



## News release

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### **More than US\$11b in fines fails to deter global corruption, EY survey finds**

- ▶ **38% of executives across 55 countries say corruption occurs widely in business**
- ▶ **Levels of bribery and corruption in emerging markets still twice that of developed markets**
- ▶ **20% of respondents under the age of 35 would justify cash payments to win or retain business**

*LONDON, 25 APRIL 2018.* The scale of bribery and corruption has shown no improvement globally since 2012, despite the unprecedented level of enforcement activity and introduction of new corporate criminal liability laws in that time. This is according to the 15th *EY Global Fraud Survey*, which surveyed 2,550 executives across 55 countries.

This year's survey found that despite regulators and law enforcement agencies around the world imposing more than US\$11b of financial penalties since 2012, 38% of global executives still believe bribery and corrupt practices remain prevalent in business.

Andrew Gordon, EY Global Fraud Investigation & Dispute Services Leader, says:

“The lack of improvement in global levels of corruption over the last six years shows that unethical behavior in business remains a daunting challenge, despite intensified global enforcement.

“While corruption remains so prevalent, businesses remain vulnerable to significant financial and reputational harm. Management teams must identify and address the root causes of unethical conduct in their organization. Compliance programs need to keep pace with the



impact of rapid technological advancements and the increasingly complex risk environment on business operations. More robust risk management should be considered a strategic means of improving business performance.”

### **Emerging markets still exhibit higher levels of corruption**

The difference in levels of corruption between countries remains significant, with 20% of respondents in developed markets indicating that bribery and corruption occurs widely in business, compared with more than half (52%) of those in emerging markets.

Regions in which corruption risks were higher than the global average included Central and Eastern Europe (47%), the Middle East (62%) and Latin America (74%), despite improved anti-corruption legislation and more active enforcement in some countries.

Overall, the findings show that there is often a lag between the introduction of stronger anti-bribery laws and reduced corruption, with Brazil, the Netherlands and the UK showing this trend. Brazil, for example, has seen the introduction of legislation and increased enforcement over the last four years. Yet, 96% of Brazilian respondents indicate that corrupt practices occur widely in business – an increase from 80% in 2014 when the new laws were introduced. In the US, however, where enforcement of the Foreign Corrupt Practices Act (FCPA) intensified in the mid-2000s, perceived levels of corruption fell this year to 18%, an improvement from 22% in 2014.

### **Mismatch remains between intention and performance**

Integrity sits high on the board agenda, the survey finds, with 97% recognizing the importance of their organization being seen to operate with integrity. Although improved customer perception, staff retention and business performance were all seen as benefits of demonstrating integrity, there remains a mismatch between intentions and actual behavior. Thirteen percent of respondents say they would justify making cash payments to win or retain business. Interestingly, this rises to 20% among those that are under the age of 35 years old.

The report suggests that organizations need to make it clear that acting with integrity is everyone’s responsibility, and while that includes the importance of management setting the right tone from the top, it also involves individual employees. The findings show that 22% of respondents feel that individuals should take primary responsibility for their organization behaving with integrity, while 41% say it is management’s primary responsibility. And the report



indicates that there may be some level of disillusionment among companies with regards to their ability to “walk the walk” when it comes to managing misconduct. Seventy-eight percent of respondents believe their organizations have the clear intent of penalizing misconduct, but only 57% are aware of people having actually been penalized.

Ensuring that ethical conduct is managed effectively is not only an issue that needs to be dealt with internally, but also with third parties and those acting on behalf of the organization, according to the report. Yet third-party due diligence also seems to be a low priority, with only 59% of respondents indicating they have a tailored risk-based approach to due diligence on third parties.

Gordon says: “The pressing challenge for management and the board, therefore, is to build a robust culture of integrity and compliance in which employees do the right thing because it’s the right thing to do, and not just because a company code of conduct says they should.

“The encouraging news is that with today’s advances in forensic data analytics, companies can leverage new technologies to increase the effectiveness and efficiency of their efforts as they seek to improve investigation and compliance outcomes.”

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#### **Notes to Editors**

#### **About EY**

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#### **About the survey**

Between October 2017 and January 2018, our researchers — the global market research agency Ipsos MORI — conducted 2,550 interviews in the local language with senior decision-makers in a sample of the largest companies in 55 countries and territories. The polling sample was designed to elicit the views of executives with responsibility for tackling fraud, mainly CFOs, CCOs, general counsel and heads of internal audit.

### Perceptions of respondents of bribery/corrupt practices happening widely in business in their country/region

The table below shows the percentage of survey respondents who perceive that bribery/corrupt practices occur widely in business in their own country/region. Results are based on a sample size of 50 for each country/region except where stated.

<b>Question to respondents: Bribery/corrupt practices happen widely in business in your country/region?</b> <i>Figures below relate to 'yes' responses</i>					
2018 Rank	Country/region	% 2018	% 2012	L4L Rank <sup>1</sup>	2012 Rank
1	Brazil	96	84	1	2
2	Colombia	94	92	2	1
3	Nigeria	90	72	3	7
4	Kenya	88	76	4	5
5	Peru	82	N/A	N/A	N/A
6	South Africa	80	64	5	14
7	Cyprus	80	N/A	N/A	N/A
8	Mexico	70	60	6	15
9	Ukraine*	70	84	7	3
10	Argentina	68	68	8	10
11	Italy	68	74	9	6
12	Hungary	66	58	10	17
13	Slovakia	66	N/A	N/A	N/A
14	Bulgaria	60	N/A	N/A	N/A
15	Czech Republic	56	80	11	4
16	Malaysia	56	44	12	20
17	Philippines	54	N/A	N/A	N/A
18	Greece	46	68	13	11
19	Portugal	46	N/A	N/A	N/A
20	Saudi Arabia	46	N/A	N/A	N/A
21	Israel*	44	N/A	N/A	N/A
22	Lithuania	44	N/A	N/A	N/A
23	Indonesia	42	72	14	8
24	India	40	70	15	9
25	Australia & New Zealand**	38	14 <sup>2</sup>	16 <sup>2</sup>	29 <sup>2</sup>
26	Middle East	38	44	17	21
27	Chile	34	24	18	25
28	Romania	34	30	19	24
29	UK	34	14	20	30
30	Turkey	32	52	21	18
31	Canada	30	14	22	31
32	Russia	28	48	23	19

33	Spain	22	34	24	23
34	Belgium	20	10	25	37
35	France	20	16	26	28
36	Poland	20	20	27	26
37	South Korea	18	N/A	N/A	N/A
38	Luxembourg	18	N/A	N/A	N/A
39	USA	18	14	28	32
40	China (mainland)	16	14 <sup>3</sup>	29 <sup>3</sup>	36 <sup>3</sup>
41	Hong Kong	14			
42	Japan	12	14	30	33
43	Ireland	10	14	31	34
44	Norway	10	14	32	35
45	Singapore	10	4	33	39
46	Austria	6	20	34	27
47	Denmark	6	N/A	N/A	N/A
48	Netherlands	6	6	35	38
49	Taiwan	6	N/A	N/A	N/A
50	Finland	4	N/A	N/A	N/A
51	Sweden	4	4	36	40
52	Switzerland	2	0	37	42
53	Germany	2	2	38	41

Source: EY Global Fraud Survey 2018 *Integrity in the spotlight - The future of compliance*

Table shows percentage of respondents answering "applies."

<sup>1</sup>L4L = Like for Like - country/regions that were surveyed in both 2012 and 2018

<sup>2</sup>In 2012 only Australia was surveyed

<sup>3</sup>In 2012 China (mainland) and Hong Kong were reported together

\*Ukraine and Israel 25 respondents

\*\*Australia 40 respondents, New Zealand 10 respondents