



Survey Results SAPIN II LAW

Experience Feedback
3 years after its enactment



July 2020

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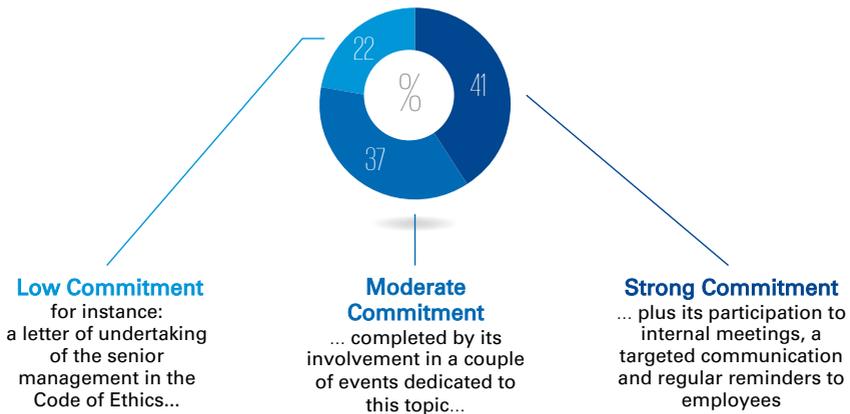
Enacted on June 1, 2017, the "bill on transparency, the fight against corruption and the modernisation of the economy" - so-called "**Sapin II law**" - imposes new obligations to companies with a workforce of over 500 and whose annual turnover exceeds €100 million.

More than 3 years later, what is the level of progress in the program implementation, measure by measure? How committed are the governing bodies? What are the main corruption risks identified? What are the main trends observed within companies and what lessons can we learn from them?

The results of this survey are put into perspective with the first feedback gathered by KPMG in early 2018.

Answers have been collected during the first quarter 2020 through an online questionnaire

1 | ASSESSMENT OF THE DEGREE OF COMMITMENT BY THE TOP MANAGEMENT



Still
22%

of leadership bodies are only showing a low commitment towards anticorruption preventing and monitoring actions. They are limiting their involvement only to institutional communication within the Code of Ethics of the corporation. At the same time, this is yet a critical expectation of the French AFA (French Anticorruption Agency) to see the management extending the evidence of its clear resolution to set the tone within the whole corporation.

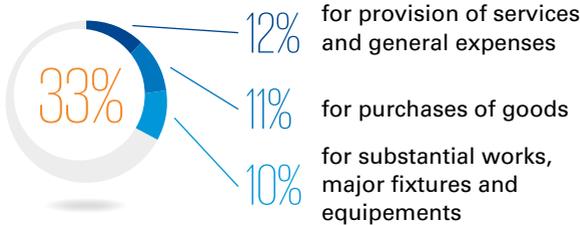
2 | THE MAIN RISKS OF CORRUPTION



The 3 main risks of corruption identified relate to the following processes:

1

Tenders with Vendors



2

Intermediary Relationships



3

Trade Negotiations

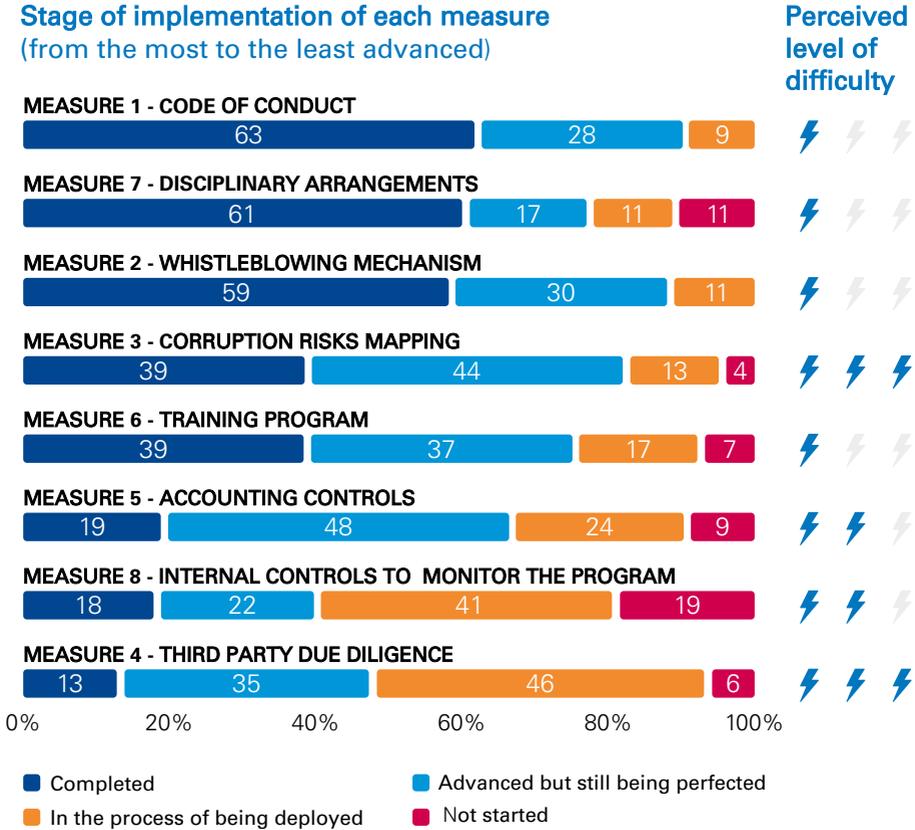


Tendering procedures as well as intermediary relationships were already on the podium in 2017.

When gradually exiting the health crisis, the multiple pressures as well as the prospects for recovery are putting **a new emphasis on trade negotiations and customer/supplier relationships**. In this regard, no doubt that the ongoing Covid-19 episode is a fertile ground for an increased exposure to the risk of corruption, in the context of a control environment with weakened barriers.

3

LEVEL OF DEPLOYMENT OF THE 8 MEASURES PRESCRIBED BY SAPIN II LAW



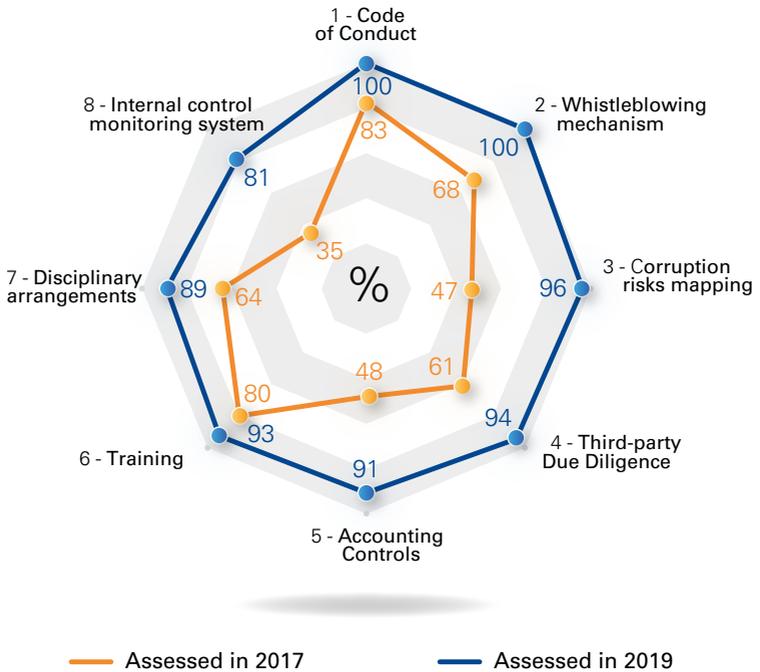
Measures 1, 7 and 2 are perceived as the easiest to be implemented and appear *de facto* at the most advanced stage of deployment.



Among the two measures assessed as the longest and most complex:

- **Measure 3, corner stone of the system**, is overall progressing satisfactorily, which evidences the efforts done, but is **still requiring additional analyses** for a majority of companies;
- **Measure 4**, as well considered as very tricky to apply, remains the least advanced.

Progress level in 2019 versus 2017



Two years later, the perceived level of preparation of the firms towards the application of the set of measures required by the law has considerably moved forward:

93% of respondents, on average, against 61% in 2017 have at least begun to tackle the all set of measures of the program.

This trend is particularly noticeable as regards the **mapping exercise** and the **setting up of the monitoring, control and assessment system**.

The **criticality** of these two parts, the complexity to process with an appropriate **granularity** within groups of entities and to comply with an adequate **implementation schedule** make them key stages when developing the anticorruption compliance program.



4 | FOCUS ON SOME MEASURES

Measure 2



Internal whistleblowing mechanism

As regards the kind of mechanism set up:



deployed an **internal tool** (mainly *via* a generic email inbox or the appointment of a referent officer, in respectively 30% and 28% of cases)



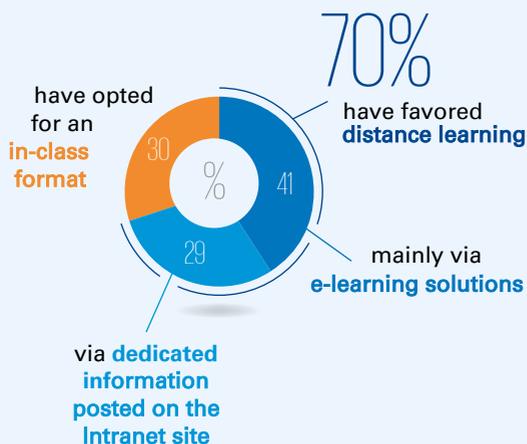
proceeded with an **external tool** (primarily *via* a software company in 13% of cases)

Measure 6



Training Program

Among the respondents having an underway or finalised program:



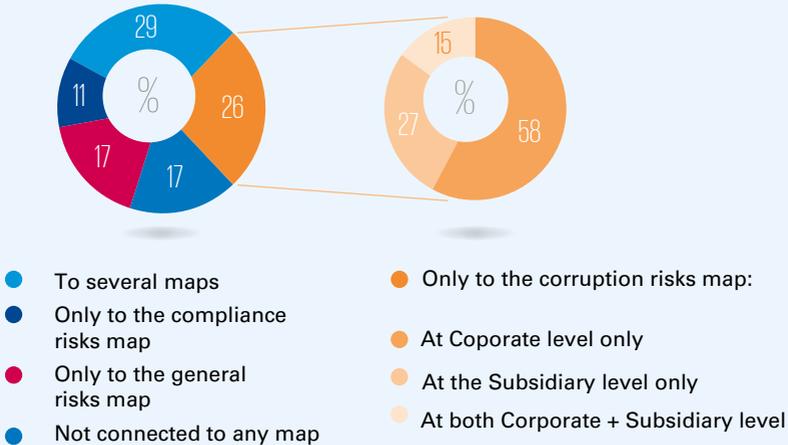
have an **approach to identify the job categories** that are most at risk regarding corruption



have combined at least **2 training approaches**

Corruption risks mapping

Linking the corruption risks ...



In 26% of cases, the analysis of corruption risks is only embedded in the sole corruption risks mapping, excluding any connection with other types of less specialized risks mapping that might exist in the corporation (such as the general risks mapping or the compliance risks mapping). Among this subset:

58% of groups have conducted this corruption risks mapping exercise at Corporate level only, without any specific interpretation at the Subsidiary level.

27% did it at the Subsidiary level only, without any clustering into an aggregated, consolidated or Corporate mapping.

Only in 15% of cases, the corruption risks mapping is conducted at several levels of granularity, both at Corporate and at the Subsidiary level.

When the identified corruption risks are introduced in more than one single type of mapping,

it is in 50% of cases - in addition to the dedicated map - through an incorporation of the corruption risks to the company's general risks mapping.

Only 13% of respondents indicate that they have screened/analysed the exposure of the company to potential instances of corruption through 3 different types of mapping (general risks, compliance risks, corruption risks).

Measure 4

Completed
13%

Third-party Due Diligence

The establishment and deployment of a written procedure towards new and historical partners are ongoing or completed for:



As in 2017, the processes in place towards the **Vendors** category show a **slightly higher level of progress** compared to that of intermediaries and clients.

Stage of completion of the integrity assessment program

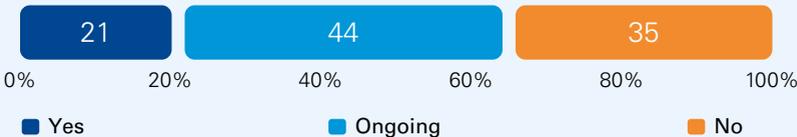
ISSUANCE OF A WRITTEN PROCEDURE



IMPLEMENTATION OF THE PROCEDURE TO ALL NEW PARTNERS



IMPLEMENTATION OF THE PROCEDURE TO ALL HISTORICAL PARTNERS



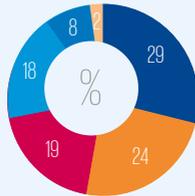
As prospective application is favoured, the implementation of the third-party due diligence to the population of **historical partners** lags **well behind**, which portends the **scope of the work still to be done**.

Measure 5

Completed

19%

Main processes included into the scope of accounting controls which cover the corruption risks:



- Gifts and Entertainment
- Expenses Bills
- Donations, grants, patronage & sponsoring
- Conflicts of interest
- Fees
- Other

The anticorruption controls are subject **in more than half of the cases** to a Level II of oversight (i.e. conducted by a non executive manager who ensures that Level I controls performed by operational staff are properly and efficiently carried out).

The management of the **gifts and hospitality**, the monitoring of the **expenses bills** and the framing of the **donation, philanthropic and sponsoring actions** are the processes which are the most frequently and deeply focused on as part of the application of the Measure 5 about accounting control procedures. It should be noted that the process for **managing the conflicts of interest** comes slightly behind. Because of its multifaceted nature, this task is often difficult to address and deal with, which may prove to be a challenging and non-negligible remaining work.

Measure 8

Completed

20%

Internal controls and monitoring system

This is a "**Top Hat**" measure which level of progress is correlated with that of the 7 other measures of the set.

Among the oversight and monitoring actions which are mainly being put into place :

A specific report to Directors and Gouvernance exists by

50% of respondents



an internal or external audit of the system is conducted in

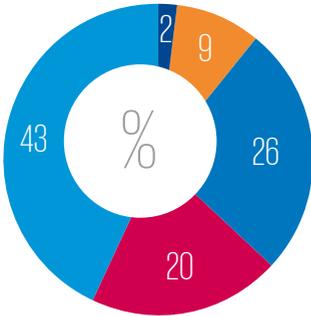
40% of cases

On the other hand, the definition and follow up of performance indicators are very rare (9% of respondents), which undoubtedly represents the **main expected room for improvement** to evidence - both internally and externally - the effectiveness and measurability of the anticorruption undertaken actions.



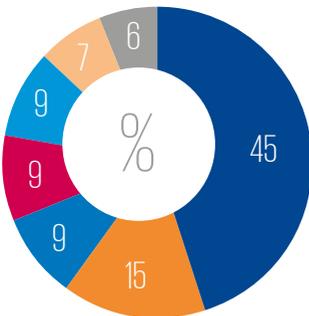
5 | SURVEY RESPONDENTS

Annual revenue



- Less than €100 million
- €100 to €250 million
- €250 to €750 million
- €750 million to €1,5 billion
- More than €1,5 billion

Role



- compliance
- legal affairs
- internal audit
- internal control
- other
- financial
- ethics

Management

Industry/sector



17%
Insurance



15%
Retail/Consumer
goods



13%
Transportation



13%
Technology and
Communications



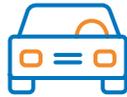
9%
Energy and
natural
resources



8%
Other industries
and services



7%
Banking &
Financial services



6%
Automotive



4%
Healthcare

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