



**IS YOUR CHINA COMPLIANCE
FUNCTION KEEPING UP WITH
YOUR GLOBAL PROGRAMME?**

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Presenter – Juliet Lui

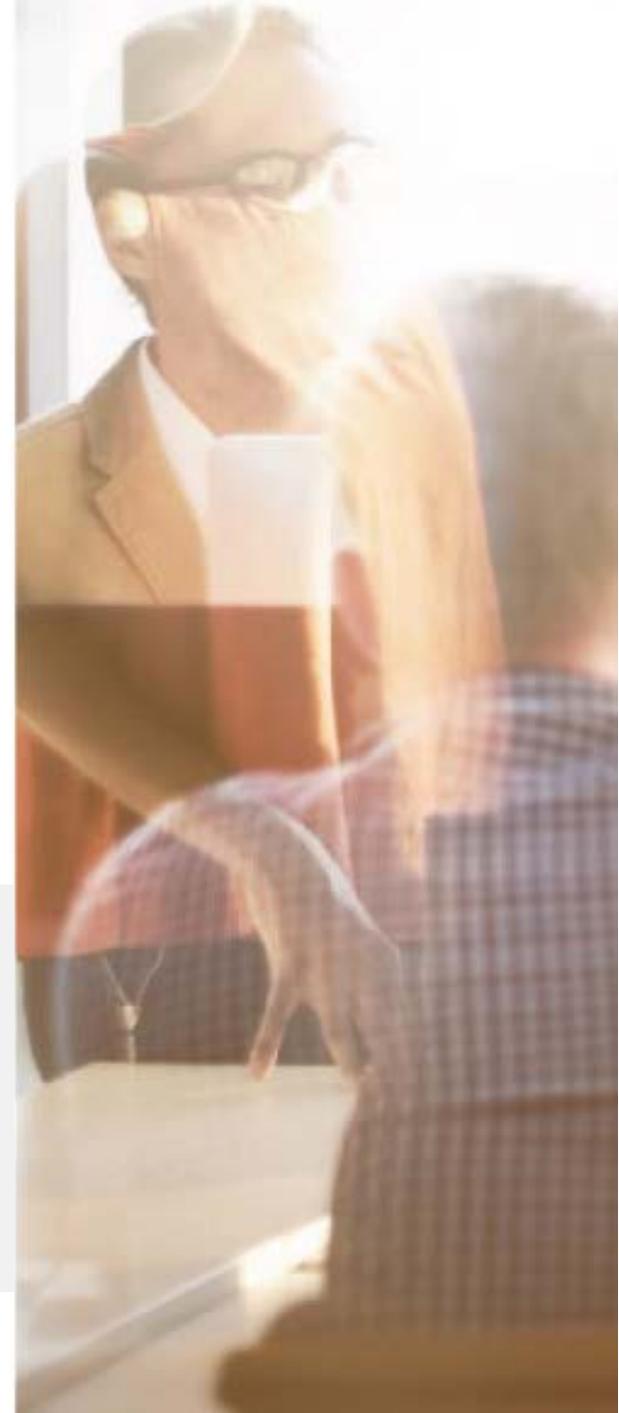


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► About The Red Flag Group

The Red Flag Group is a global professional services firm specialising in integrity and compliance risk. We have completed over 500,000 due diligence reports in the past 10 years and work with many Fortune 500 companies.



Presenter – Sean Chen

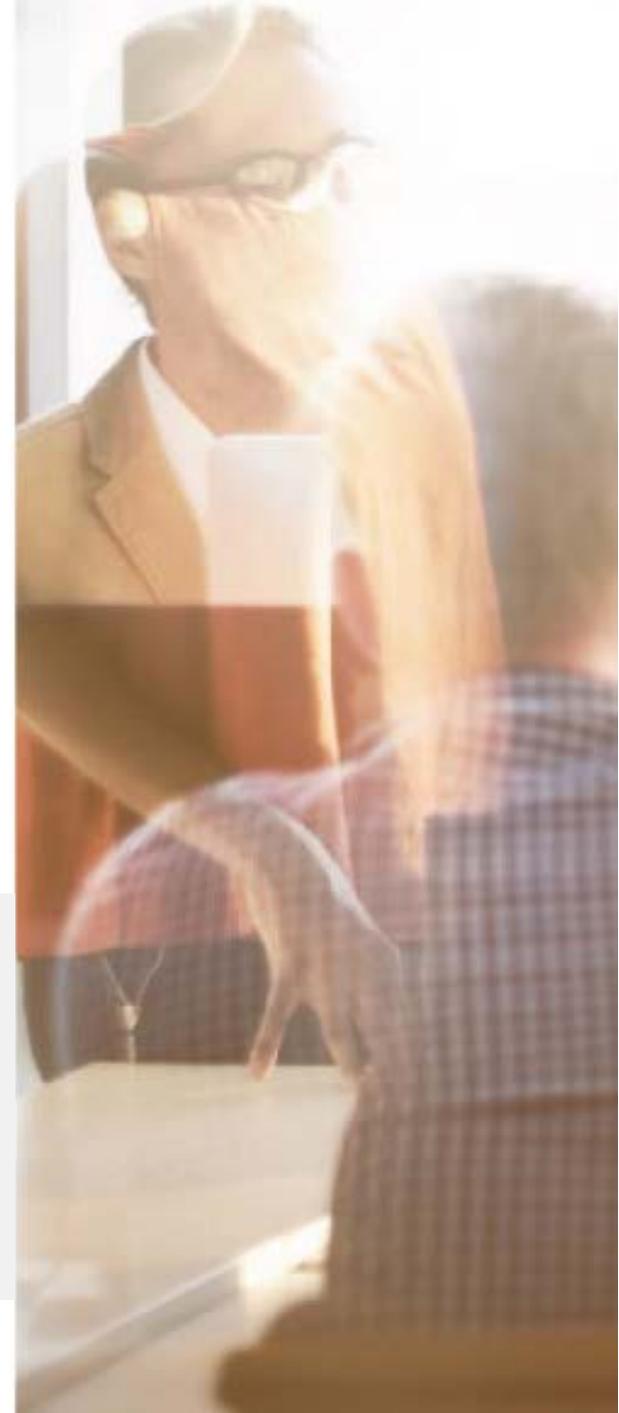


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The Cultural Norms Observed in China

Most
recognizable
Chinese
traditions



Relationship or “GuanXi”



Entrepreneurship



Man (or Woman) of Rule



Face Culture



Person of Character

How is Your Compliance Programme Working in China?

The Most Common Reasons on Why Compliance Programmes Fail in China

- ▶ Failure to win support from business units;
- ▶ Over-reliance on the system rather than people;
- ▶ Lack of resources with experience in China;
- ▶ Due diligence programmes limited to a box-ticking approach;
- ▶ Compliance training curriculums commonly seen as cookie-cutter;
- ▶ Enforcement actions largely relying on a periodic audit or review.

Case Study: Due Diligence as another “box to tick”

Background

- Our clients are nearly all MNCs who design their third party compliance programmes at their headquarters
- E.g. Whom do we conduct due diligence on?
- What do we do with the red flags? How do we remediate?

Lessons Learnt

- Occasionally, when we come into contact with local / regional compliance teams, they dispute our red flags
- E.g. when we rate a report as a “Red” risk, they may come back and argue with an “Amber” or even a “Green”

● Success story

- Local compliance teams have the risk of “going local”
- We can empower them by giving them more information to equip them to go back to the business

You’d be surprised how often we get asked to “downgrade” risk to appease the business

Building Trust is Key

How should you build a trustworthy relationship or GuanXi with the local business units?



Be an industry and regulatory expert



Empower front-line employees to be compliance ambassadors



Integrate a compliance programme into day-to-day operations



Evaluate how reasonable an organisation's goal setting process is



Focus efforts on compliance programme's value proposition

Compliance Training Requires Innovation

How should you make your compliance training programme more relevant and effective?



Prioritize in-person and online training options



Consider the board of directors and top management as key training targets



Design training curriculums that reflect job functions and real-life scenarios



Focus training contents on preventive controls and solutions

Case Study: Training

Background

- A U.S. IT listed company engaged the RFG to deliver the compliance training for its China region
- Their China presence = 8 physical locations and over 1,000 employees.
- We designed the training content for (1) in-person and (2) on-line training in Chinese.
- Content included Code of Conduct and Anti-bribery Policy as well as payments for Channel Activities, Gifts & Entertainment Policy, and Anti-Money Laundering Policies).
- We completed 22 training sessions within 11 days.

• Success story

- Nearly all our content was based on live experience relative to the business functions, such as sales, purchasing, accounting/finance and marketing.

Lessons Learnt

- Having senior management and function leaders attend was critical.
- People asked interesting questions, e.g. dinner with government officials, anti-trust issues in connection with social media (e.g. Wechat), what constitutes a conflict of interest?

Where are your
largest sales
markets?

They should be a
priority for in-
person training

A Compliance Team is an Enabler and Facilitator

What attributes should your local compliance team have?



Well versed in the local cultures



Legal and compliance background and the ability to understand the local and international regulations



A good understanding of industry practices and regulatory risks associated with relevant business models



Compliance personnel with local investigative skillsets



External experts to fill in a knowledge and experience gap

Questions and more information?



- Integrity due diligence reports
- Compliance screening
- Investigations
- Proactive monitoring
- Professional services
- Compliance technology solutions
- Supply-chain risk management
- Compliance training
- Compliance outsourcing

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