

CONTACT

Orla O'Donovan
Senior PR Adviser
+44 20 7296 2815
orla.odonovan@hoganlovells.com

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Half of Multinationals Failing to Prevent Third Party Bribery and Corruption, Says new Report from Hogan Lovells

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Nearly half (49%) of multinationals are failing to carry out basic bribery and corruption checks on third party contractors before starting to work with them, according to a new report from global law firm Hogan Lovells.

The report found that 47% of respondents are failing to carry out desktop due diligence, 44% don't ask third parties to complete a questionnaire, and the same proportion fail to conduct face to face interviews with third parties.

[Steering the Course: Navigating third party bribery and corruption risk](#) identifies the use of third parties as the second biggest bribery and corruption risk after government officials, and found their use is on the rise, with 82% of survey respondents noting an increase in the past three years and 78% anticipating an increase in the coming year.

The results follow interviews with 604 chief compliance officers, heads of legal, and equivalent, based in the UK, U.S., Asia, France and Germany, at many of the world's largest multinational companies in four sectors – energy, minerals and resources; life sciences and healthcare; transport (including automotive and aviation); and technology, media and telecommunications.

Crispin Rapinet, Global Head of Investigations, White Collar and Fraud at Hogan Lovells, said:

"As companies expand overseas, there are good reasons to engage third parties – local know-how, connections to potential customers, and familiarity with the bureaucratic hurdles.

"But it's a fine line to balance the commercial advantages against the risk that third parties pose to your organization, when they are acting in your name.

"If you don't have the right checks in place your company can be held liable if your third party bribes for your benefit. Regulators and enforcement agencies are sharpening their focus and corporates are increasingly facing enforcement actions such as criminal exposure for individuals and the company, and reputational damage."

Regional findings

- The UK was the weakest region on risk assessment with 50% failing to regularly risk assess all third parties
- Nearly half (49%) of respondents in France don't do desktop research on third parties and 61% don't keep a record of all third parties – France was the weakest region on these two measures
- Singapore was the weakest in terms of asking third parties to complete a questionnaire; 54% responded negatively

- Respondents in Germany are the least likely to interview their third parties face-to-face; 55% said they don't
- The U.S. was strong on several measures, for example in ensuring that third parties undertake training (61%), and in conducting face-to-face interviews (only 37% responded that they don't).
- Japan was the weakest in terms of asking their third parties to refresh their anti-bribery and corruption training; 53% answered negatively

Sector findings

- The life sciences sector increased their use of third parties in the past three years more than other sectors; 10% of respondents in this sector said they have taken on more than 30 new third parties, compared with 7% in Transport, 6% in TMT, and 5% in Energy
- But the energy sector is close behind; 26% of respondents have taken on at least 21 new third parties or more (24% in Life Sciences, 23% in TMT, and 19% in Transport)
- The transport sector has the biggest fall in its use of third parties over the past three years – 23% of respondents said the number has dropped or stayed the same
- Technology, media and telecommunications (TMT) was the only sector which identified third parties as posing the biggest bribery and corruption risk (cited by 71% of TMT respondents; the other sectors believe government officials represent a greater risk).

Hogan Lovells recently produced its own benchmarking model, "[The ABC of AB&C](#)" (anti-bribery and corruption), to help companies company with anti-bribery and corruption legislation around the world. To access it and read [Steering the Course: Navigating third party bribery and corruption risk](#) and other reports in the series, visit www.hoganlovellsabc.com

Table: Which of the following is true of your third party and intermediary relationships?

	Percentage who answered yes
We keep a record of all third parties	58%
We carry out desktop due diligence on third parties	53%
We undertake regular risk assessments of all third parties	57%
There are AB&C (anti-bribery and corruption) clauses in all contracts with third parties	54%
We have audit clauses with all third parties	56%
We send third parties a questionnaire to complete	56%
We undertake face to face interviews of third parties	56%
All third parties undergo our AB&C training	52%
My team has seen all of their AB&C programmes	55%
My team has access to and reads their whistleblowing reports	56%
My team has rejected a third party on the grounds of AB&C risk	51%
My team has exercised its right to audit a third	58%

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About the study

The study spoke to 604 chief compliance officers or equivalent at 604 of the world's largest multinational companies about anti-bribery and corruption, in 2016. The respondents were based in the UK (101), Germany (102), France (100), the US (151), China (57), Singapore (52) and Japan (41).

The companies had a minimum of 2,000 employees and at least £250m turnover, and operated in four sectors: life sciences and pharmaceuticals (124); energy, minerals and resources (138); transport, including aviation and automotive (152); and technology, media and telecoms (190).

About the Hogan Lovells Global Bribery and Corruption Task Force

The Hogan Lovells Global Bribery and Corruption Task Force offers international clients informed advice in a number of areas of risk, from reactive incident response measures to the development of proactive strategies for managing potential exposure through compliance programs.

Our task force brings together a cross-jurisdictional team of partners from Hogan Lovells' international network with more than 25 years of experience in large-scale investigations. The task force has real experience on the ground in the United States and Europe (including the United Kingdom, Germany, Spain, Italy, and France), as well as in Russia, Asia (including China and Hong Kong), the Middle East, Latin America and Africa. Hogan Lovells is a recognized leader in investigations and fraud work, being ranked in the top tier of leading legal directories.

About Hogan Lovells

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