Short Session Report

Session Title: Holistic Approaches to Supply Chain Management: Corruption as a Gateway to Other Crimes
Date & Time: Saturday, December 3 • 11:30 - 13:30
Report prepared by: Brian Ulicny, Sr. Director – Data Science, Thomson Reuters

PLEASE INCLUDE BEST QUOTES!

Experts:

Anita Househam, UN Global Compact
Ruth Freedom Pojman, Senior Advisor, CTHB, OSCE
James Swenson, Head of Proposition, Risk Managed Services, Thomson Reuters
Peter van Veen
Director, Business Integrity Programme, Transparency International UK

Moderated by: Axel Threlfall, Editor-at-Large, Reuters
Session coordinated by: Jo Webb, Global Engagement Manager, Thomson Reuters

Main issues raised in kick off remarks. What’s the focus of the session?

Companies have many third parties (suppliers, partners) and face regulatory (e.g. US FCPA, UK Bribery Act) and reputational risks in dealing with them. They need to vet and monitor their supply chains for risks like slavery/forced labor and illegal forestry.
Issues like human trafficking and corruption are interlinked, as other sessions have noted. Kleptocracies are often at high risk of slavery as well. The same is true of wildlife trafficking. Supply chain risk assessment must take this into account. Risk is one area is often an indicator of risk in another.

Six steps are necessary for risk mitigation: 1. Proportionate procedures - develop policies around on boarding new suppliers. 2. Adopt a strong tone at the top. 3. Have a risk assessment process that can handle tens of thousands of suppliers. 4. Conduct due diligence. Are we comfortable that there is no evidence of wrongdoing? 5. Training for suppliers. Suppliers need to complete in order to continue. 6. Once on-boarding is done, must continue to monitor. Once a program is in place for e.g. bribery/corruption, easy to expand to other issues, e.g. environmental crime.

Standards like the Global Compact motivate supply chain due diligence. Reputational risks pose a real threat to shareholder value.

Auditing rights are being written into supplier contracts but then not utilized.

Companies often situate distributors and other intermediaries between them and problematic suppliers in order to outsource
What initiatives have been showcased? Briefly describe the Game Changing strategies/ ideas (if applicable)

New regulations like the UK Modern Slavery Act, UK Bribery Act, Executive orders on US federal procurement and standards like the UN Global Compact provide real incentives to monitor supply chains thoroughly. This enables increased scrutiny that has a real effect.

New regulations allow US customs authorities to hold up shipments on the basis of suspicions of e.g. forced labor. This was previously allowed under a consumptive need loophole.

The need to mitigate real reputational risk arises through social media and pressure from millennials. Risk mitigation motivates increased surveillance.

Big multinational corporations are now requiring that their suppliers undergo ongoing training on core issues like forced labor and corruption, pushing visibility down the supply chains further.

Briefly describe the highlights including the thematically interesting questions and ideas that were generated from the discussion or from the floor, and session quotes.

Many questions were asked as to what can be done about false compliance efforts and compliance in name only.
We talk about companies scrutinizing their suppliers, but what about the need for companies to scrutinize their customers, as well?

What are the key recommendations, follow-up Actions (200 words narrative form)

Algorithmic and data-driven approaches are needed to assist companies with supply chain vetting and monitoring, which can be too overwhelming or labor-intensive for compliance staff.

Compliance must be a part of the company’s culture and not just the domain of a few compliance staff.

Companies must not become so bogged down with supplier compliance that they unfairly penalize SMEs, as AML regulation has bogged down onboarding banking new entities.

New regulatory pressure enables the funding of comprehensive, high quality data collection with uniform standards across geographies and time that can be utilized by many.
Key Insights that could be included in the IACC Declaration

New regulatory measures and standards motivate companies to monitor their supply chains for a range of regulatory and reputational risks. These should be expanded widely across jurisdictions to encourage uniform enforcement. These efforts have the virtuous effect of producing more data with more comprehensive coverage that enables more effective monitoring.

Rapporteur’s name and date submitted
Brian Ulicny, 3 Dec. 16

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