



Responding to Anti-Bribery & Corruption regulatory challenges

Compliance & Monitoring

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The Comprehensive Compliance Solution

Current enforcement actions

For the first time in South Africa, we are experiencing enforcement actions by both the US Department of Justice and the US Securities and Exchange Commission against South African companies, headquartered and operating in South Africa and listed in the US.

Continued high levels of US enforcement of the Foreign Corrupt Practices Act (FCPA) have been enhanced by heightened anti-corruption initiatives and awareness globally, including the enactment of the UK Bribery Act (UKBA). Companies doing business or hoping to expand outside the United States must mitigate anti-bribery and corruption (ABC) risk. A key component of understanding the risk of expanding into new territories is conducting an assessment of the associated political and bribery risks. Lapses in ABC Compliance have the potential of resulting in substantial fines and penalties, reputational harm, diversion of management's attention, economic cost from investigations and criminal prosecutions. A comprehensive ABC Compliance solution will address potential exposure to enforcement action.

The five biggest ABC challenges

The five biggest challenges, identified in the management of the ABC risks relate to the following:

- Facilitation payments
- Due diligence
- Procurement
- Licenses and permits
- Community projects

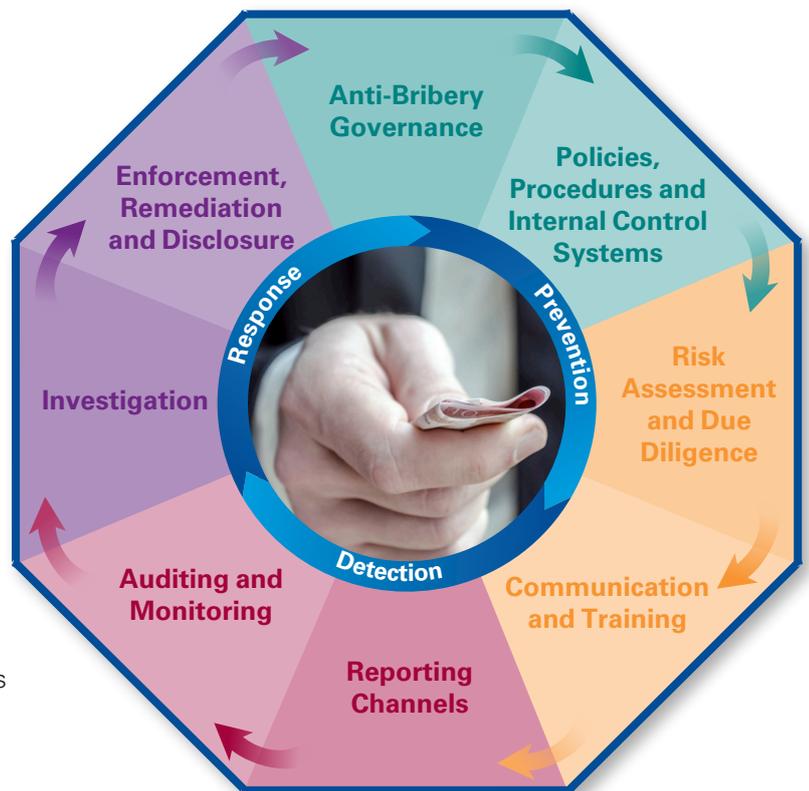


This compliance wheel represents the ideal or "to be" state of ABC Compliance that a company should aim for.

Potential Benefits

ABC compliance-related services help organisations mitigate the risks of non-compliance with laws and regulations related to bribery and corruption by:

- Reducing the likelihood of government fines, penalties, sanctions, and civil liability
- Identifying and remediating gaps in ABC policies, procedures, and controls
- Mitigating ABC risk by conducting compliance due diligence pre- and post-acquisition
- Providing customised training
- Managing third-party risk with background checking and compliance testing
- Supporting internal audit in testing compliance policies and procedures and performing data analysis to identify potentially problematic activities



The Roadmap to Compliance

We are of the opinion that ABC Compliance is an ongoing journey and that each company may have different requirements, based on the level of maturity of their ABC Compliance environment. We assist companies on this journey with a suite of tools designed to promote ABC Compliance.

ABC Gap analysis

We measure the company’s ABC “as is” position, against the ideal ABC “to be” state. We then work with the company to prioritise the gaps to be addressed to develop a roadmap to ABC Compliance. In developing such a road map, the following are considered:

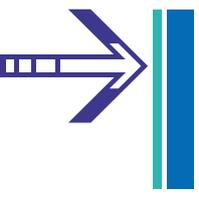
- **Quick wins:** Compliance components that can be implemented fast, at a reasonable cost and with minimum impact on business
- **Medium term solutions:** Components of the Compliance Programme that can be implemented over a period of time to enhance the company’s “defendable position”
- **Long term considerations** which may be implemented once the ABC Compliance position at the company reaches a certain level of maturity.

Development of a Compliance programme or elements thereof

We will be able to assist the company to develop a comprehensive ABC Compliance Programme in line with relevant legislation and available guidelines. We can also tailor-make this service to focus on certain elements as identified by means of a gap analysis or other procedures performed at the company.

 Risk Assessment	A comprehensive and regular evaluation of the nature and extent of bribery and corruption risks to which the organisation is exposed is part of the requirements for a company to establish a defendable position.
 Training	ABC induction training and annual refresher training to employees is required as part of an ABC Compliance Programme. Companies should also consider extending ABC training to agents and representatives of the company. The development of training and the roll-out thereof should follow a risk-based approach.
 Merger & Acquisition (M&A) Due diligence	ABC successor liability is a very real risk where a target is acquired by a company that falls within the scope of the FCPA or UKBA. It is therefore imperative that the ABC Compliance position and risks be considered, not only when a decision is taken regarding the acquisition of the company, but also when the price, payment structure, warranties and indemnities are considered.
 Third Party Intermediary (TPI) Due diligence management	Companies are held responsible for the actions performed on their behalf by TPI. It is therefore imperative to manage the appointment and subsequent relationship with these TPIs in such a way that the company will retain their defendable position.





Anti-Bribery & Corruption



Our Value Proposition

KPMG helps clients mitigate the risks of non-compliance with bribery and corruption laws by identifying and remediating gaps in ABC policies, procedures and controls as well as managing third party risk through background checking and compliance testing.

Our Services

- ABC risk and compliance program gap assessments
- Controls and program testing
- Pre-acquisition compliance due diligence
- Post-acquisition assistance related to compliance integration
- Training
- Support to Internal Audit with development or execution of work plans
- Assessing compliance by agents, distributors, suppliers and other third parties
- Due diligence and background checks on third parties.

The Role of Political Risk Assessment in ABC Compliance

Understanding Political Risk

Political risks are uncertainties to business objectives created by political, economic and/or social conditions. Political risks can stem from international organisations, governments as well as from non-governmental organisations (NGOs), state-owned enterprises (SOEs), trade unions and other groups (religious factions, civil society etc), that pursue political objectives.

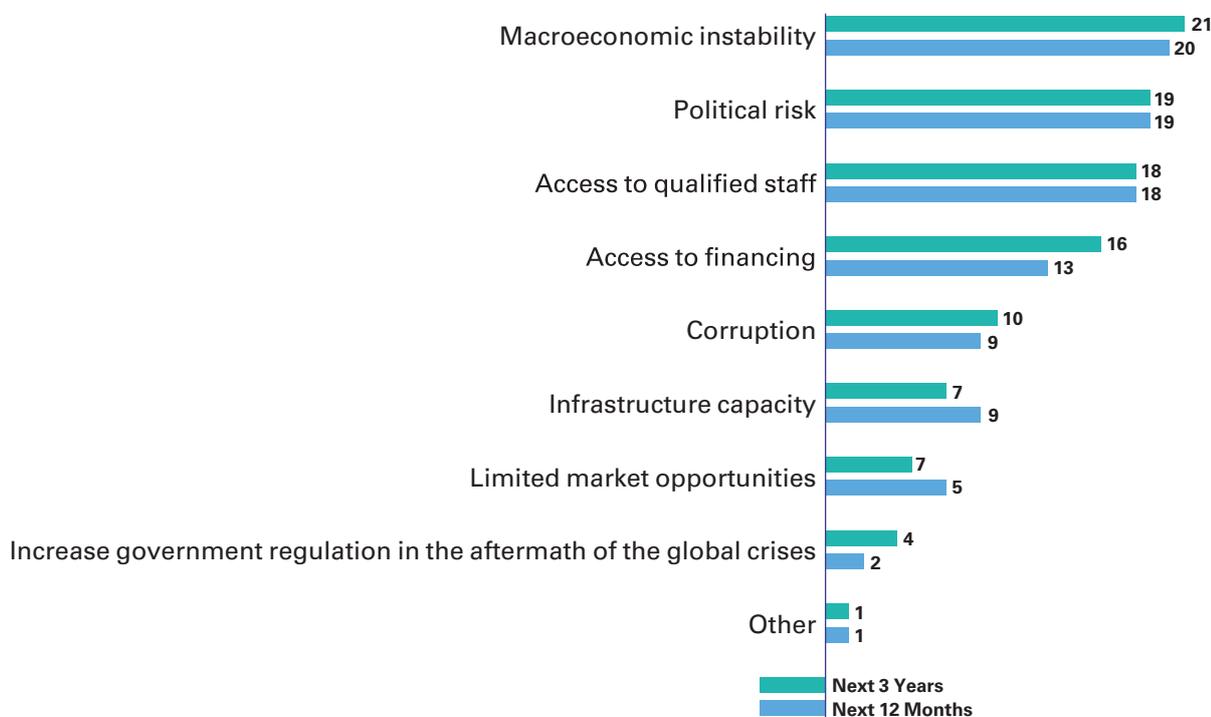
Why Political Risk

New opportunities, lower costs and access to resources motivate firms to seek expansion into international markets. However, the domestic politics of the foreign environments add risk and complexity to business performance. Risk management thus becomes essential to determine how best to operate in an intricate environment.

To improve global business performance and assist with ABC Compliance, managing political risk is conducted with the objective of first protecting existing and new international investments and processes, and secondly capitalising on opportunities arising from political, macroeconomic or regulatory change.

By implementing a systematic method to political risk management, firms can drive business performance improvement.

Factors identified as the greatest constraints (on a three year horizon) for investments in developing countries - MIGA 2013



Our Approach



Pre-market entry

- Bespoke political, social economic and regulatory environment analysis
- Integrity assessment of investment parties, third parties, business facilitators
- Scenario planning



On-going

- Periodic political, economic and regulatory risk event-impact analysis - briefings to investment committee / chief risk officer (quarterly)
- Updated scenario planning
- (annually)



Event driven

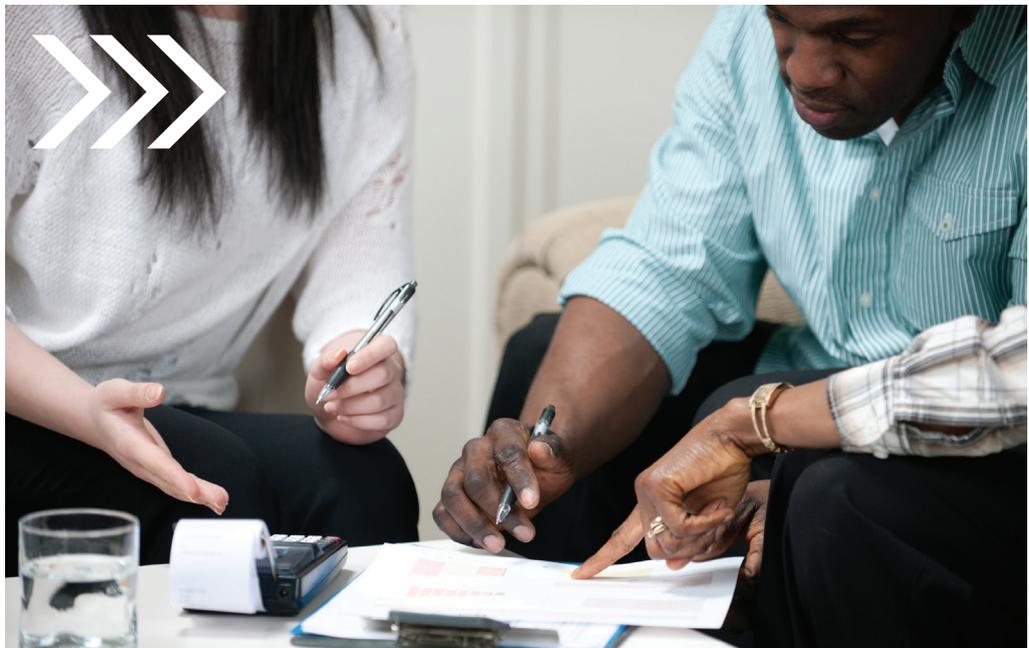
- Impact of changed circumstances
- Significant or shock event response
- Investigation support
- Litigation support.



We develop objective, in-depth understanding of the **political, social, economic** and regulatory environments in assisting our clients to know and apply their minds to these environments and **capitalise on opportunities both globally and in Sub-Saharan Africa.**



Our team with **cross-functional knowledge and experience in economics, political science, finance, accounting, regulatory affairs, anthropology and intelligence and information gathering,** gathers and analyses relevant information to assist our clients in responding to these environments.



KPMG Forensic Profiles



Petrus Marais

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As the Global Leader for KPMG Forensic, Petrus is responsible for the development of KPMG Forensic practices around the world. This includes promoting specialisation, enabling training, client targeting, driving financial growth & performance, drafting & implementing strategies, and ensuring global standardisation & quality control. One of the more important aspects of his role is to remain ahead of developing trends in managing the risk of fraud and its consequences.



Herman de Beer

Forensic South Africa Leader | M: +27 (0)82 719 2533 | E: herman.debeer@kpmg.co.za

Herman leads our South African Forensic practice with 187 dedicated forensic staff, including 15 Partners. He has more than 27 years of experience in conducting Forensic investigations and this broad experience has seen him work with clients across all industries and all aspects of Forensic work. This includes providing services with regards to Anti-Bribery & Corruption, Fraud Investigations, Forensic Technology, Corporate Intelligence, Dispute Advisory, Anti-Money Laundering and Fraud Risk Management.



Roy Muller

Anti-Bribery & Corruption Leader – South Africa | M: +27 (0)83 397 3319 | E: roy.muller@kpmg.co.za

Roy is a Chartered Accountant with over 19 years of experience in assisting clients with re-active and pro-active forensic services. Roy understands the uniqueness and complexities of ABC compliance in different markets having worked in the United Arab Emirates, Pakistan, Mozambique, Lesotho and Botswana. Roy's local and international ABC experience spans the Financial, Mining, Oil & Gas, Hospitality, IT, Construction and Retail sectors. He is passionate about assisting clients in turning their ABC compliance into a competitive advantage.



Roy Waligora

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Roy has 15 years specialist experience in Forensic. His work has been varied in the public and private sector and includes Anti-Bribery & Corruption work, fraud & financial investigations, quantification of losses and litigation support in various matters. More recently, Roy has focused his attention on work in the Oil & Gas sector. Roy has also led several risk assessment projects focusing on potential fraud risks and points of ethical conflict. He has conducted assignments in the United States, the United Kingdom, Greece, France, The Netherlands, Switzerland, India, Hong Kong, Kenya, Namibia, Nigeria, Malawi, Mozambique, Zimbabwe and the United Republic of Tanzania.



Déan Friedman

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Déan is a director and the Investigations leader for KPMG EMA and South Africa. Déan commenced his career as a prosecutor and state advocate in the service of the Director of Public Prosecutions, where he was responsible for the prosecution of involved and high level fraud and other commercial crime cases in the South African Regional and High Courts. During the past 17 years, Déan was employed in the forensic and investigative accounting environment, where he, at various stages, conducted, managed and co-ordinated investigations in South Africa, Botswana, the Kingdoms of Lesotho and Swaziland, the United Kingdom, the Isle of Man, Mozambique, the United Republic of Tanzania, Zimbabwe, Malawi, Nigeria, Namibia, Canada, the United Arab Emirates, Lebanon and Iraq.



Leon Fouché

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Leon has 23 years of experience in fraud & corruption investigations, litigation support, operational & financial due diligence, formal court and arbitrational matters. Leon commenced his career as an investigator at the Commercial Crime Unit of the South African Police Service in 1991, where he was responsible for the investigation of fraud, theft and corruption matters. Leon's experience with KPMG Forensic includes conducting and managing investigations in the Republic of South Africa, Botswana, The Kingdoms of Swaziland and Lesotho, Zimbabwe, Kenya, Burundi, Eritrea, Malawi and Nigeria across various industries such as the public sector, rail utilities, telecoms, industrial utilities, mining utilities, central banks, banks, regulatory authorities, large corporates and tertiary institutions.



Annatjie Steyn

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Annatjie has a background as a public prosecutor and attorney in private practice. She has with the Forensic business unit in KPMG for more than 10 years with a primary focus in Regulatory Compliance from both a pro-active and reactive perspective. Annatjie specialises in reviews regarding an entity's compliance with International Anti-Bribery & Corruption legislation. Annatjie's forte is developing custom-made roadmaps to compliance for clients and enjoys the challenge of matching a client's business needs with their compliance requirements.

