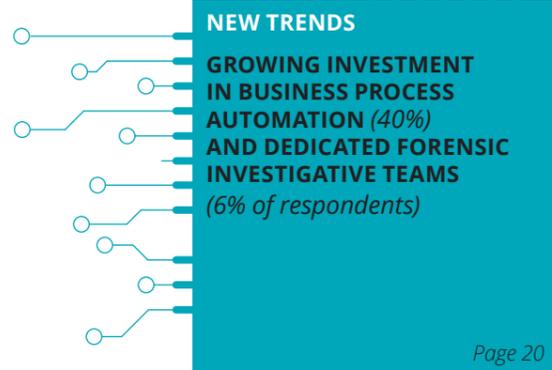


**SECURITY**

While **THE CORPORATE INFORMATION SECURITY POLICY** was the key compliance document in 2017...

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**THE CORPORATE CODE OF ETHICS** leads the way today



## ... and what's stayed the same

**COMPLYING WITH ANTI-CORRUPTION RULES and ETHICAL STANDARDS ARE** the key focus areas for compliance

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The most popular method for encouraging whistleblowing on violations is maintaining an

**OPEN DOOR POLICY**

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the **TOP 3 COMPLIANCE RISKS**

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- Unscrupulous business partners
- Conflicts of interest
- Susceptibility to corruption

**EMPLOYEE TRAINING PROGRAMS**

continue to be the most effective means of preventing fraud and unethical conduct

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**THE BIGGEST CHALLENGE IS** the need to inform and educate employees across the company or corporate group about the underlying rationale for compliance and the specific goals of the compliance program

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ADVISING MANAGEMENT ON COMPLIANCE ISSUES and TRAINING EMPLOYEES

Core responsibilities of compliance professionals

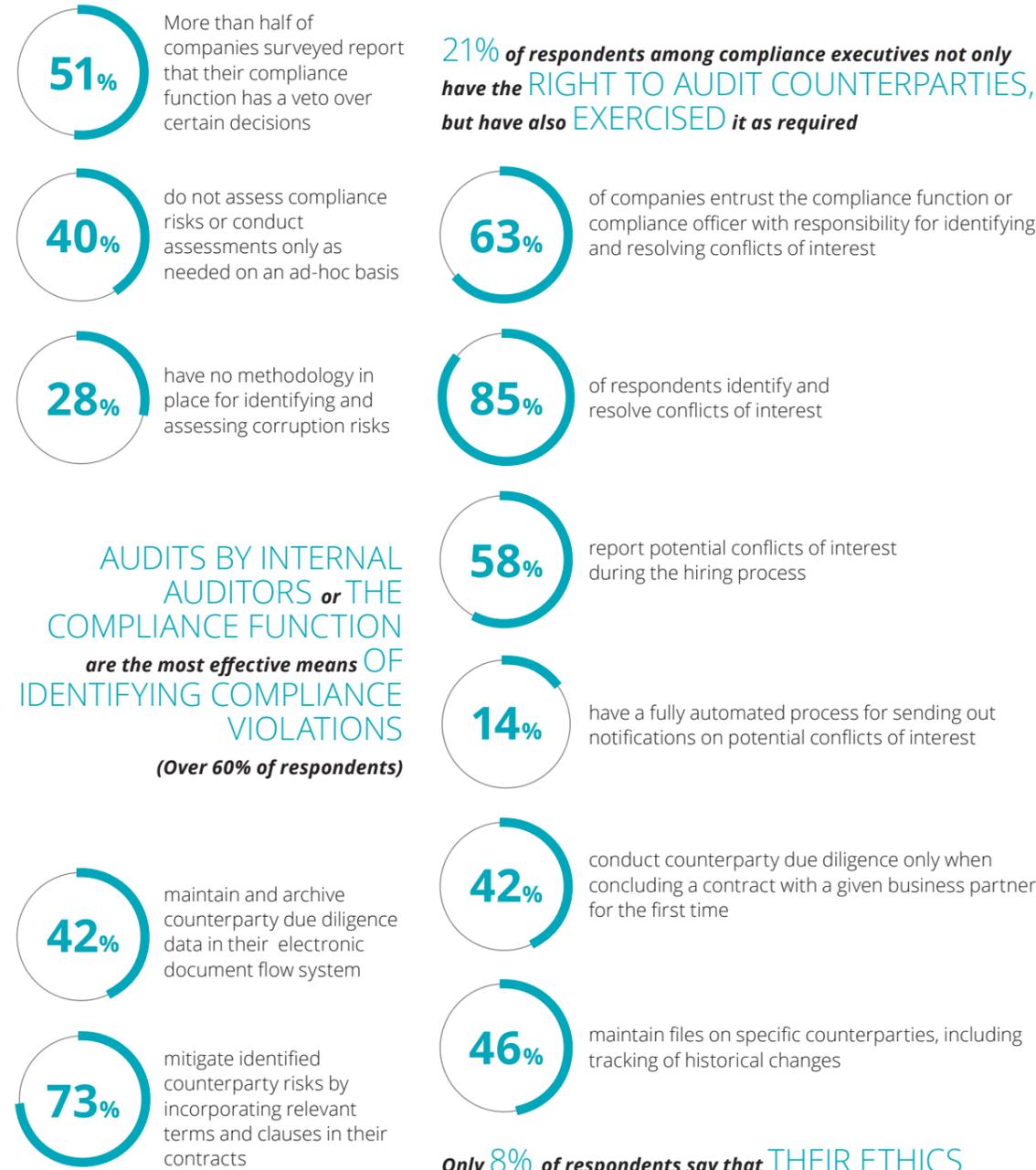
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First and foremost, the companies surveyed continue INVESTING IN EMPLOYEE TRAINING AND COUNTER-PARTY DUE DILIGENCE, as well as DEVELOPING RISK MANAGEMENT POLICIES and PROCEDURES

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## Other trends

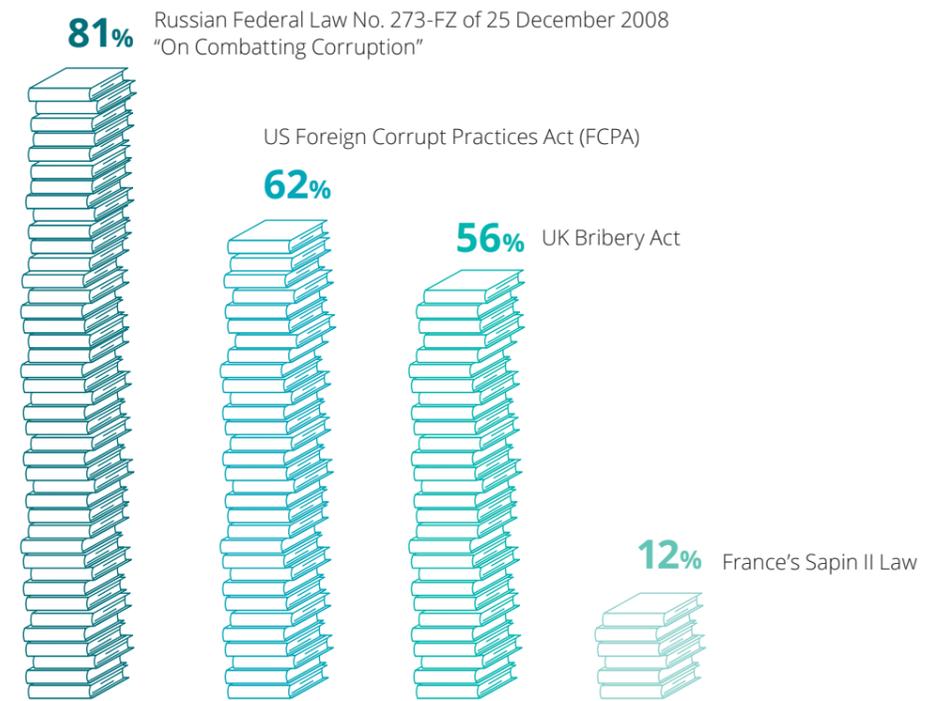


## Applicable legislation

Similar to the 2017 survey, respondents in 2019 reported that they continue to be guided mainly by Russian legislation, the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.

Please note that France's "Law on Transparency, Fighting Corruption and Economic Modernization" (the "Sapin II Law") had not yet taken full effect at the time we conducted our 2017 survey.

### In decision-making, compliance professionals are guided by:



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

#### Other responses included:

The United Nations Convention Against Corruption (UNCAC) (2003); The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("OECD Anti-Bribery Convention") (17 December 1997); The Council of Europe's Civil and Criminal Law Conventions on Corruption (1999) and the Additional Protocol to European Treaty Series (ETS) 173, Resolution (97) 24 on the Twenty Guiding Principles for the Fight against Corruption National anti-corruption legislation in Ukraine, Belarus, Kazakhstan, Azerbaijan and Germany

## Is compliance a luxury or a necessity?

While compliance is relatively new in Russia and the CIS, more and more companies are recognizing its critical importance to their business by setting up their own standalone compliance functions.

Nevertheless, such key data points as compliance team size and budget have not seen any marked increase since our last survey, remaining generally unchanged over the past two years. We attribute this to the fact that compliance is still emerging as a distinct business function and funding a compliance team often requires putting forward a sophisticated, well-grounded business case for often scarce resources.

Our project experience shows that even if a company's management has already started thinking about allocating budget funds and resources to a compliance function, more often than not this occurs only as necessary on an ad-hoc basis in reaction to a given situation, rather than with proactive foresight.

### Key observations

Only **16** companies (about **30% of respondents**) reported that they **did not have a standalone compliance function**, with compliance responsibilities assigned to other functions (with the Legal Department being the leading choice) or to an individual compliance officer.

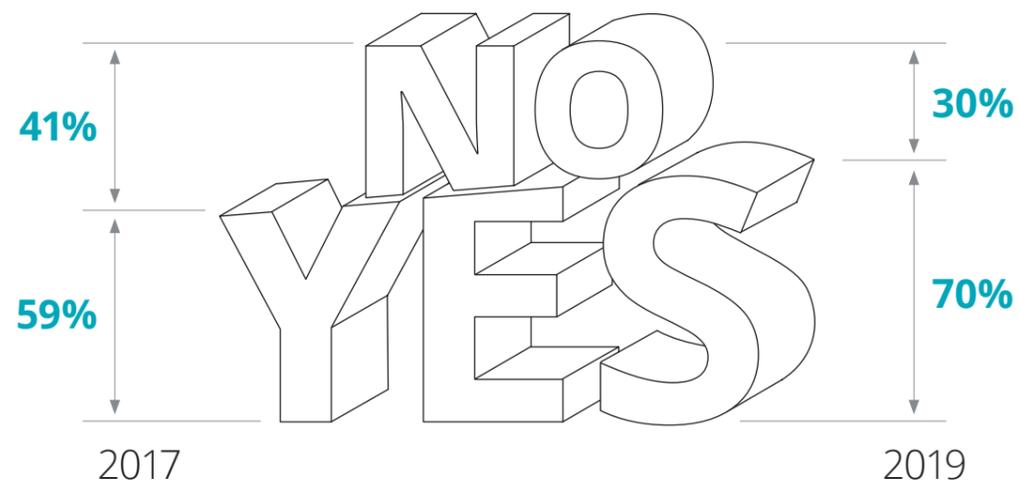
In 2017, the percentage of companies with this response had been **41%**. So, the 2019 survey data demonstrates a positive trend, including a growing number of companies with a standalone compliance function.

Interestingly, **4** companies (about **8%**) indicated that their compliance processes are the shared responsibility of at least three different corporate functions while one respondent replied that the HR Department was in charge of compliance. In the 2017 survey, fully **27%** had indicated that compliance was a shared responsibility among several departments.

In 2019, the **average number of employees** responsible for compliance is the same as in 2017 — about **6 people**.

The **average annual compliance budget** (excluding salaries) has nearly reached **\$170,000**, with **17 companies (35%)** indicating a compliance budget ranging from **\$100,000 to \$1,000,000**, and **2 companies (4%)**, both in the financial sector, reporting a compliance budget of over **\$1,000,000**. In 2017, the average compliance budget was about **\$120,000**.

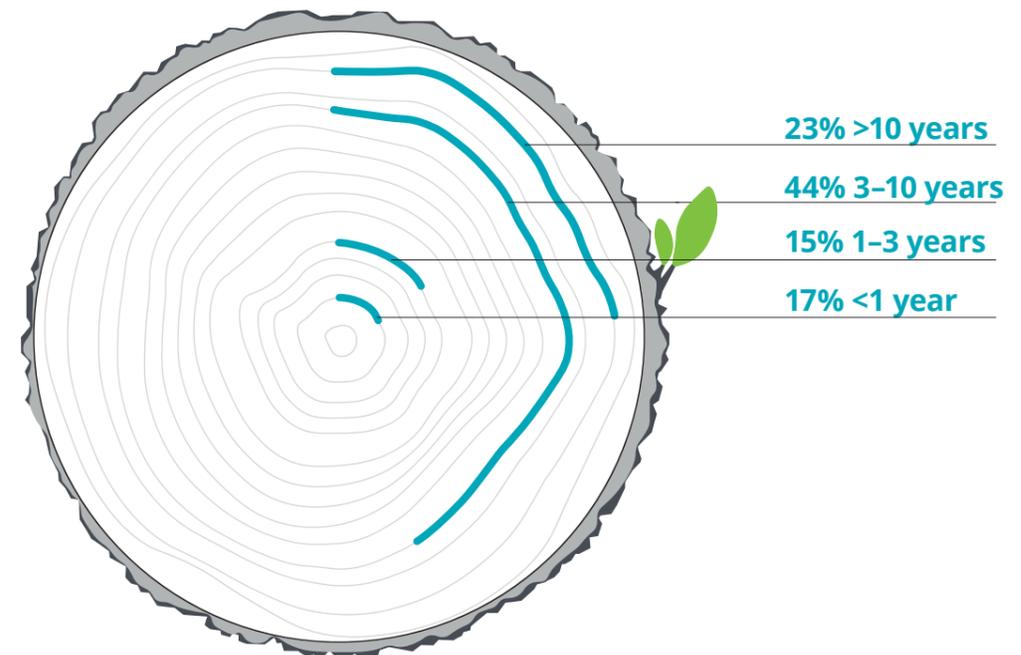
### Do you have a standalone compliance function?



## How long has your company had a compliance function / compliance officer?

Traditionally, **respondents with a more mature compliance function** (in existence for at least three years) have come from the **retail (7 companies), finance and investment (7 companies)** and **pharmaceutical and healthcare (6 companies)** sectors.

**At the same time, respondents with a less mature compliance function are often from the technology, media and telecommunications sector**, with **4** out of **6** respondents in this sector indicating that their compliance function has been in existence for less than three years.



In our view, these results show that compliance is gaining traction and popularity in Russia and the CIS as the existence of corporate compliance functions increasingly becomes a general trend among diverse companies across various industry sectors.

Moreover, as compliance legislation and standards continue to improve and evolve in Russia and the CIS, it is likely that such changes will be oriented toward these industry sectors.

# Reporting and organizational relationships

Setting the right reporting relationships remains one of the cornerstones for ensuring an effective compliance function.

Global best practices dictate that a company's compliance function remain independent from management decisions. Thus, ideally, it should report either to the company's Board of Directors, the group's regional Compliance Department, or the corporate head office.

The table at right shows the top five responses regarding the compliance function's reporting relationship in both 2019 and 2017.

Given that corporate legal staff are often tasked with handling compliance-related issues, it is no coincidence that the top five responses include the head of the Legal Department. However, such a reporting relationship should be structured so as to ensure that the two separate functions with clear-cut mandates for protecting the company's interests (Legal) and monitoring and controlling its activities (Compliance) do not come into conflict.

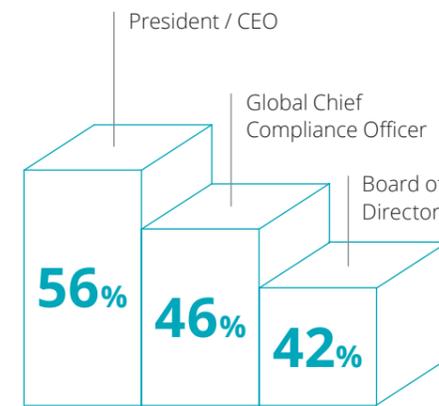
## The compliance function reports to:

	2017	2019	
Global Chief Compliance Officer	1	1	34%
President / CEO	3	2	32% ▲
Head of the Legal Department	2	3	14% ▼
Board of Directors	-	4	14%
Chairman of the Management Board	-	5	5%

### Other responses:

- Shareholders in conjunction with the Board of Directors
- Chief Financial Officer (CFO)
- Internal Control / Corporate Security function

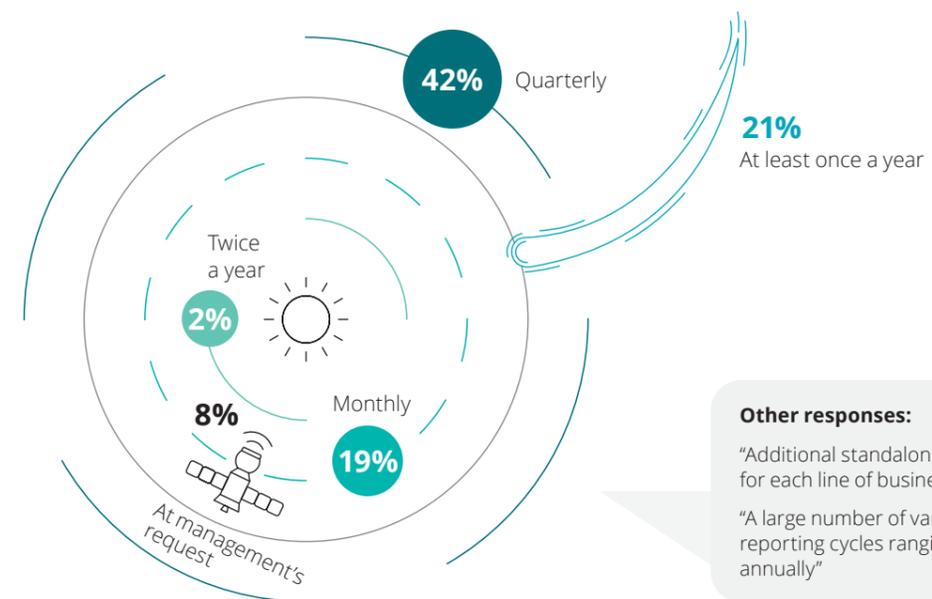
## Recipients of compliance reporting



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

These responses reflect the current trend. As the typical compliance function has its finger on the pulse of virtually all aspects of a company's business operations, management can profitably use such compliance reports to gain a deeper understanding of critical business challenges, and thus take a more informed view in shaping the company's strategic vision and growth trajectory as well as in planning budgets and developing talent.

While 4 respondents state that they **do not prepare** compliance function performance reports, other respondents **do so at the following intervals:**



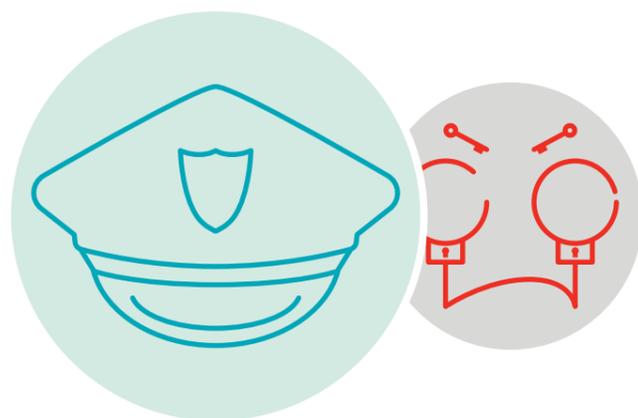
### Other responses:

- "Additional standalone compliance audits for each line of business"
- "A large number of various reports with reporting cycles ranging from monthly to annually"

## Compliance: internal positioning

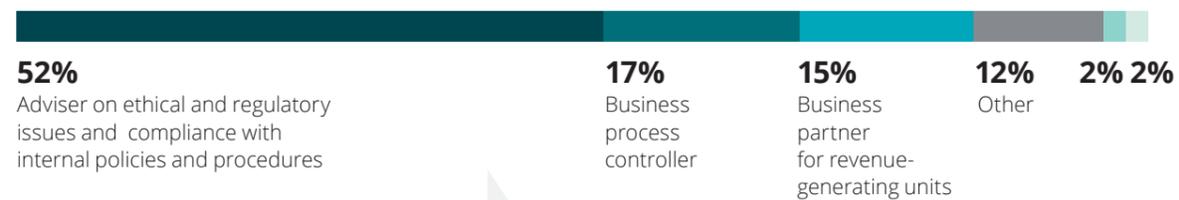
*Fewer and fewer employees perceive the compliance function as merely playing the role of a “prosecutor” or “investigator.”*

In carrying out forensic projects for our clients, we have observed that compliance functions at an increasing number of companies are positioning themselves more and more as an adviser on ethical and regulatory issues, rather than purely as an auditor or inspector. It’s also important to note that the right positioning can foster a more open organizational culture, thus enabling a truly proactive, rather than reactive, approach to managing compliance risks.



### How does your company’s compliance function position itself within the organization?

It’s noteworthy that the number of companies positioning their compliance function mainly as a “prosecutor” or “investigator” has dropped to just 2 companies (4%), down from 9 companies in 2017.



**Other responses:**

“Compliance processes are not the sole responsibility of a single compliance person. So, all of the above apply.”

“Both a consultant and a controller”

“A protector of the business and its employees and defender of the company’s reputation; a subject matter expert on ethical and regulatory issues, as well as compliance with internal policies and procedures”

“An adviser on ethical and regulatory issues as well as compliance with internal policies and procedures, which has responsibility for managing compliance risks and providing specific compliance services, such as counterparty vetting”

## What is compliance’s role in the decision-making process?

*The authority and purview of the compliance function continues to gradually expand.*

In contrast to the 2017 survey, the response that **“the compliance function has a veto over certain decisions”** has become more popular among companies surveyed. This illustrates the growing importance of the role played by compliance officers, **who increasingly have the final say on certain business issues.**

**4%** The compliance function plays virtually no role in the corporate decision-making process.

**45%** The compliance function has an opportunity to make recommendations.

**51%** The compliance function has a veto over certain types of business decisions.

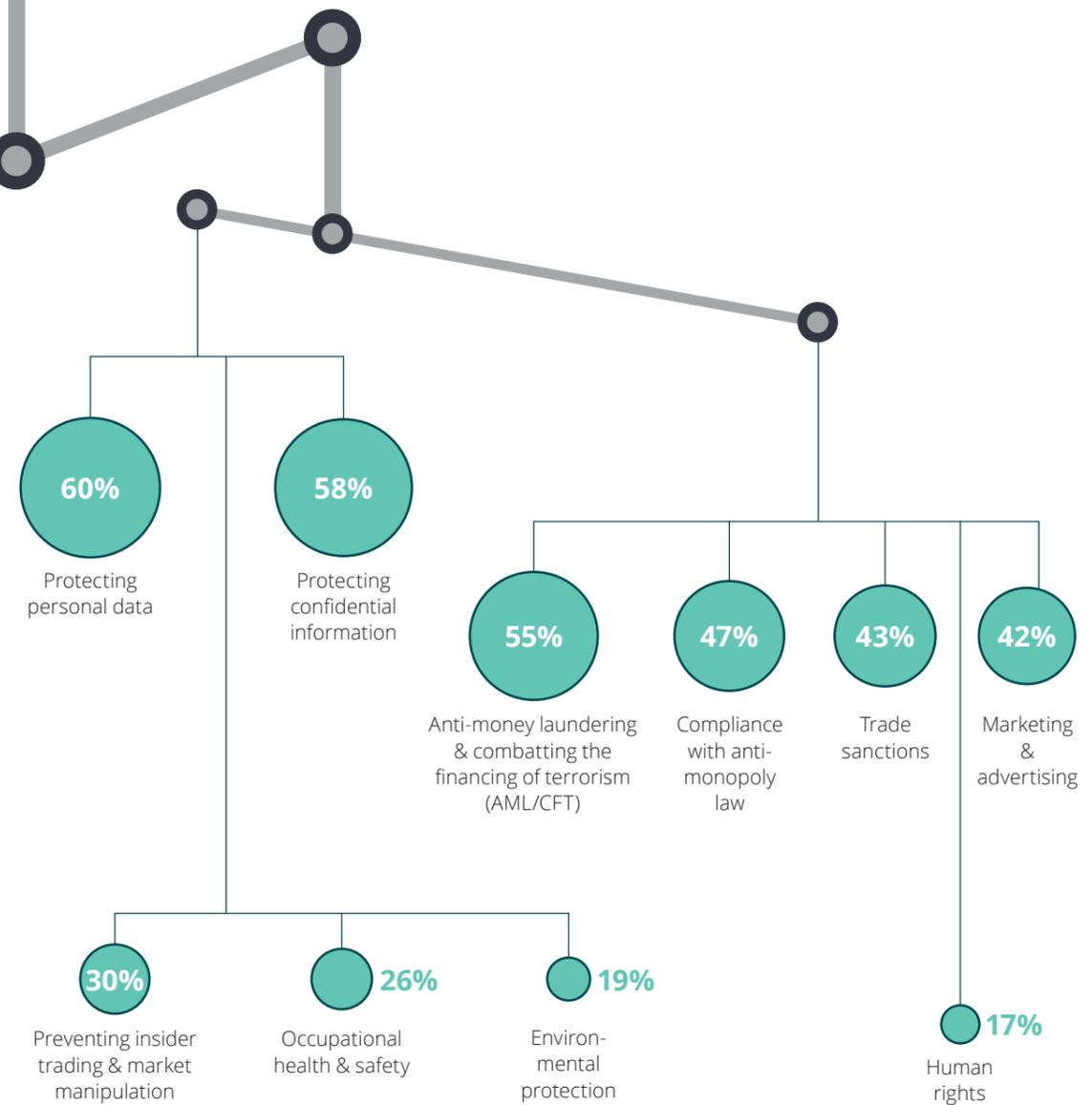
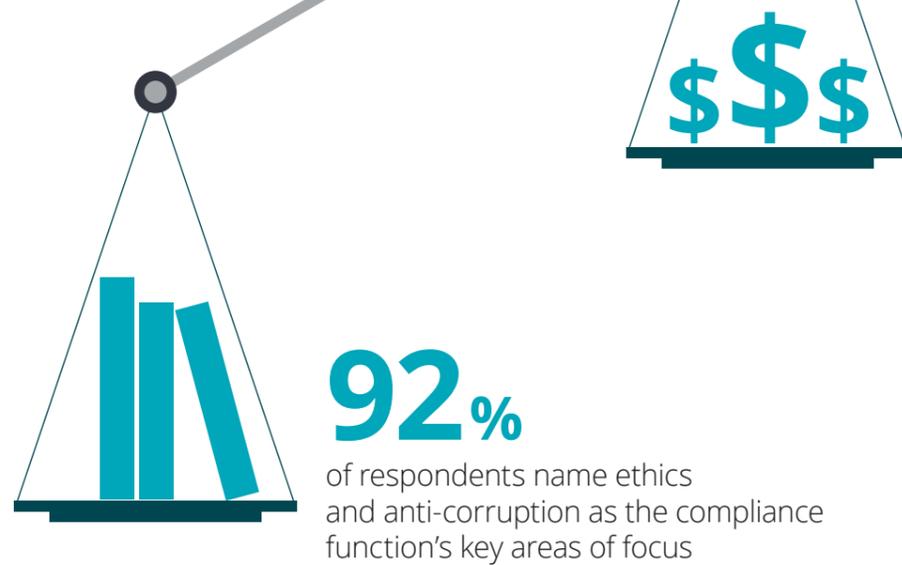


# Compliance focus areas

An absolute majority of respondents say that ensuring adherence to ethical standards of conduct and carrying out anti-corruption measures are the key areas of focus in the work of the compliance function.

Some respondents also named protecting personal data and confidential information. This suggests that, no matter the industry, businesses across the board are paying heightened attention to preventing data leaks, maintaining data security, and protecting the personal data of employees and counterparties.

However, protecting personal data and confidential information does not always fall within the purview of the compliance function.



**Other responses:**

- "Compliance pertaining to charitable/ sponsorship activities, gifts and entertainment, and settling conflicts of interest"
- Compliance regarding investigations, conflicts of interest, gifts and hospitality, etc."
- "Conflicts of interest"

Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

## Core responsibilities of compliance staff

The core responsibilities of compliance professionals remain the same as in 2017. They are advising management on compliance issues and training employees, as well as developing and implementing policies and procedures.



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

In the 2019 survey, some respondents also noted “compliance with trade sanctions,” “personal data handling” and “compliance culture.”

One respondent in the finance and investment sector specifically mentioned “FATCA and CRS compliance.”

Such responses are no coincidence, but rather are a clear reflection of the nature of the industry in which these companies operate as well as recent legislative and economic developments.

**Interestingly, the Russian government is now discussing amendments to Federal Law No. 115-FZ.<sup>4</sup> Once enacted, these amendments would mandate that executives in all organizations take steps to prevent the execution of business deals and financial transactions involving illegally obtained funds or other assets. These changes will inevitably lead to a further expansion of the authority and purview of corporate compliance functions.**

### Other responses:

“Participating in the Ethics Committee”

“Sanctions compliance, GDPR,<sup>1</sup> reporting, measures against fraudulent practices, etc.”

“FATCA/CRS,<sup>3</sup> controller for a professional securities market participant, sanctions compliance, compliance with Federal Law No. 152-FZ, inculcating a culture of compliance, including adherence to the Code of Ethics, ongoing training, working with self-regulatory organizations and regulators, etc.”

“Sustainable development (thought leadership, including driving environmental protection initiatives, affordable and accessible healthcare, business ethics) and personal data protection”

“Business continuity”

<sup>1</sup> *GDPR*: the EU General Data Protection Regulation

<sup>2</sup> *FATCA*: the US Foreign Account Tax Compliance Act, in effect since 1 July 2014

<sup>3</sup> *CRS*: the Organisation for Economic Co-operation and Development (OECD) Common Reporting Standard for the automatic exchange of financial account information between governments worldwide. The CRS has been in effect in Russia since 2016.

<sup>4</sup> *Russian Federal Law No. 115-FZ* of 7 August 2001 “On Combatting Money Laundering and the Financing of Terrorism”

## Key roadblocks to achieving compliance goals

As previously, compliance functions continue to be actively engaged in “brand building” efforts via both top-down and bottom-up activities.

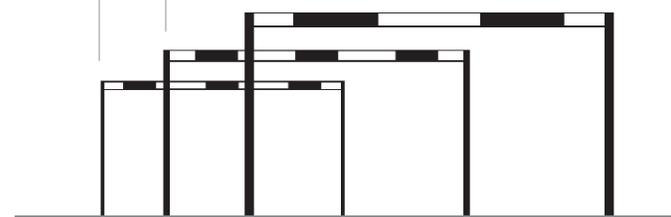
- Top-down efforts are aimed at informing employees about the underlying purpose and goals of compliance.
- Bottom-up efforts involve demonstrating the effectiveness of compliance measures to management in terms of risk mitigation and loss minimization.

### The top challenges facing compliance teams remain unchanged since our last survey:

- 1 Clarifying the underlying rationale, purpose and goals of compliance to rank-and-file employees across the organization or corporate group
- 2 Demonstrating the effectiveness of the existing compliance program
- 3 Finding resources to enhance the productivity of compliance professionals

Another barrier is the shortage of qualified personnel. Based on the survey results, **the average corporate compliance team has a staff of 6 people.** However, this may be insufficient for companies with **1,000+ employees.**

Practice shows that some compliance functionalities can be automated. Yet, there remains a range of key tasks that only a compliance officer can handle. Through workshops, training sessions and personal interactions, compliance professionals help their fellow employees develop awareness of why the compliance function is essential, what it does, and how it helps the business grow.



**The risk of fraud may be scratching at your door, too ...**

The financial and business interests of any company are susceptible to an entire range of potential fraud risks, whether they involve employees, management, or counterparties.

**The Deloitte Forensic team and its highly experienced professionals** help our clients to prevent fraud risks, effectively and proactively.

**... but we know how to keep it at bay**

### Our services include:

1. Compliance and risk management for financial fraud and corruption risks:
  - Analyzing the compliance environment and the effectiveness of the compliance function
  - Developing policies and procedures
  - Identifying the risks of fraud, corruption, and unethical conduct, and making recommendations on mitigating them
  - Conducting counterparty due diligence and identifying conflicts of interest
  - Providing support for a corporate ethics hotline
  - Conducting in-class and online training
  - Drafting compliance communications for company leaders (“Setting the tone at the top”) and employees
  - Testing employees
  - Performing compliance audits
  - Providing anti-money laundering and combatting the financing of terrorism (AML/CFT) services
2. Investigations of financial fraud and identification of instances of corruption
3. Investigations of fraud in construction projects and construction project management
4. Dispute resolution and litigation support
5. Business intelligence
6. E-Discovery
7. Big Data analytics for identifying anomalies across business processes

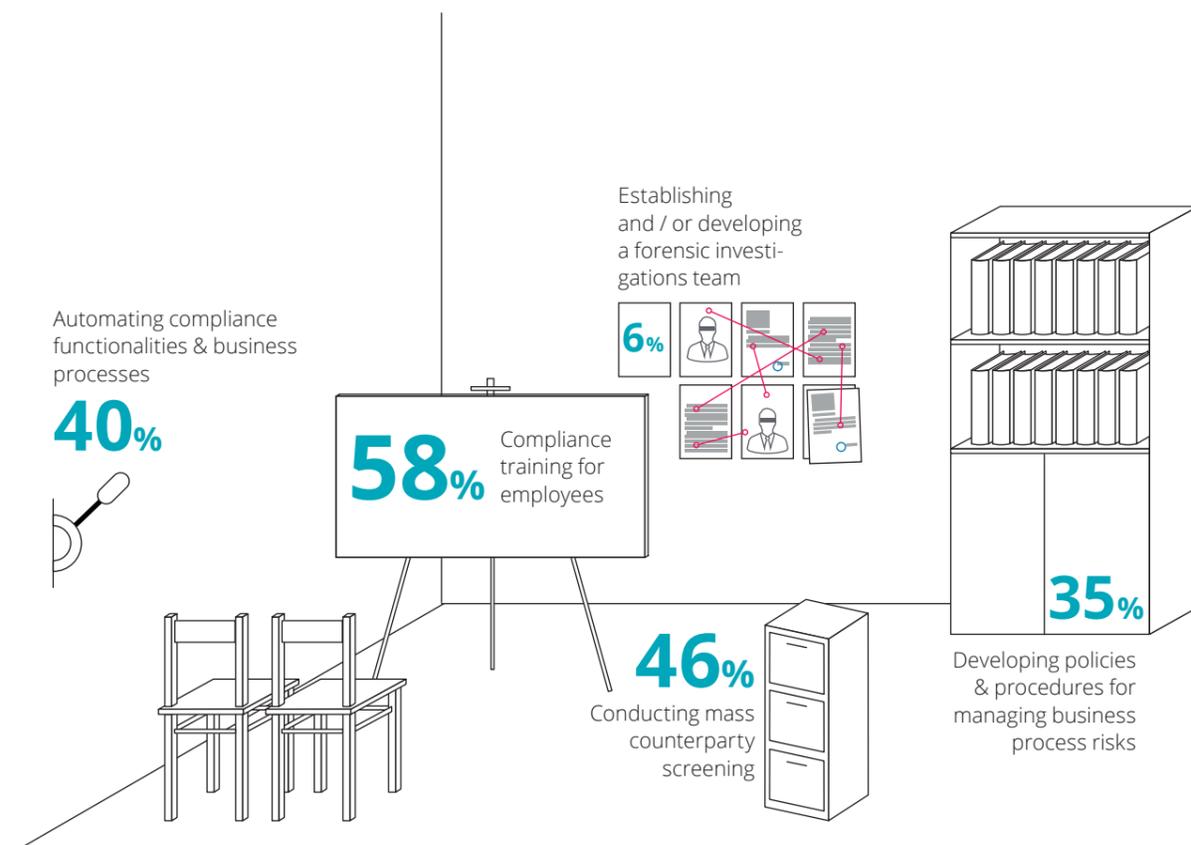
## Key areas for investment

As in 2017, companies continue to prioritize investing in employee training, counterparty due diligence, and the development of risk management policies and procedures.

Our project experience shows that these key investment areas require relentless focus from the compliance function. This is mostly due to changes in legislation, business growth and diversification, new employees and other factors, both internal and external.

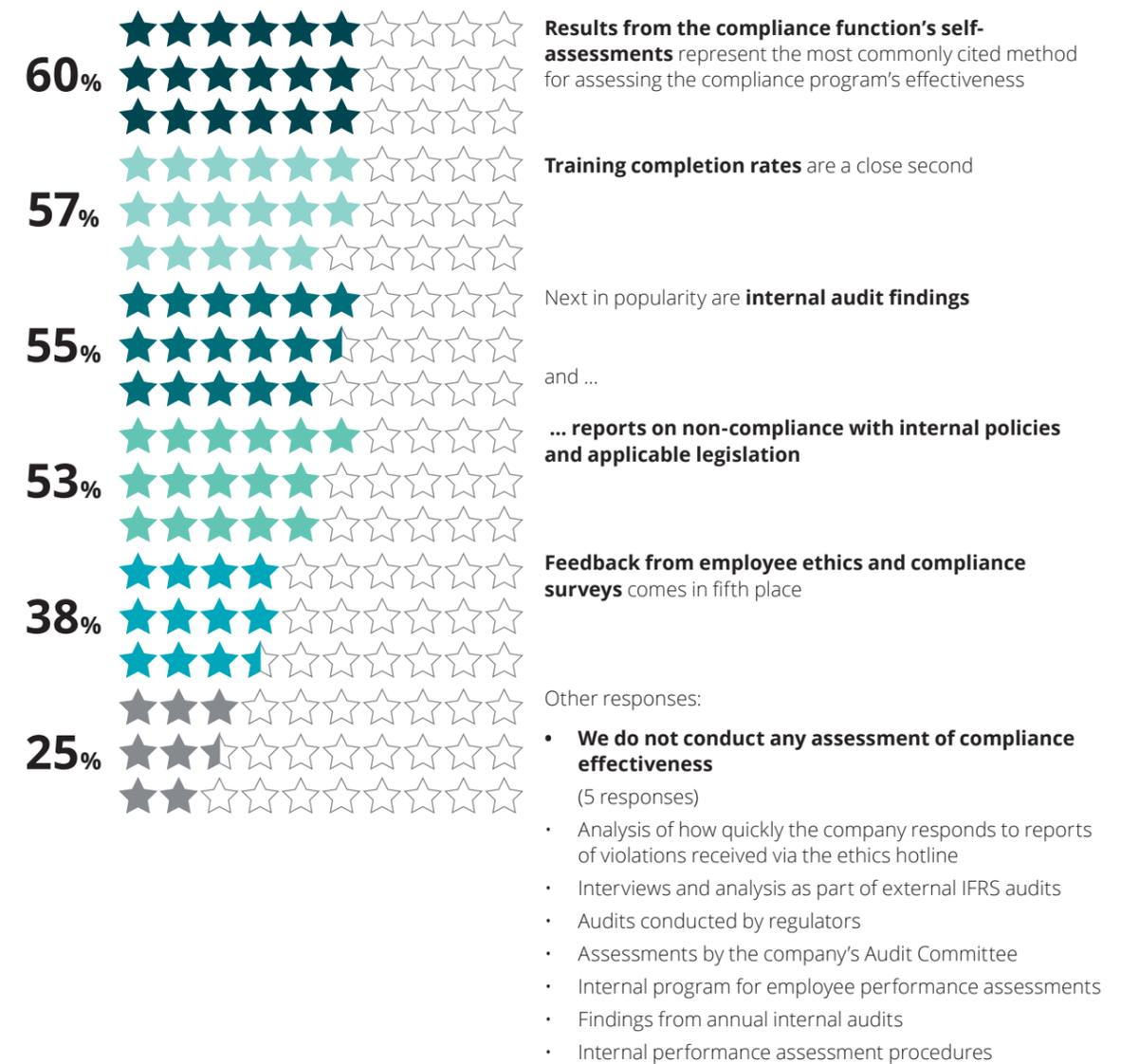
**However, we are also seeing new investment developments in compliance such as business process automation and designated financial investigation teams.**

Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)



## Criteria for assessing the effectiveness of your compliance program

The key criteria for assessing a compliance program's performance remain unchanged since 2017.



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

# Top compliance risks

In 2019, the top three risks remained the same:

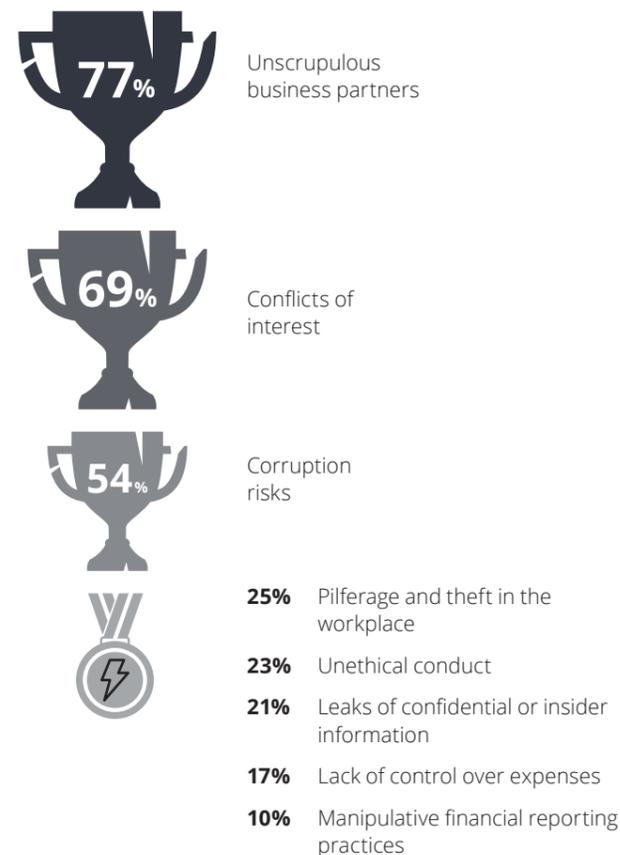
- Unscrupulous business partners
- Conflicts of interest
- Corruption risks

These risks may result not only in significant financial losses but also in major damage to the company's reputation.

In 2013, the Russian Federation Ministry of Labor and Social Protection issued a set of Methodological Guidelines for Developing and Implementing Measures for Preventing and Combatting Corruption, which state that:

*"By taking measures to prevent corruption when selecting counterparties and building business relationships with them, an organization can reduce the possibility of being fined by regulators for improper conduct by its intermediaries and partners."*

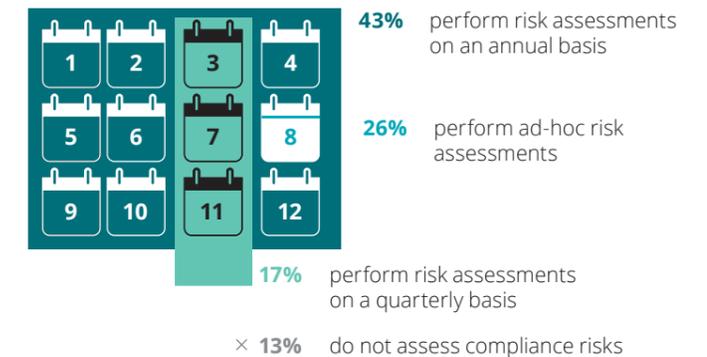
*"As well, by refusing to be a party to corrupt transactions and taking measures to prevent corruption, the organization can also encourage its employees to behave ethically both with respect to each other and the organization as a whole."*



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

## Monitoring & assessing compliance risks

Under both Russian and international regulations, regular monitoring and periodic assessment of risks are critical components of any anti-bribery and anti-corruption (ABAC) program.



Identifying risk-prone areas within the organization is the first step toward building relevant controls to address process bottlenecks.

However, 40% of companies surveyed do not perform any risk assessments, or do so only as needed on an ad-hoc basis, whereas 17% say that having a matrix or map of compliance risks does not apply to their specific situation.

### Methodology for identifying & assessing compliance risks

26% have such a methodology but it has not been incorporated into their corporate policies



45% have an approved methodology in place

"Do not have such a methodology" (28%)

### Compliance risk matrix / map

"This does not apply to our situation." (17%)



"We have an overall risk matrix / map that also includes compliance risks." (51%)

"We have a standalone matrix / map for compliance risks." (32%)

### Compliance risk monitoring

10% have a process for identifying high-risk transactions, with the compliance function receiving related notifications



44% report that the compliance function / officer can request information from designated employees as part of the monitoring process, but do not enjoy permanent access to accounting records and systems

40% say that their compliance function / officer can access and export data from relevant accounting systems

### Other responses:

"We do not have an established monitoring process. However, we have started developing preventive controls to identify transactions with high risk exposure."

"All of the above" (2 responses)

## Methods for preventing compliance risks

*Employee training programs remain the most effective method for preventing fraud and unethical conduct.*

Employee training is indeed a critical component of any ABAC program.

A well-structured training program with examples, tests and case studies of ethical dilemmas will not only help catch employees' attention but also serve as a preventive measure against unethical and corrupt practices.

## Methods for identifying compliance risks

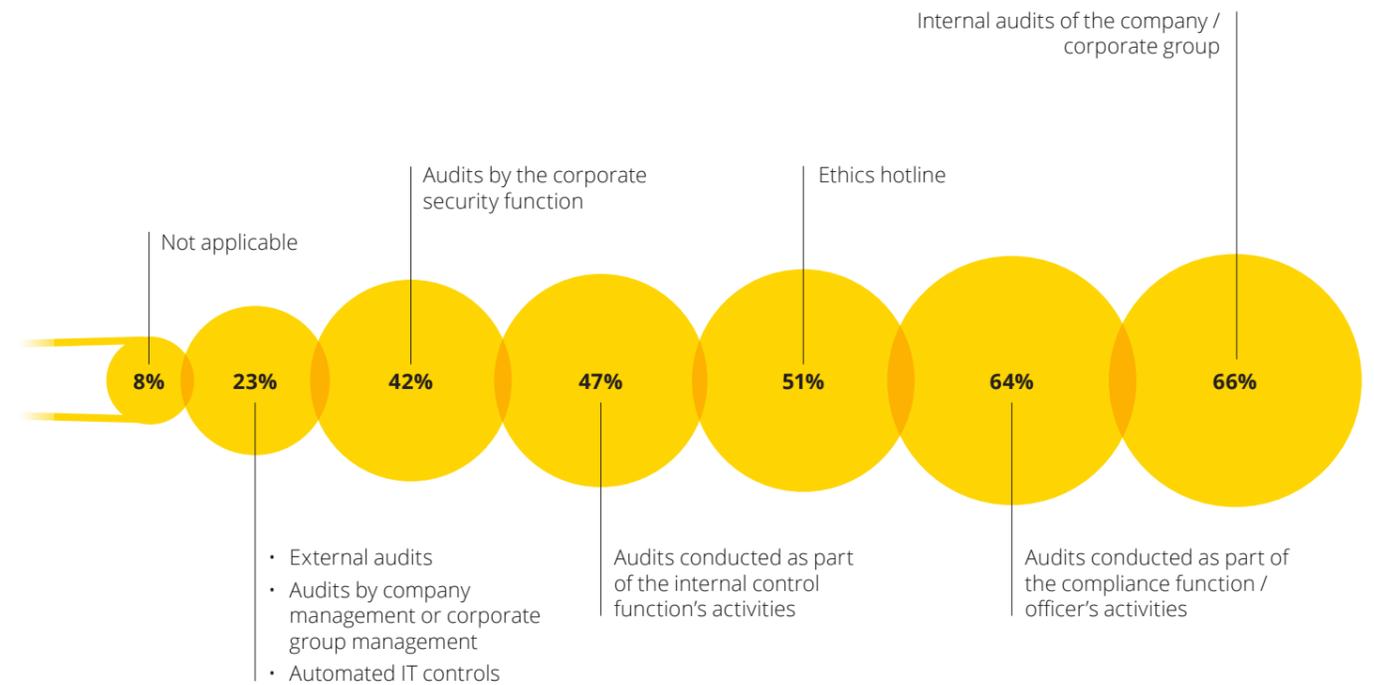
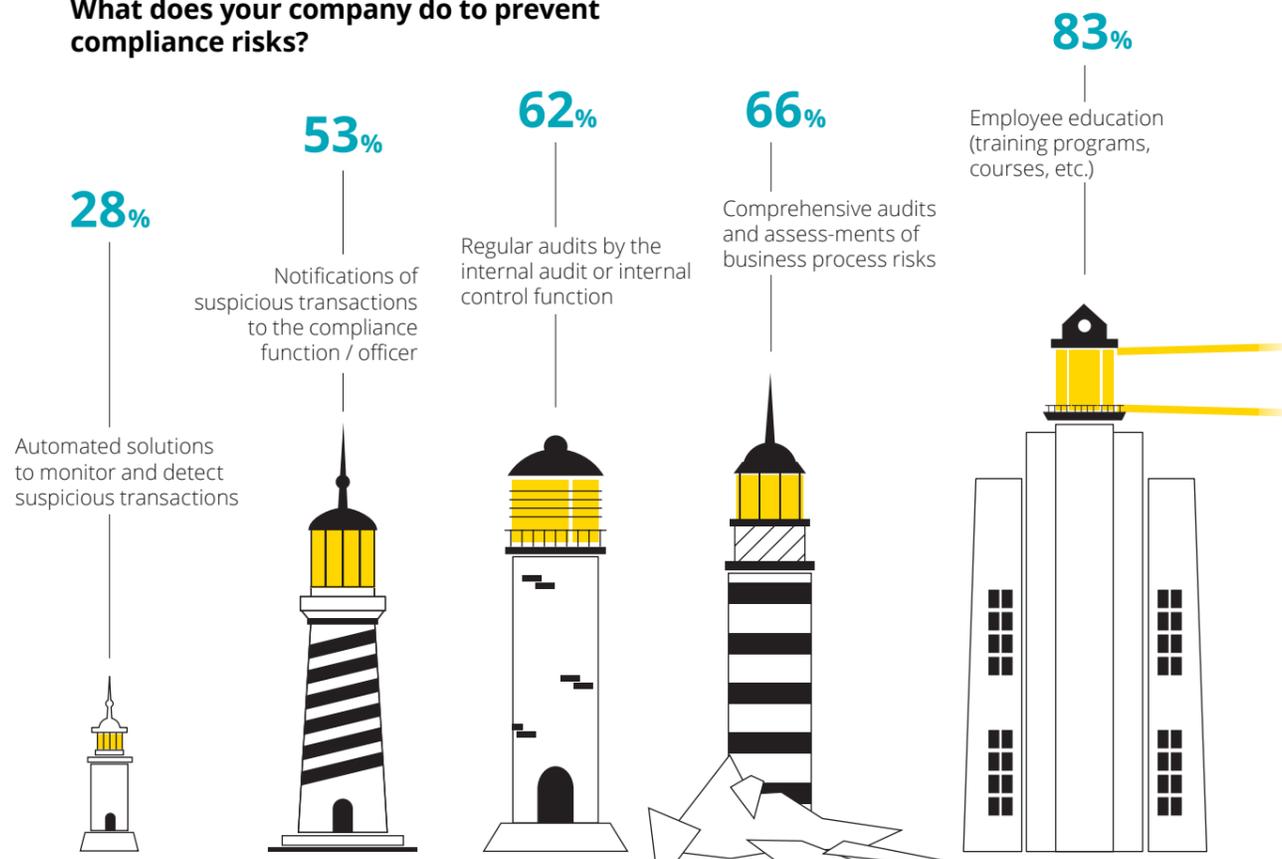
*Audits by the company's internal audit or internal control function are the most efficient method for identifying compliance issues.*

It's noteworthy that survey respondents rated audits by the internal audit function as significantly more effective than external audits. We attribute this to the fact that internal audit generally has more in-depth insight into business processes and their inherent risks.

Twenty-seven respondents also named calls to the ethics hotline as an effective method for identifying instances of non-compliance and ethical violations. It should be noted that this approach is most effective when applied within a corporate culture that promotes transparency and zero tolerance for fraud and unethical conduct.

Interestingly, 4 respondents replied "Not applicable" to this question.

### What does your company do to prevent compliance risks?



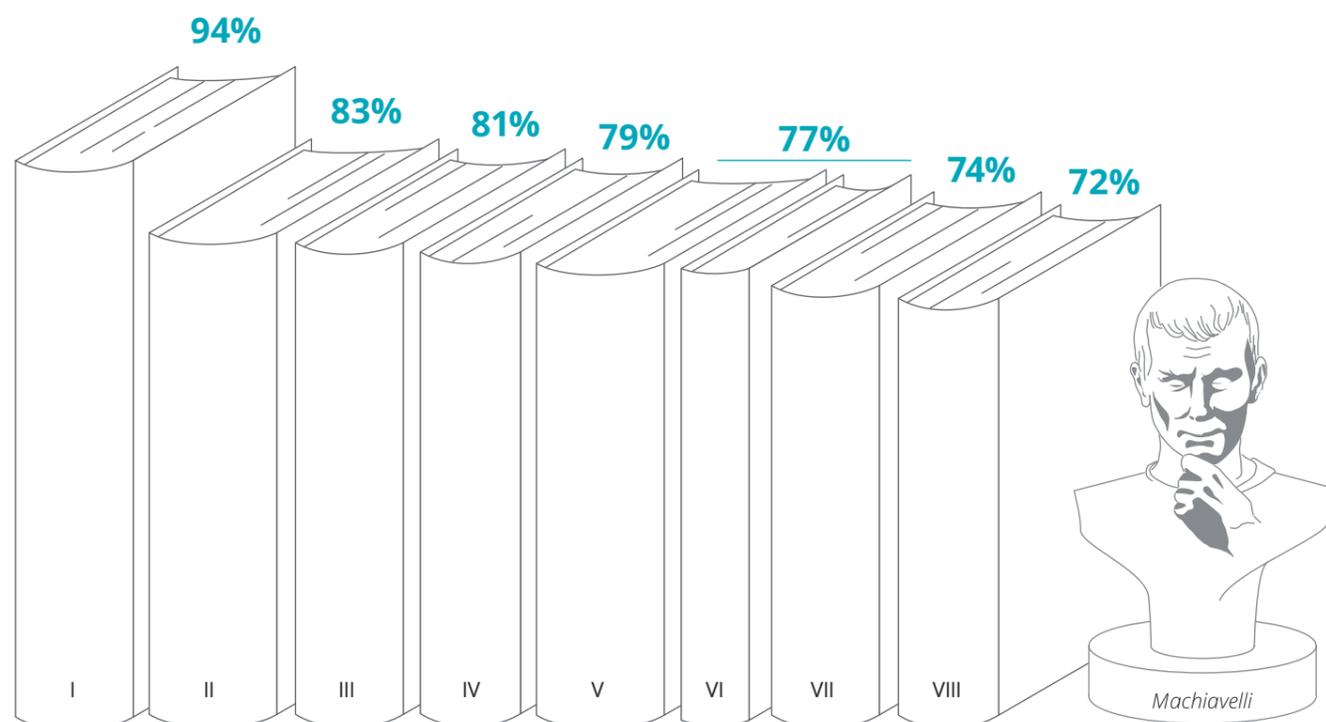
Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

# Building blocks of the compliance framework

In the 2019 survey, respondents named the corporate Code of Ethics as the key policy document. This is not surprising given that the Code of Ethics represents the cornerstone of any compliance program, which not only spells out the company's core values but also serves as a critical reference tool for other policies covering gifts and hospitality expenses, conflicts of interest, charitable activities, etc.

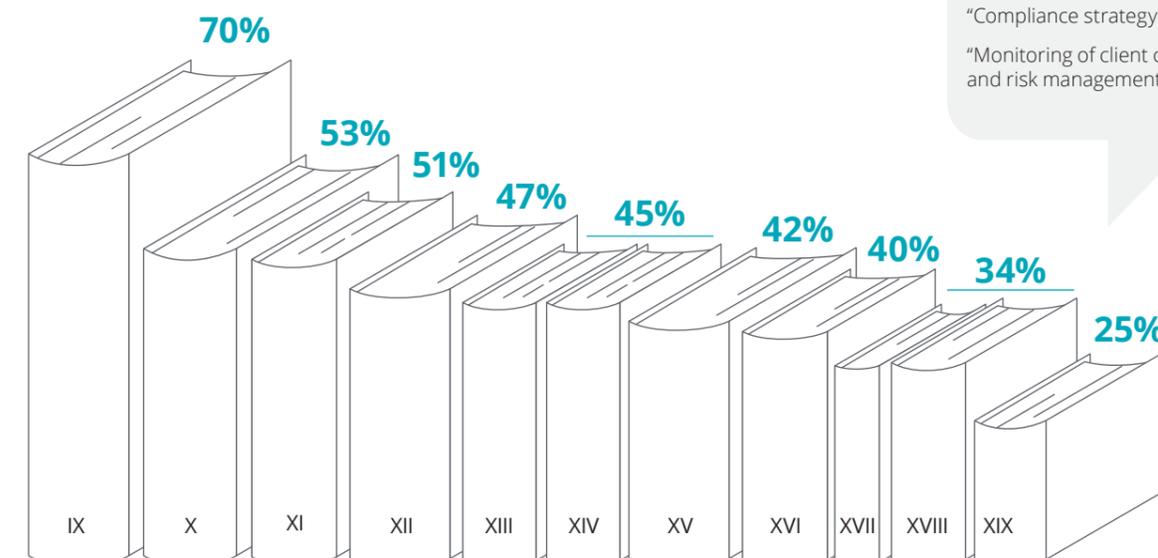
In this regard, it's interesting that the corporate Information Security Policy didn't even rank among the top five standalone policies in the 2019 survey, although it was rated by respondents as the No. 1 compliance-related policy in 2017.

Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)



## Policies & procedures

- I** Code of Ethics / Corporate Code of Conduct
- II** Personal Data Protection Policy
- III** Confidentiality Policy
- IV** Gifts, Hospitality & Entertainment Policy
- V** Counterparty Due Diligence Policy
- VI** Anti-Bribery & Anti-Corruption (ABAC) Policy
- VII** Information Security Policy
- VIII** Ethics Hotline Policy
- IX** Conflict of Interest (COI) Policy
- X** Procedures for investigating instances of non-compliance or violations of legislation or corporate policies
- XI** Charity Policy
- XII** Sponsorship Policy
- XIII** Insider Information Policy
- XIV** Anti-Monopoly Policy / Competition Policy
- XV** Policy for Protecting Whistleblowers from Retaliation
- XVI** Anti-Fraud Policy
- XVII** Policy on Political Activities, Lobbying & Donations to Political Parties
- XVIII** Environmental Policy
- XIX** Intellectual Property Policy



**Other responses:**  
 "FATCA- and CRS-related policies"  
 "Investment compliance"  
 "Compliance strategy"  
 "Monitoring of client complaints and risk management," etc.

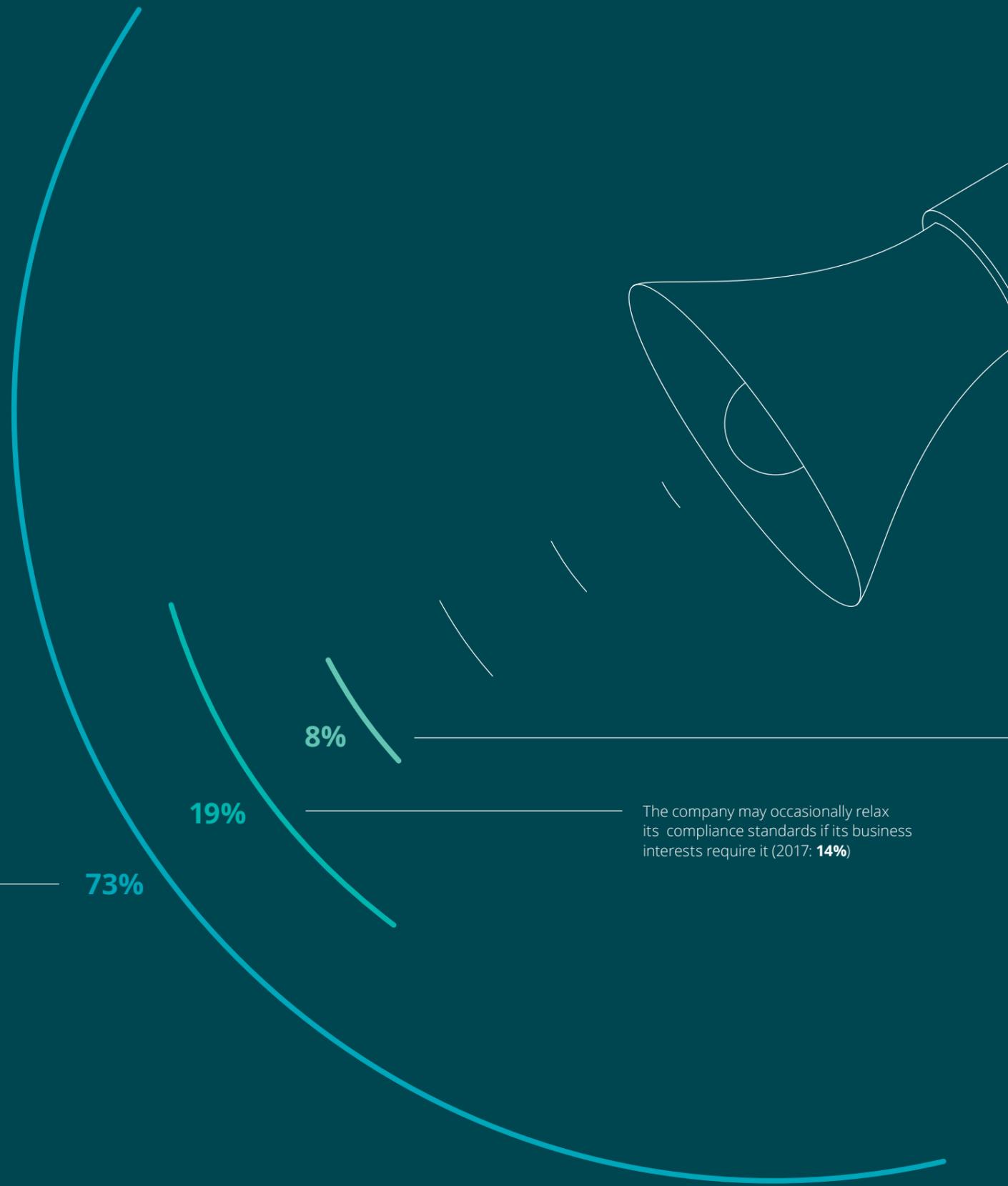
## Setting the tone at the top

*Company management is responsible for promoting an attitude of zero tolerance for any manifestation of corrupt or unethical conduct, which is why setting the tone at the top is an integral component of any compliance program.*



As per the 2019 survey results, **73%** of respondents (38 companies) said that their management sets the tone at the top and promotes zero tolerance for non-compliance or unethical conduct. In the 2017 survey a majority of companies (**68%**) also gave the same response.

It's noteworthy that in answering the question about the role of the compliance function in decision-making, 22 out of 38 respondents (**58%**) said that compliance had a veto over certain decisions. This may suggest that management in these organizations not only serves as a role model but also actively supports the compliance function by promoting its role.



The company may occasionally relax its compliance standards if its business interests require it (2017: **14%**)

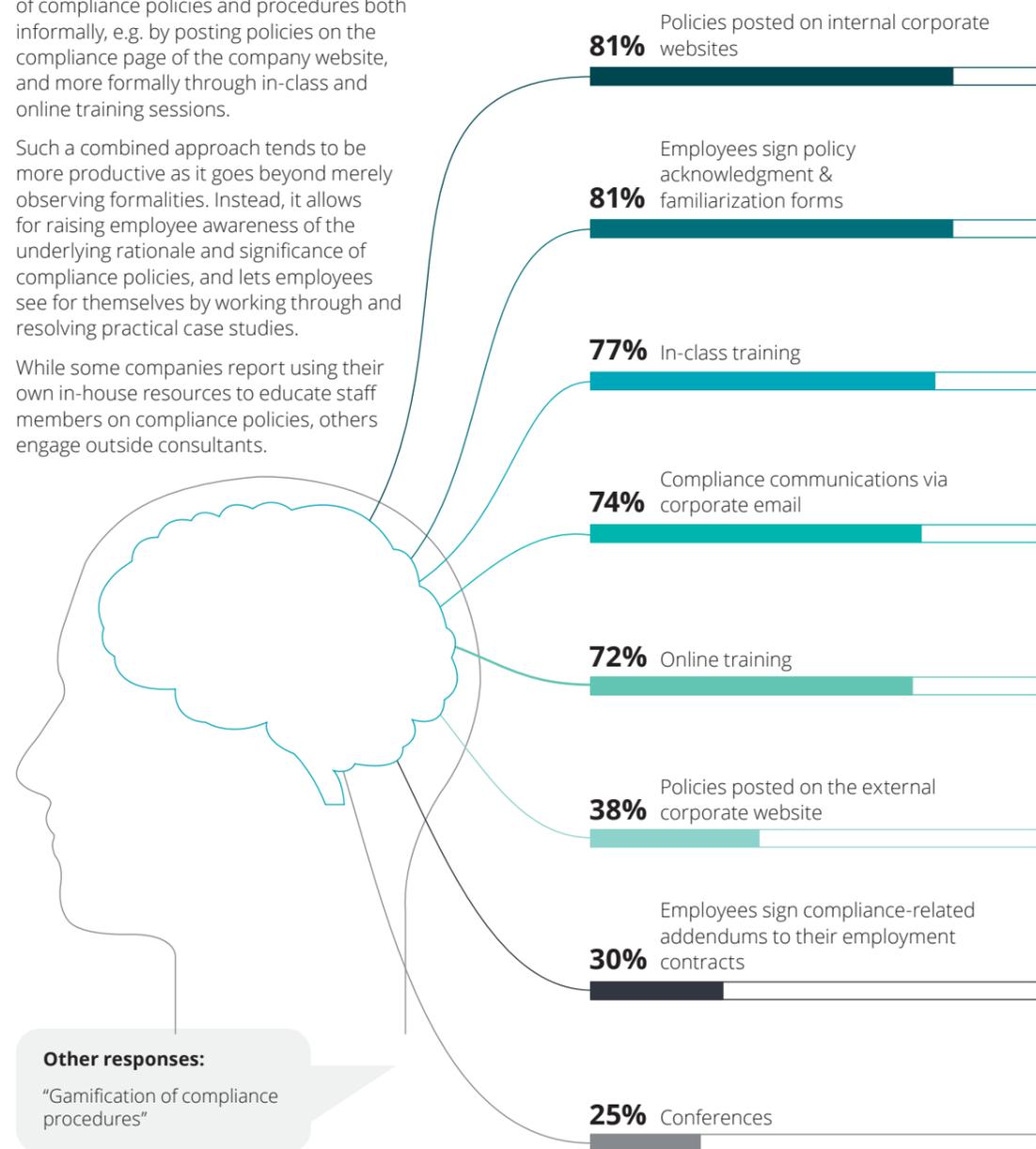
The company's business interests often take precedence over compliance principles (2017: **18%**)

## Making employees aware of compliance policies & procedures

The 2019 survey found that some companies promote employee awareness of compliance policies and procedures both informally, e.g. by posting policies on the compliance page of the company website, and more formally through in-class and online training sessions.

Such a combined approach tends to be more productive as it goes beyond merely observing formalities. Instead, it allows for raising employee awareness of the underlying rationale and significance of compliance policies, and lets employees see for themselves by working through and resolving practical case studies.

While some companies report using their own in-house resources to educate staff members on compliance policies, others engage outside consultants.

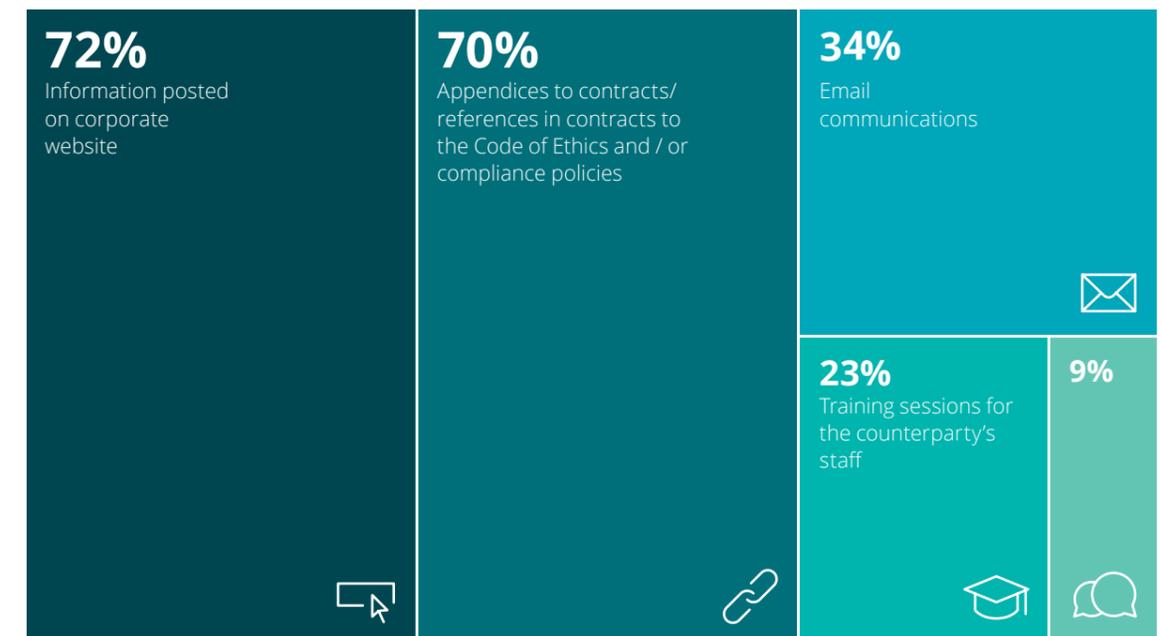


Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

## Making counterparties aware of your compliance policies & procedures

Another important component of the compliance program, in conjunction with internal training for employees, is educating counterparties on your compliance policies.

### How do you make your counterparties aware of your core corporate compliance values?



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

Only as part of negotiations

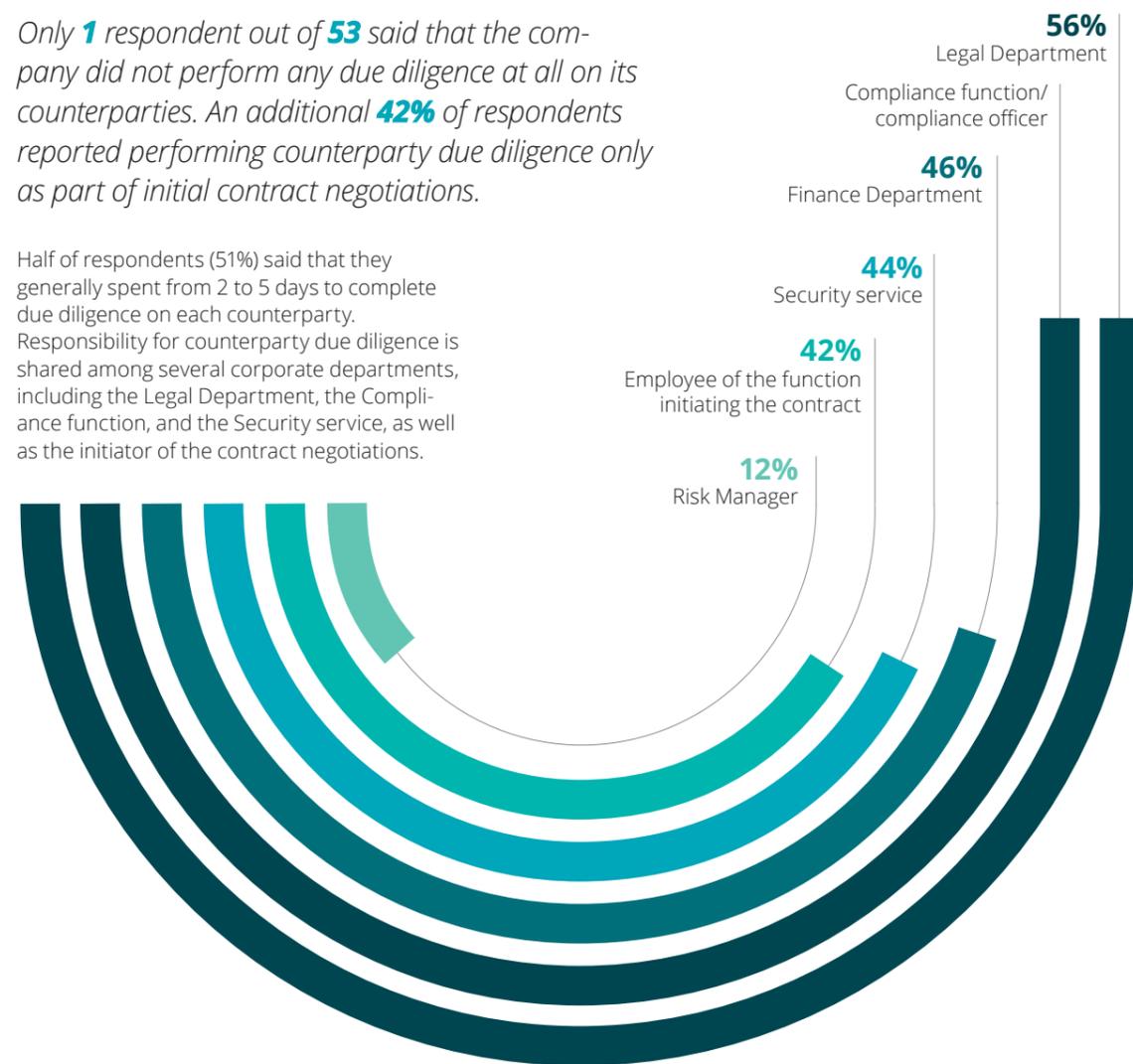
Based on the 2019 survey results, counterparties most often become aware of a company's compliance policies from information on the company's corporate websites or from relevant clauses in the contract. Only one respondent reported that it did not provide counterparties with information on its corporate compliance policies.

Five respondents indicated that they use all available communications channels, including posting information on their corporate websites, citing compliance policies in contracts or adding relevant appendices, conducting training sessions, and sending out email communications.

# Counterparty due diligence

Only **1** respondent out of **53** said that the company did not perform any due diligence at all on its counterparties. An additional **42%** of respondents reported performing counterparty due diligence only as part of initial contract negotiations.

Half of respondents (51%) said that they generally spent from 2 to 5 days to complete due diligence on each counterparty. Responsibility for counterparty due diligence is shared among several corporate departments, including the Legal Department, the Compliance function, and the Security service, as well as the initiator of the contract negotiations.

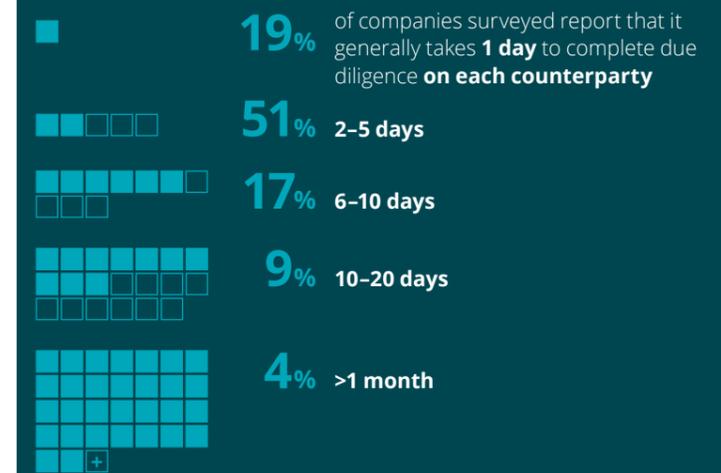


**Other responses:**

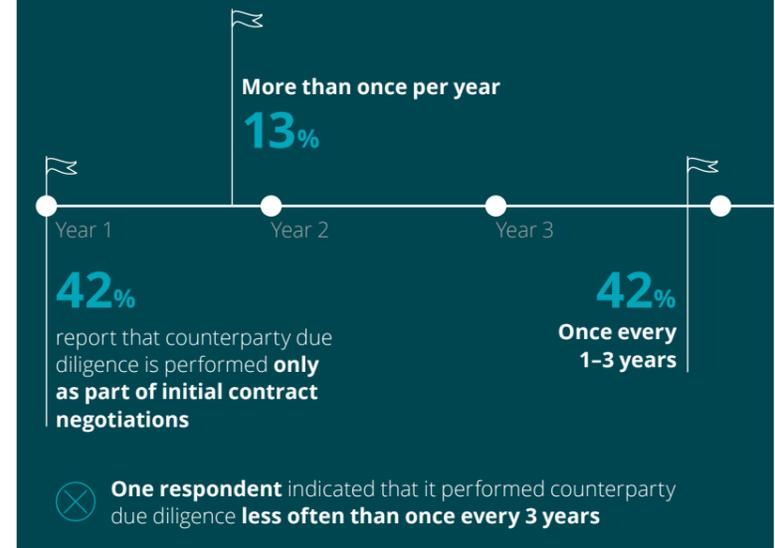
- "The designated function responsible for KYC\* and Sanctions KYC"
- "The Procurement team"
- "The global office, the Procurement team and the Sales team (for distributors), including other functions where necessary"

\* Know Your Customer (KYC)

## Duration of counterparty due diligence



## Due diligence frequency

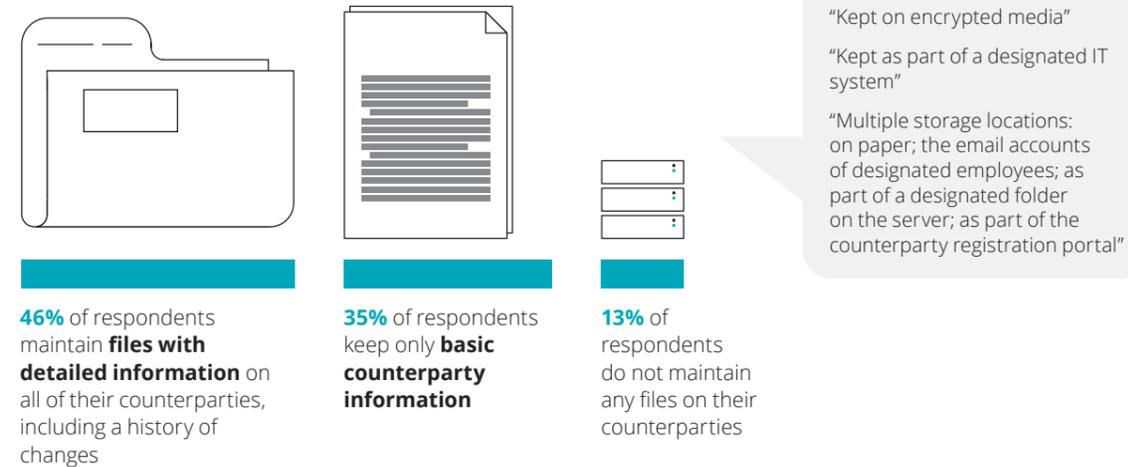


Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

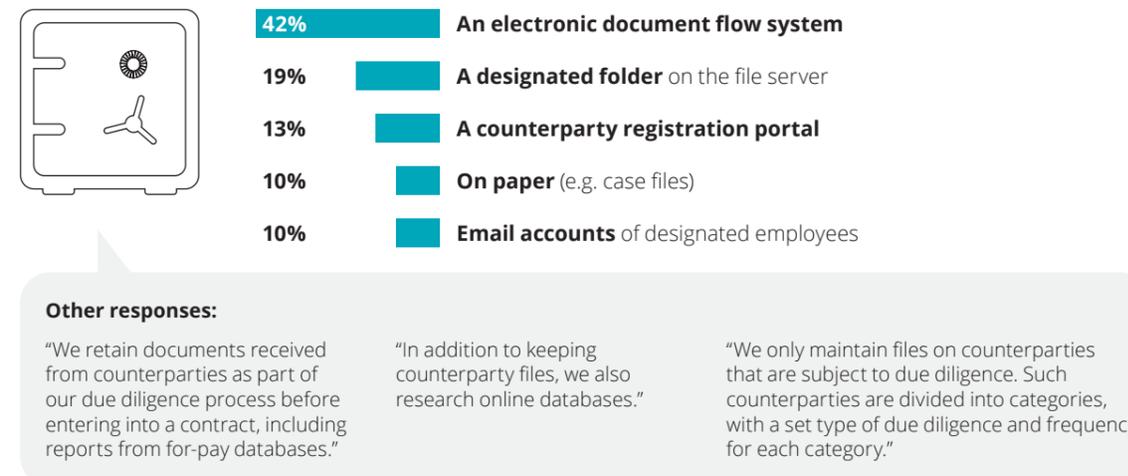
## Counterparty files

Only **46%** of respondents maintain files on counterparties to keep due diligence findings and a history of changes, including **42%** that retain this information as part of their electronic document flow.

Another finding is that 20% of respondents continue to maintain counterparty information either on paper or in the email accounts of their designated employees.



### What do you use to maintain counterparty information and due diligence data?



**When your counterparty base is so large that it can't be analyzed manually ...**

## Revolver Online

First-ever tool for online monitoring across your counterparty base

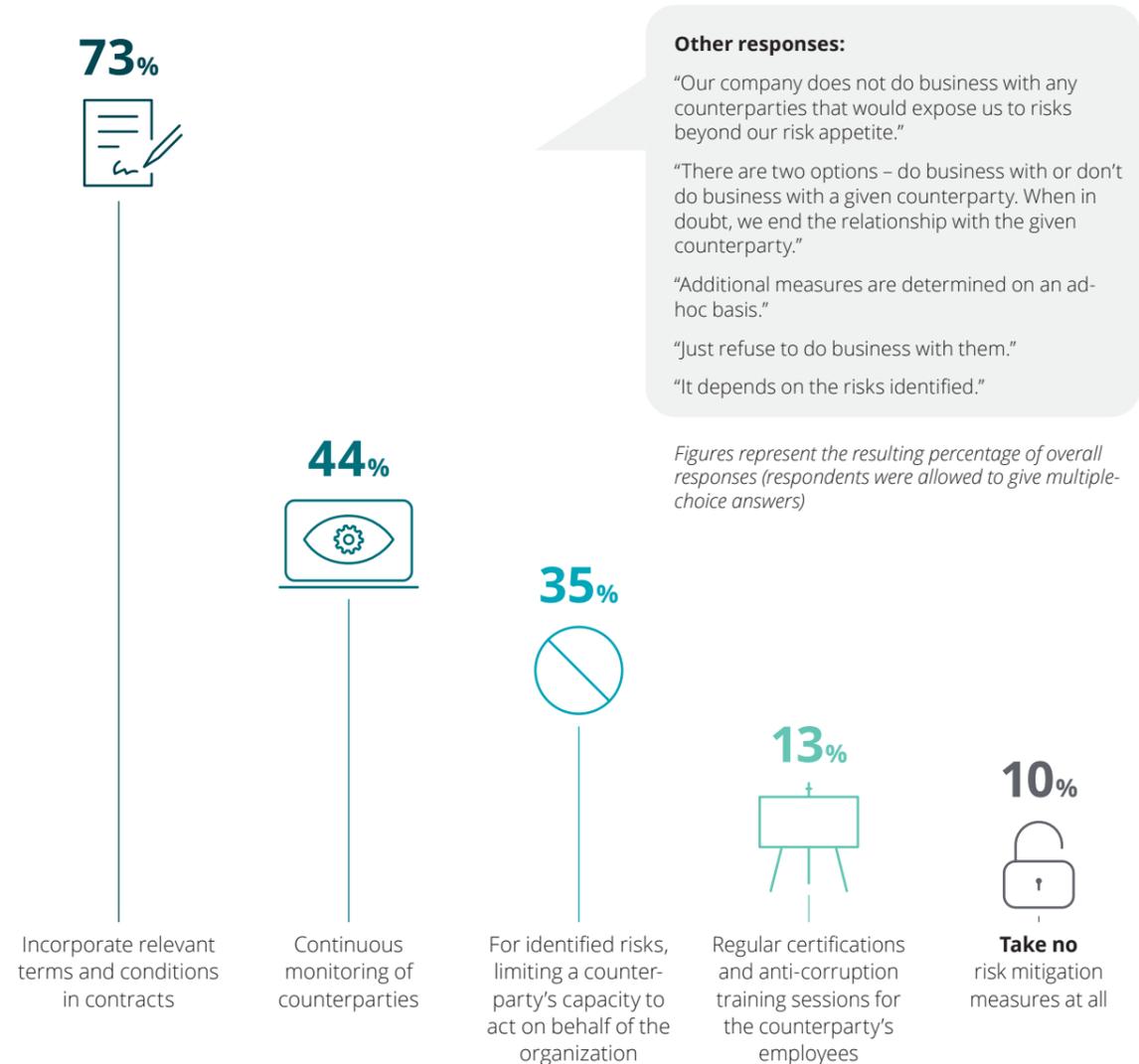
Deloitte has developed this proprietary solution to offer client companies expanded customizable analytics that can meet the specific needs of their business and trigger timely alerts on real threats



[www.revolveronline.ru](http://www.revolveronline.ru)

## Risk mitigation measures based on due diligence findings

**Seventy-three percent of respondents (38 companies)** mitigate counterparty risk by incorporating relevant terms and conditions in contracts. About **10% (5 respondents)** do not take any steps at all to mitigate identified risks.



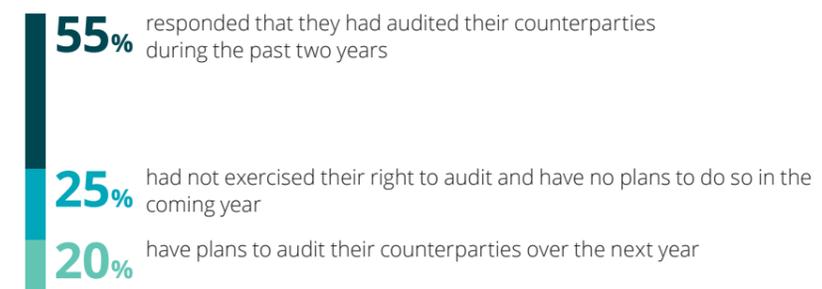
## Anti-corruption and / or right-to-audit clauses in contracts

**Thirty-eight percent of respondents (20 companies)** report that they incorporate both an anti-corruption clause and a right-to-audit clause in their contracts with counterparties. However, only **21%** of these respondents have actually **exercised their right to audit**.



*Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)*

We also asked respondents to indicate whether they had been able to successfully exercise their contractual right to audit. Out of the 20 companies reporting that they had incorporated anti-corruption and right-to-audit clauses in contracts ...



# Checking for conflicts of interest

The 2019 survey found that **85% of companies surveyed** checked for and resolved conflicts of interest.

Most respondents said that their organization requires employees to declare conflicts of interest (COI) only when they are hired or if a COI arises. However, only **14%** report that they have a fully automated employee COI declaration process in place.

## Who is responsible in your organization for identifying and resolving conflicts of interest?

At **7%** of organizations, this is the responsibility of the COI Resolution Committee

**20%** say that the HR function is responsible

**63%** say this is the responsibility of either the compliance function, the compliance officer, or the security service

## Do you have a fully automated process for identifying conflicts of interest?

**50%** say that conflicts of interest are declared on paper forms

**36%** have a partially automated process

**14%** have a fully automated, paperless process

### Other responses:

"The Security service"

"Based on the company's internal regulations, the responsibility lies with the CEO, the Board of Directors, and the Security service."

"The Legal Department"

"All three options: the Compliance function / officer, the HR function, and the COI Resolution Committee"

"Identifying conflicts of interest is the responsibility of all functions, while Compliance is responsible for resolving COIs identified."

## Are your employees required to declare any conflicts of interest?

When joining the organization **49%**

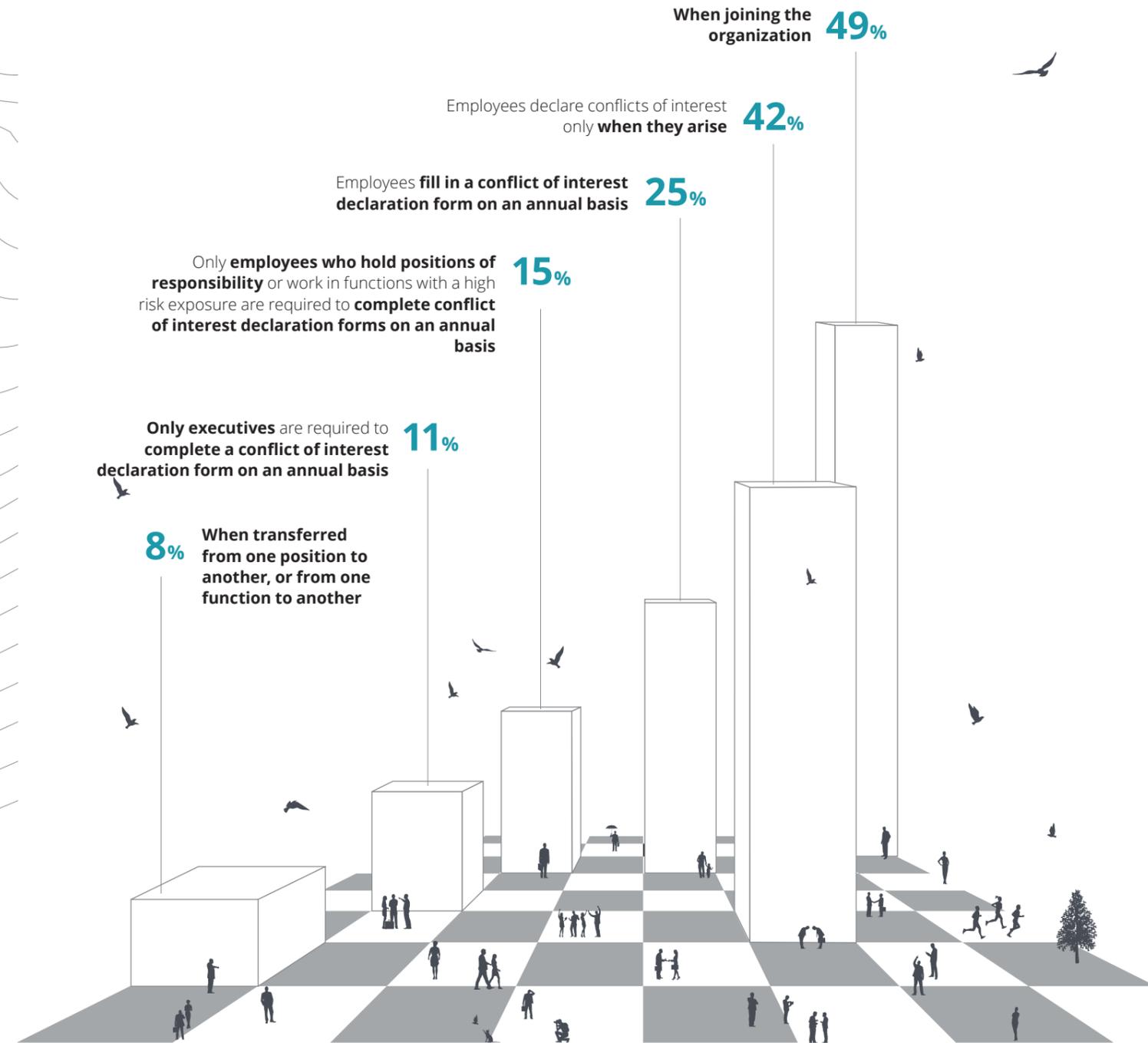
Employees declare conflicts of interest only when they arise **42%**

Employees fill in a conflict of interest declaration form on an annual basis **25%**

Only employees who hold positions of responsibility or work in functions with a high risk exposure are required to complete conflict of interest declaration forms on an annual basis **15%**

Only executives are required to complete a conflict of interest declaration form on an annual basis **11%**

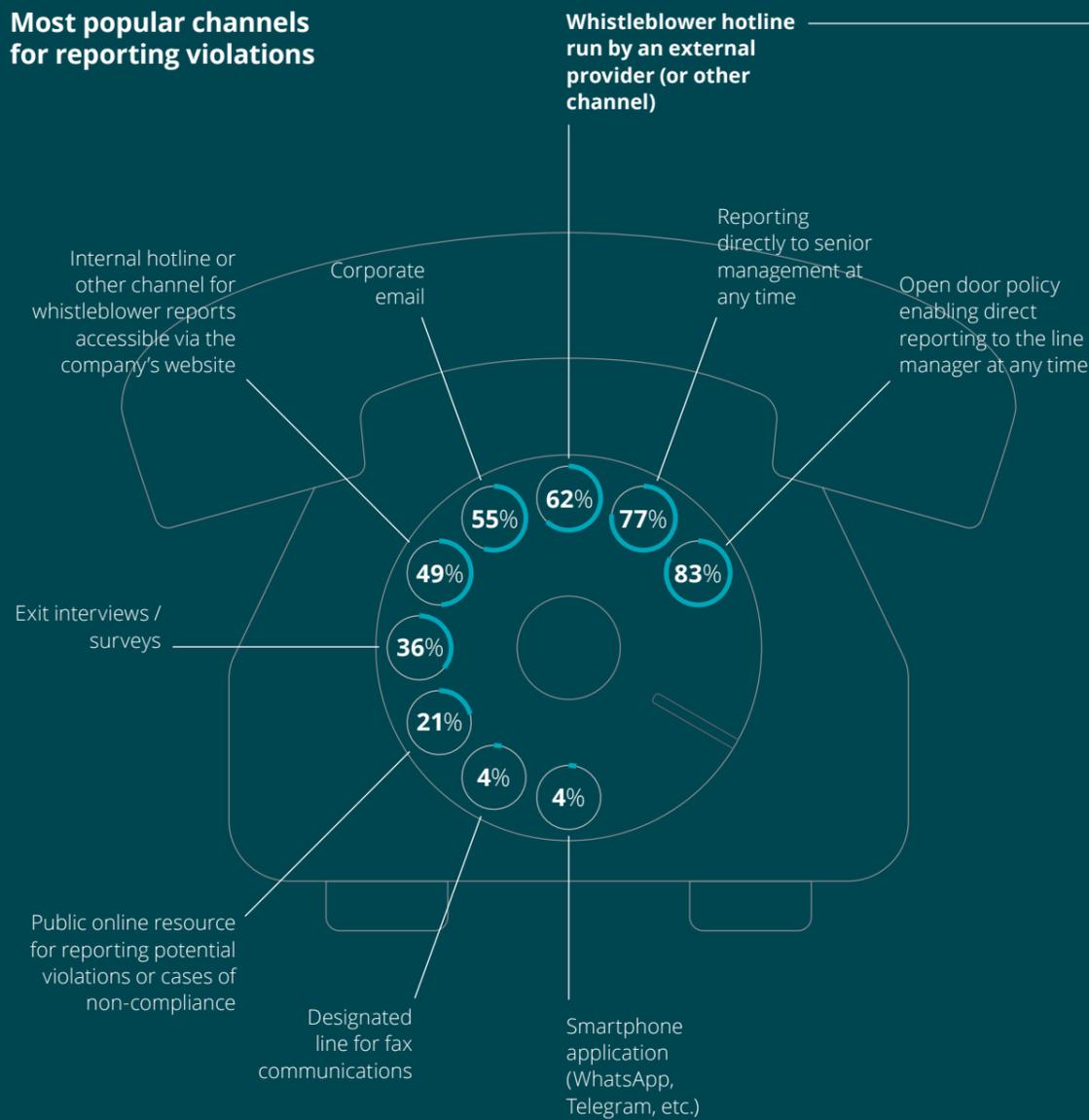
**8%** When transferred from one position to another, or from one function to another



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

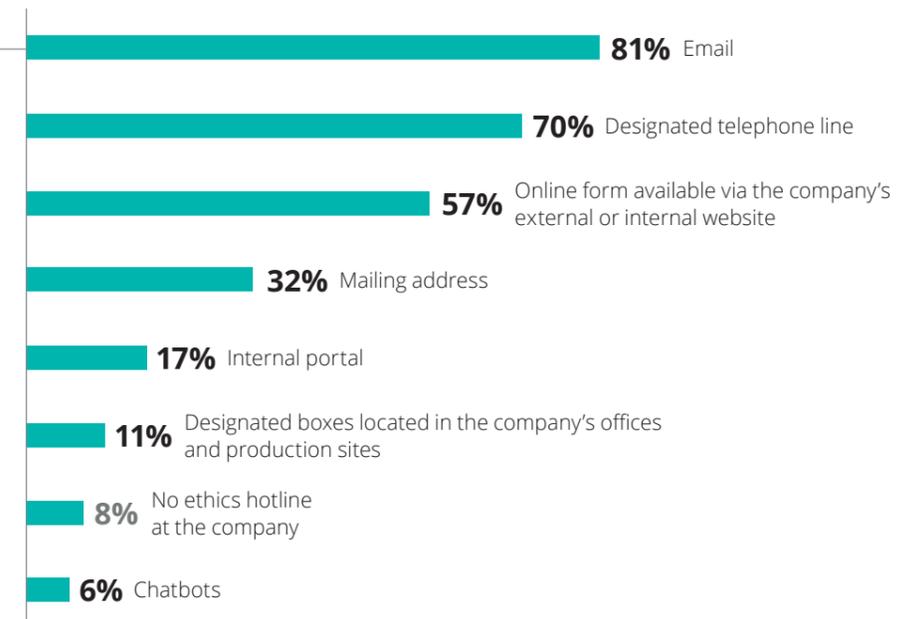
# Ethics hotline

## Most popular channels for reporting violations



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

## Hotline variations



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

The availability of various channels for reporting on violations of or non-compliance with legislation and internal ABAC policies is one of the key components of a compliance program. When employees have the ability to openly flag any ethics issue without fear of retaliation, this reflects a mature corporate culture marked by a high degree of transparency.

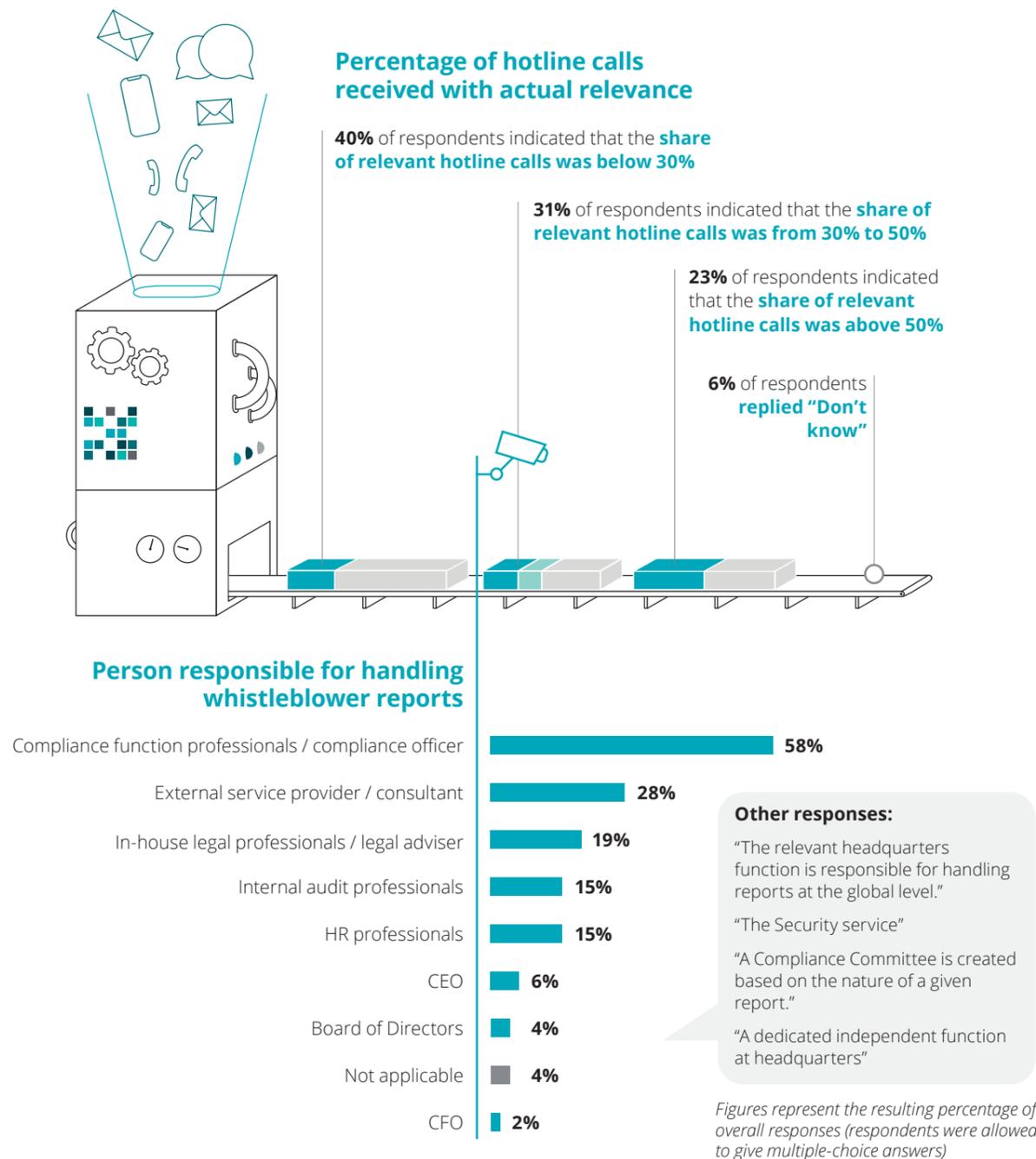
Similar to the 2017 survey, in 2019 the options of reporting violations directly to a line manager or to a senior executive were ranked as the top two whistleblowing channels. In 2017, third place went to the corporate email address option, whereas the whistleblower hotline option took third place in 2019.

This indicates the growing popularity of the ethics hotline, while its most commonly used variations are email address, a designated telephone line, or online forms available on the corporate website.

Unsurprisingly, companies often engage external providers to manage their hotlines as a means of ensuring confidentiality.

The overwhelming majority of respondents continue to indicate that the head of the compliance function is the person responsible for handling whistleblower reports.

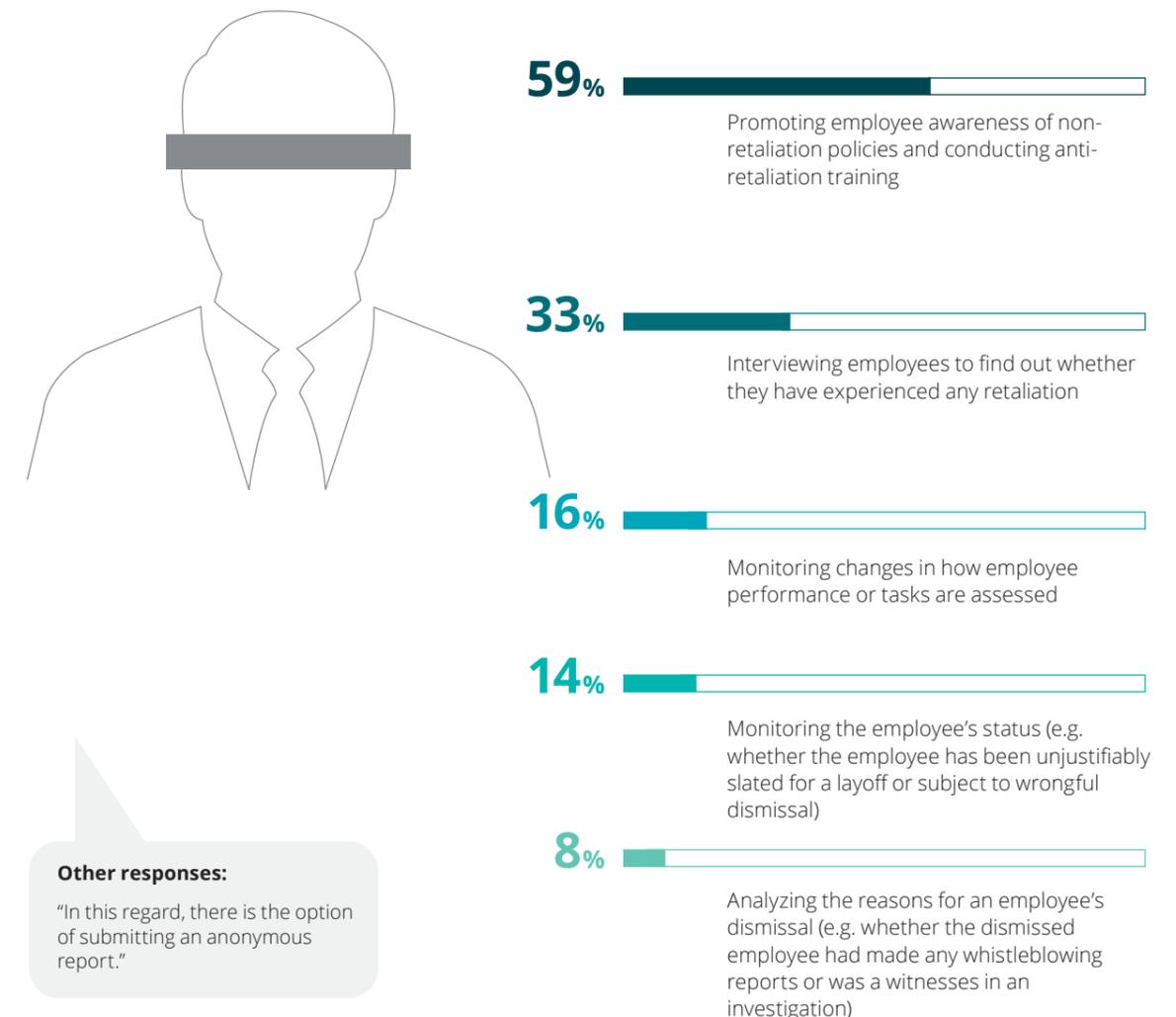
While in the 2017 survey respondents reported receiving from 1 to 400 whistleblower reports per year, in the 2019 survey this figure already exceeds 400, with the average number of reports at 70. Only one respondent indicated "1,000 whistleblower reports." However, only about 20% of respondents indicated that more than half of such reports were actually relevant.



Anonymity is a critical feature of an effective hotline channel.

The assurance of anonymity gives whistleblowers a guarantee that the information they provide and their identity will remain confidential, thus preventing potential retaliation. Only 8% of respondents reported that their ethics hotline channel did not allow for anonymous reporting. Promoting non-retaliation policies and conducting anti-retaliation training remain the top methods for protecting those employees who come forward as whistleblowers from the threat of retaliation or retribution.

**Mechanisms for preventing retaliation against whistleblowers reporting ethical violations or non-compliance with legislation and/or internal policies**



Figures represent the resulting percentage of overall responses (respondents were allowed to give multiple-choice answers)

# Afterword



*“Even though all motorists have to pass a driving test before they get their driver’s license, traffic accidents continue to occur. Just as drivers need to follow traffic signs, so compliance exists to help reduce the likelihood that rules will be violated.”*

Just like following traffic signs, observing compliance rules is a conscious choice that all of us must make. But, we should never lose sight of the fact that, aside from potential reputational damages and lost profits, non-compliance can potentially pose a threat to the viability of a business itself.

We are the leading forensic practice in Russia and the CIS. We help our clients identify and mitigate fraud, illegal practices and unethical conduct. Our team offers proven risk management solutions to address the specific risk exposures of each client company, regardless of their industry sector or jurisdiction. We can develop compliance frameworks as “greenfield” projects or fine tune an existing compliance system to meet the requirements of domestic and international standards and legislation.

If you would like to take part in future Deloitte surveys or conferences, or should you have any questions, please email us at [cis\\_ficompliance@deloitte.ru](mailto:cis_ficompliance@deloitte.ru)



**Alexander Sokolov**  
Managing Partner  
Forensic and Dispute  
Services Deloitte CIS  
+7 495 787 06 00 #3095  
[alsokolov@deloitte.ru](mailto:alsokolov@deloitte.ru)



**Ludmila Grechanik**  
Partner  
Forensic and Dispute  
Services Deloitte CIS  
+7 495 787 06 00 #3092  
[lgrechanik@deloitte.ru](mailto:lgrechanik@deloitte.ru)



**Alina Sokolova**  
Partner  
Forensic and Dispute  
Services Deloitte CIS  
+7 495 787 06 00 #5350  
[alsokolova@deloitte.ru](mailto:alsokolova@deloitte.ru)



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