



Bribery and corruption due diligence in the apparel supply chain

13 February 2019, 17:00-16:00

Partner

Transparency International Germany

Objective of the session

This session will look at how companies can prevent corruption in the apparel supply chain and will explore the link between a company's human rights and environmental due diligence efforts. The OECD and Transparency International Germany will explore this topic through an open dialogue focussed on five "Frequently Asked Questions".

Background

Corruption in global supply chains remains an endemic issue, with bribery and kickbacks representing one of the most common forms of integrity risks. For example, 75%-85% of the integrity incidents identified by Omega Compliance related to bribery and kickbacks.¹ Business to business bribery may include requests for payments for favourable findings by auditors or merchandisers demanding commissions from suppliers in order to do business. Bribery of foreign officials is likewise present in the supply chain including in relation to the bribery of inspectors or in the process of securing licenses to operate. Extortion – for example, threatening an auditor to report him or her unless a manufacturer passes an inspection or associates requesting loans—have also been identified as growing issues. Finally, employees holding conflicting business interests, for example whereby an employee in a sourcing hub holds an interest in a supplier, is likewise a risk in the sector.² The prevalence and normalcy of bribery and corruption in many operating contexts make it particularly challenging to address.

Despite the complexity, addressing bribery and corruption in the supply chain is particularly important in light of its strong links with human rights and labour impacts. In the apparel sector, this relationship is often indirect, for example when an inspector is bribed to allow an unsafe building to pass inspections which results in the injury or death of workers. In recognition of these linkages, companies should not address anti-corruption compliance and human rights due diligence in silos. Due to potential criminal and civil penalties associated with bribery, companies tend to focus on this issue in isolation, only considering legal compliance to avoid sanctions on the enterprise. Educating compliance officers and company leadership on the connectedness of these two issues could lead to stronger dialogue and collaboration between the distinct parts of the firm that handle these issues.

¹ Omega Compliance (June 2017), Supply Chain Corruption: The Elephant in the Room, <https://www.omegacompliance.com/supply-chain-corruption-webinar/>

² Ibid.

Table. Evaluating scale, scope and irremediable character of bribery in the context of due diligence

Examples of scale	Examples of scope	Examples of the irremediable character
<ul style="list-style-type: none"> • Monetary amount of the bribe • Loss of life caused by the bribery • Criminal nature of the bribe • Size of the profit gained from the bribery 	<ul style="list-style-type: none"> • Frequency at which bribes are paid • Geographic spread of bribery • Number and/or level of officials, employees or agents engaged in bribery • Extent of activities linked with bribery • Number of identifiable groups impacted by decisions based on bribery 	<ul style="list-style-type: none"> • Extent of damage to society due to loss of public funds • Extent to which activities undertaken and enabled by bribery will lead to irremediable adverse impacts

The establishment of clear policies backed by control measures, training for staff on how to handle situations in which bribery is observed or demanded, and strong whistle blower protections are cornerstones of anti-bribery and corruption due diligence, including within the supply chain. Establishing pro-active approaches to anti-bribery and corruption due diligence may be even more important within the supply chain context. For example, companies relying on third-party auditors should seek to understand how those auditors are combatting bribery and corruption in their own operations. Pro-active approaches may also be particularly relevant in the apparel supply chain as some producing economies have very strong worker protection laws, which require a very high burden of proof, thus making it particularly difficult to implement zero-tolerance policies.

Discussion questions

Five high-level questions that will be addressed by the speakers during the session:

1. For which processes/transactions are bribery and corruption risks most prevalent in the garment and footwear sector and its supply chain?
2. What are the challenges to addressing bribery and corruption risks in the sector?
3. What needs to be done to help overcome those challenges?
4. What are leading practices in carrying out bribery and corruption due diligence in the sector supply chain?
5. What role can governments and stakeholders play in helping to encourage due diligence on this?

For more information

- Preventing Corruption in the Supply Chain: How companies can address challenges, Alliance for integrity, Partnership for sustainable Textiles, Global Compact Network Germany, https://www.textilbuendnis.com/wp-content/uploads/2018/03/Afln_Korruptionspraevention-in-der-Lieferkette_E_20180302_WEB_v4.pdf
- Omega Compliance (June 2017), Supply Chain Corruption: The Elephant in the Room, <https://www.omegacompliance.com/supply-chain-corruption-webinar/>
- (2016) Linking human rights and anti-corruption compliance, Global Compact. https://www.globalcompact.de/wAssets/docs/Korruptionspraevention/Publikationen/Human_Rights_and_Anti_Corruption_Compliance.pdf