

Press Release

Date: 1 October 2008

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PricewaterhouseCoopers report finds nearly two-thirds of global companies have faced corruption

Nearly two-thirds of senior executives around the world say they have experienced some form of actual or attempted corruption in their business dealings, according to a report by PricewaterhouseCoopers LLP. The report 'Confronting Corruption: The business case for an effective anti-corruption programme' finds that almost 80% of executives say they have anti-corruption programmes in place at their company, but only 22% are confident the programs are effective.

PricewaterhouseCoopers commissioned the Economist Intelligence Unit to conduct a global survey and in-depth interviews with senior executives and anti-corruption specialists. Survey respondents, comprised of 390 senior executives from 70 countries, indicated the significant operational impacts of corruption:

- 63% said they had experienced some form of actual or attempted corruption;
- 45% said they had not entered a specific market or pursued a particular opportunity because of corruption risks;
- 39% said their companies had lost bids because of corrupt officials; and
- 41% said their competitors had paid bribes.

Executives say they feel particularly vulnerable to corruption when doing business in expanding markets, such as China, India, Russia and South America. In addition, 70% of the executives surveyed stated that a better understanding of corruption would help them compete more effectively, make better decisions and improve corporate social responsibility as they enter new business environments.

Slovak managers have similar opinions, as seen from their answers to a recent survey on economic crime organized globally by PricewaterhouseCoopers:

- 32% of companies in Slovakia reported suffering one or more economic crimes in the past two years.
- The most widely reported type of crime is asset misappropriation (stated by 23% of companies); followed by corruption and bribery at 13%.
- Corruption and bribery are perceived to be the greatest threat. Nearly 30% of all companies believe that corruption and bribery is the most prevalent type of economic crime in Slovakia.
- In the last two years, 22% of companies in Slovakia have been put into situation where they felt they were being asked to pay a bribe. Moreover, almost 36% of respondents felt they had lost an opportunity to a competitor that was believed to have paid a bribe.

Jan Vylita, Director for forensic services at PricewaterhouseCoopers Slovensko, says:

“Corruption is not an issue only for Slovak society, but is a global phenomenon. However, we have been observing a significant increase in activities of regulators, police departments, and other bodies in their fight against corruption in recent years. More and more companies make sure that, without the existence of clear rules for payments to consultants, representation costs, and other similar payments, their firm is exposed to a risk of regulatory fines and penalties.”

In addition to the obvious monetary damages that corruption causes, the damage to a company's reputation is also of major concern. When asked about the fallout from corruption allegations, 55% of respondents to the survey say the most severe impact would be to their corporate reputation – a greater percentage than the combined total of those who say legal, financial and regulatory impacts would be the most severe. 50% of Slovak respondents indicated that they had suffered collateral damage – the most serious damage included a decline in workers' morale and damage to the company's reputation.

While companies are generally responding to the risk of corruption, the survey indicates that many companies' underlying policies and controls do little to identify and mitigate risk due to poor design or implementation:

- Slightly less than half say their programme is clearly communicated and enforced.
- Rigorous risk assessment, a crucial step in programme design, is overlooked by more than half of those surveyed and only 25% perform proactive risk assessments or monitoring.
- Only 40% of respondents believe their current controls are effective at identifying high-risk business partners or suspect disbursements.

It is not, however, all bad news; drawing from interviews with experts and real life case studies from global companies, the report provides practical guidance for operating in challenging environments. Leveraging efforts by leading non-governmental organisations focused on the issue, the report also includes a model for an effective anti-corruption programme that can be tailored to any environment.

Notes:

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