



MANAGING THIRD PARTY RISK:

Only as strong as your weakest link

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FOREWORD

Third parties are critical to companies. The modern global enterprise is an extended enterprise - the creator and hub of a complex and symbiotic network of third parties. By using the skills and resources of third parties a company can grow its business, access new markets and harness innovation and resources. It can also leverage its influence and core strengths to energise its third parties to grow and contribute to this process.

That said, reliance on third parties brings risks. Companies are increasingly dependent on others and face a significant challenge in controlling the multiple dimensions of their businesses. While they are benefiting increasingly from concentration of the supply chain on critical third parties, this also increases vulnerability to risks such as bribery and corruption, disruption to continuity of operations, environmental or labour concerns and legal or reputational damage.

To protect against risks, companies must choose their third parties with care, ensure they operate to required standards and monitor their performance. The challenge is how to select, manage and monitor a third party population of diverse companies and to identify, understand and mitigate the truly relevant risks.

With this guidance, Transparency International UK and Transparency International USA make an important contribution to the field of third party anti-bribery management. Its purpose is to provide companies with recommendations for best practice and I am sure it will be useful for practitioners in benchmarking their own programmes.

Tamara Davies

Trustee, Transparency International UK
Head of Compliance and Corporate Secretariat, Vodafone plc

PRINCIPLES

The following principles identify critical aspects of best practice in anti-bribery management of third parties:

- 1 Ensure an enabling company environment of governance and commitment to integrity**
Provide a positive enabling corporate culture with commitment to values, ethics and integrity and effective governance, oversight and accountability.
- 2 Integrate your approach**
Develop and implement an integrated and consistent approach for managing third parties across the company's operations. Clearly assign responsibilities for third party management and ensure a cross-functional working and risk-based approach, supported by tone from the top.
- 3 Build trust and constructive relationships with third parties**
Foster positive relationships with third parties and shared goals to enable better understanding and identification of risks.
- 4 Identify all your third parties**
Identify and register all your third parties and collect, analyse and store relevant information about them, including their ownership, how they operate, their integrity and anti-corruption standards and any significant bribery and corruption risks.
- 5 Use a risk assessment process for addressing third party risks and ensure the level of resources provided is commensurate with the level of risk**
Use a risk assessment process to identify, segment, mitigate and monitor the risks and risk factors attached to different types of third parties and use this information to design the criteria used in due diligence and to design and/or improve the overall anti-bribery programme.
- 6 Apply a systematic procedure for engaging third parties**
Adopt a comprehensive and consistent approach to registering, screening and engaging third parties to ensure that engagements are made to desired standards and that procedures are tailored to the different types of identified risks.
- 7 Carry out an appropriate level of pre-engagement due diligence on third parties**
Carry out due diligence proportionate to risks identified for different types of third parties, with a focus on those of highest risk. Use pre-defined risk criteria to assess individual third parties for inherent risk and vary the level of due diligence accordingly.
- 8 Use tailored communications and training, together with advice and reporting mechanisms, to manage third party relationships**
Provide tailored communications and training to third party relationship managers and third party employees, commensurate with the level of risk. Provide third parties with access to confidential advice and speak-up channels and follow up any credible reports.
- 9 Implement rigorous monitoring procedures to deter and detect bribery incidents and breaches of the anti-bribery programme**
Require high risk third parties to self-certify annually that they have complied with the anti-bribery programme. Repeat due diligence periodically for existing third parties. For high risk parties and where there is a significant bribery concern, exercise contractual audit rights.
- 10 Review and evaluate the effectiveness of the third party anti-bribery programme periodically**
Report on the performance of the anti-bribery third party management programme to the board and senior management periodically, together with recommendations for improvements.
- 11 Report publicly on your anti-bribery management of third parties**
Provide up-to-date information in an accessible manner to communicate to stakeholders your company's anti-bribery commitment and anti-bribery measures related to third parties.

1 INTRODUCTION

The top 10 Foreign Corrupt Practices Act settlements have all involved bribery originated by companies and channelled through third parties including consultants, agents and joint venture partners¹.

This guidance, part of a continuing series of anti-bribery publications by Transparency International UK (TI-UK) and Transparency International USA (TI-USA), aims to provide companies with recommendations for best practice for countering bribery in their supply chain. Although aimed at larger companies, the content may be helpful to small and medium enterprises (SMEs) as well as regulators, lawmakers, prosecuting agencies and professional advisors.

Increasing exposure to third party bribery risk

Third parties and intermediaries in particular are the single greatest area of bribery risks for companies. These risks are growing as companies move into new markets and put ever more of their operations in the hands of third parties. In this dynamic and challenging arena, anti-bribery programmes need to be tested regularly to provide confidence that they are suitable for countering third party risks and are working effectively.

There are compelling factors driving the increased use of third parties. The globalised economy, shaped by new technology, provides companies with opportunities to expand into new markets. Often these high growth markets are remote from the head office with higher levels of corruption and differing cultures from the home market. In other markets, to be competitive requires cost reductions, lean and just-in-time processes and access to advanced technologies often requiring outsourcing, offshoring and use of specialist third parties.

A 2016 global survey found that 40 per cent of 267 senior compliance executives surveyed believed their organisation's bribery and corruption risks would increase in the coming year. The top reasons were attributed to global expansion (55 per cent), increases in the number of third party relationships (54 per cent) and increased enforcement of existing regulations (51 per cent)².

¹ <http://www.fcablog.com/blog/2016/2/19/heres-our-new-top-ten-list-with-vimpelcom-landing-sixth.html> [accessed 20th June 2016]

² The Year of Global Expansion and Enforcement: 2016 Anti-Bribery and Corruption Benchmarking Report (Kroll and Ethisphere, 2016), p.11 and p.14.

Wide scope of third party bribery risk

It is important to recognise that bribery risks are attached to many kinds of third party relationships. Companies may think that some types of third parties fall outside bribery legislation. In fact, there is no distinction between different types of third parties under the UK Bribery Act or the US Foreign Corrupt Practices Act (FCPA). Under the FCPA, companies have been held liable or put under investigation for improper actions involving various types of third parties. Examples are Olympus (distributor³), Panalpina (shipping agents⁴), Siemens (business consultants⁵) and Technip (joint venture⁶). Tellingly, the first settlement under the UK Bribery Act invoking the corporate offence of failure to prevent bribery involved bribery by a third party - a local partner appointed to represent then Standard Bank (now called ICBC Standard Bank) in contract negotiations with the Tanzanian government⁷.

Although the focus of this guidance is on preventing bribery originated by or arising from lax controls of third parties, there is another significant source of risk: that originating within the company itself. Invariably, interest by companies in third party anti-bribery management centres on risks originating with their associates, but the reality is that the top 10 FCPA settlements have all involved bribery instigated from within companies and channelled through third parties, including through consultants, agents and joint venture partners⁸.

Third parties provisions in UK and US anti-bribery legislation

UK Bribery Act: Section 1 and Section 6 of the Act expressly prohibit bribes made through third parties. Section 7 makes companies liable for bribery intended to benefit them by associated persons, defined as persons who perform services for or on behalf of the company. Section 8 states that the capacity in which such services are performed does not matter, though there is a rebuttable presumption that employees are associated persons.

The US Foreign Corrupt Practices Act (FCPA): The Act expressly prohibits corrupt payments made through third parties or intermediaries. The fact that a bribe is paid by a third party does not eliminate the potential for criminal or civil FCPA liability. The FCPA expressly states that a company or individual may be held directly liable for bribes paid by a third party if the principal has knowledge of the third party's misconduct. It is unlawful to make a payment to a third party, while "knowing" that all or a portion of the payment will go directly or indirectly to a foreign official. The term "knowing" includes "conscious disregard" and "deliberate ignorance". Intermediaries may include joint venture partners or agents. Third parties and intermediaries themselves are also liable for FCPA violations.

A Resource Guide to the U.S. Foreign Corrupt Practices Act (Department of Justice, November 2012), pp. 21-23⁹

3 http://cache.olympusamerica.com/static/msg_section/documents/2016/Foreign-Corrupt-Practices-Act---OLA-Deferred-Prosecution-Agreement.pdf [accessed: 21st June 2016].
 4 <http://blogs.wsj.com/corruption-currents/2010/11/04/panalpina-settlements-announced-with-2365-million-in-penalties/> [accessed: 20th June 2016].
 5 <https://www.wilmerhale.com/pages/publicationsandnewsdetail.aspx?NewsPubId=95919> [accessed: 20th June 2016].
 6 <https://www.sec.gov/news/press/2010/2010-110.htm> [accessed: 20th June 2016].
 7 <https://www.sfo.gov.uk/2015/11/30/sfo-agrees-first-uk-dpa-with-standard-bank/> [accessed: 20th June 2016].
 8 <http://www.fcpablog.com/blog/2016/2/19/heres-our-new-top-ten-list-with-vimpelcom-landing-sixth.html> [accessed: 20th June 2016].
 9 <https://www.justice.gov/criminal-fraud/fcpa-guidance> [accessed: 20th June 2016].

2 THE ENABLING ENVIRONMENT

To ensure third party bribery risk is properly managed, it is critical that the company has its own house in order and that its efforts to manage third parties are properly supported.

This section highlights three principles that will support a company's management of third parties:

1. Governance and commitment to integrity
2. Organising for anti-bribery management of third parties
3. Building trust in your relationships

Principle 1. Ensure an enabling company environment of governance and commitment to integrity

Provide a positive enabling corporate culture with commitment to values, ethics and integrity and effective governance, oversight and accountability.

2.1 Governance and commitment to integrity

Bribery risk can arise from weak corporate cultures where third parties are not held to high standards of integrity, but are given free rein to achieve desired results with company employees not wanting to know the details. Third party anti-bribery management can only be effective if it is embedded in a corporate culture of values, integrity and good governance.

Effective governance means that the board (or equivalent senior leadership) exercises oversight of the anti-bribery programme, including the bribery risks attached to third parties. They need to understand the relevant legislation, sanctions and associated risks, agree the risk approach and ensure that relevant controls are designed and adequate resources provided. They should clearly assign responsibility to senior management for implementing the third party anti-bribery programme.

Third party management should also be supported by a clear tone from the top. As part of the company's compliance programme, the board and senior management should clearly and strongly communicate the importance of vetting and managing third parties to employees in different business units and functions, as well as to the third parties themselves.

Governance and commitment to integrity – examples of good practice

- **Ensure tone from the top:** Ensure that senior management appear in training videos and internal communications, including those targeted at employees responsible for managing third party relationships.
- **Conduct site visits:** Arrange for senior management of business units to conduct local site visits to convey the company's expectations and standards to staff and leadership.
- **Create employee champions:** Appoint "champions" or "ambassadors" for third party management in different departments.

2.2 Organising for anti-bribery management

Principle 2. Integrate your approach

Develop and implement an integrated and consistent approach for managing third parties across the company's operations. Clearly assign responsibilities for third party management and ensure a cross-functional working and risk-based approach, supported by tone from the top.

Managing third party relationships is complex and involves many different functions spread across the company's operations. Misaligned processes and undefined responsibilities can lead to bribery risk. The company should therefore ensure that the anti-bribery programme reaches across the company and is applied to a consistent and required standard.

A PwC 2013 survey of 209 companies with a global footprint reported that 60 per cent of the companies considered alignment between partners in the supply chain as the most important capability enabler. This was followed by alignment and integration between internal business functions which scored 47 per cent¹⁰.

There are many organisational challenges attached to managing third parties and countering bribery risk. Above all, management and the board may not have a complete picture of the company's activities for countering third party bribery risks and may lack understanding of the risks or fail to give them the required level of attention. A further challenge is integrating the management of bribery risk with other forms of third party risk, such as financial, human rights, data privacy and cybersecurity risks.

“We have Management Business Reviews (MBRs), where members of the legal and compliance teams sit with our business teams (some of whom are compliance ambassadors for the organization). These meetings allow for cross-functional assessments of labour and financial risks, for example. (Some risks for the company are owned by finance and I sit in that working group as well.) We have approximately 10 key enterprise risks and working groups and the MBRs bring them all together to allow inputs from the commercial, legal, compliance and finance sides.”

Interview, senior compliance officer

¹⁰ PwC and the MIT Forum for Supply Chain Innovation: Making the right risk decisions to strengthen operations performance (PwC, 2013), p.10.

An integrated approach – examples of good practice

- **Allocate responsibilities:** Give overall responsibility and accountability for third parties to a senior manager and assign clear managerial responsibilities across the company. Business units should have responsibility for managing relationships with third parties and embedding the anti-bribery programme into their activities.
- **Integrate your approach to risk management:** Apply consistent standards, policies and procedures across the organisation, including coherent automated data systems and tools. A central risk management function may be used to guide risk management across the company, including countering bribery in third parties.
- **Involve and empower support functions:** Ensure that functions such as compliance, legal, finance, procurement, internal audit, risk management, security, human resources and corporate affairs are fully appraised of the bribery risks attached to third parties. Clearly communicate their roles in supporting line management and countering bribery in the supply chain and ensure they are adequately resourced to carry this out.
- **Ensure cross-functional working:** Ensure that country and business units and support functions work together. This will involve integrating the approach to managing risks attached to other issue areas within compliance and sustainability.
- **Guide local decision-making:** Ensure there is local application of third party anti-bribery measures. Local management know the local culture and risks and are best able to respond to changing circumstances. At the same time, there will be a balance between central and local management and the company will need to ensure that local management itself is supported to manage risks such as misinterpreting or failing to implement policies and procedures - or even acting improperly. It can do so, for example, through risk-based visits by legal and compliance, enhanced communication for high-risk units and periodic “check-ins”.

“All anti-corruption programme decisions used to go through a single person. This was a huge choke hold. This has been changed so that each of our five business areas has a separate person who can review and approve most efforts independently. They have weekly meeting with the overall compliance head, acting as a team and sharing information to promote consistency.”

Interview, senior compliance officer

2.3 Building trust in your relationships

Principle 3. Build trust and constructive relationships with third parties

Foster positive relationships with third parties and shared goals to enable better understanding and identification of risks.

Bribery risk can arise from dysfunctional relationships with third parties, where misaligned objectives and communication gaps can lead to third parties dismissing corporate integrity standards in favour of quicker and cheaper performance. Anti-bribery compliance can easily be seen as a burden by the third party and addressed on a tick-the-box basis, undermining the effectiveness of training, contractual provisions and other controls.

Companies can manage these risks of misunderstanding and compliance fatigue by working to ensure that employees and third parties have agreed on common goals and strive together for excellence and corporate standards of integrity.

“Make time for those conversations with third parties to explain your company’s ethical and compliance expectations and make sure that your business partners understand those expectations and are on board. Bring home the concept that our interests are aligned with the business relationship thereby facilitating a position that they—as the business partner—do not want any improper or concerning incidents to occur. Those conversations set a benchmark for their dealing with other companies. Also, internally, make time for those conversations with the business side to ensure issues are addressed properly and promptly.”

Interview, senior compliance officer

Countering bribery in third parties is more likely to be effective when the company operates positive relationships and builds trust with third parties, aligning objectives and working towards shared goals. Relationship management is a critical tool: the relationship manager is the link between the company and a third party and they should not only manage the contractual aspects but also promote the business value of complying with the company’s standards, including the anti-bribery policy.

Building trust – examples of good practice

- **Align your expectations:** Align anti-bribery communications to third parties with wider corporate expectations on integrity, professionalism and quality.
- **Assign formal responsibility:** Give relationship managers formal responsibility in relation to anti-bribery due diligence, training and monitoring of high risk third parties. For example, responsibility can be addressed through job titles, appraisals and performance reviews.
- **Ensure consistency:** Establish initiatives for quality management of integrity and consistency in approach to relationship management. For example, create “ambassadors” or working groups dedicated to anti-bribery third party management and provide tailored anti-bribery resources and training to relationship managers.

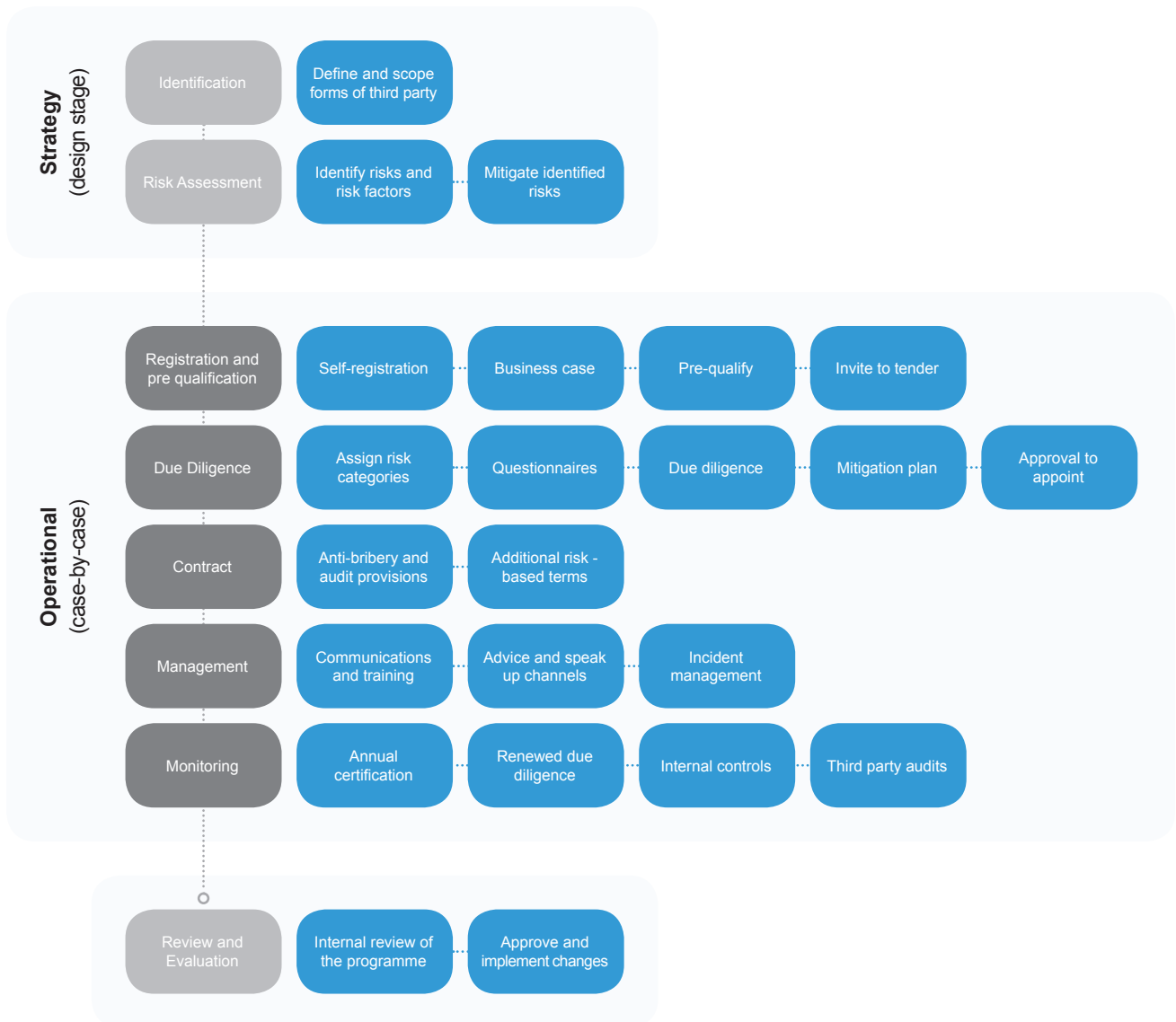
“Diageo aims to achieve unrivalled performance in our supply chains through developing mutually rewarding relationships with suppliers who deliver excellent service, consistently achieve our quality standards, manage business risks, drive out cost and innovate to increase value. Equally we expect and encourage our suppliers to commit to achieve high standards and consistent progress in business ethics and sustainability.”

Diageo's Standards of Business Ethics and Sustainability for Suppliers, 2012¹¹

¹¹ https://www.diageo.com/Lists/Resources/Attachments/773/PwS_EN_LowRes_v2.3_Oct12.pdf [accessed 20th June 2016].

3 THE THIRD PARTY ANTI-BRIBERY FRAMEWORK

This section sets out seven components that form the core of good practice in third party anti-bribery management: a systematic process for identifying, engaging and managing third parties. This process is outlined in the diagram below:



“A Third Party Risk Management Programme can also reduce oversight costs by focusing due diligence and monitoring efforts on the most critical and risky services, rather than using a ‘one-size-fits-all’ approach. In the end, the right framework can help improve the bottom line in a number of ways, including reduction in compliance-related penalties, fewer service disruptions, less intense regulatory scrutiny, a smaller number of third parties, higher customer confidence and more appropriately trained and placed resources.”

PwC FS Viewpoint (PwC, 2015)

3.1 Identification

Principle 4. Identify all your third parties

Identify and register all your third parties and collect, analyse and store relevant information about them, including their ownership, how they operate, their integrity and anti-corruption standards and any significant bribery and corruption risks.

To achieve effective procedures to counter bribery, the company should have a clear understanding of its third party population. Depending on the size and type of business it conducts, a company may have a handful, hundreds or thousands of third parties and the types of third parties can be homogenous or vary widely.

For example, a 2016 report on a survey of 267 senior executives found that 17 per cent of respondents engaged with more than 25,000 third parties¹². Some companies already have comprehensive records, but many companies do not know how many third parties they have or hold sufficient, relevant and consistent information on those for which they do have records.

A third party is any associate with which a company carries out its activities¹³. The company’s third party population¹⁴ can include:

- Vendors/suppliers
- Distributors/resellers
- Joint venture partners/consortium partners
- Advisors and consultants (tax, legal, financial, business)
- Service providers (logistics, supply chain management, storage, maintenance, processing)
- Contractors/subcontractors
- Lobbyists
- Marketing and sales agents
- Customs or visa agents
- Other Intermediaries

¹² Kroll and Ethisphere, 2016, p.7.

¹³ In this guidance we do not treat subsidiaries as ‘third parties’ because, as controlled entities, subsidiaries should be subject to the company’s anti-bribery programme. See Business Principles for Countering Bribery (Transparency International, 2013), p.8.

¹⁴ Good Practice Guidelines on Conducting Third Party Due Diligence (Geneva: WEF, 2013) contains descriptions of each of the types of third parties listed here.

Corruption risks can be found in relationships with many kinds of third parties. Under the FCPA, companies have been held liable or under investigation for improper actions by distributors, subcontractors, resellers, sales agents, suppliers, customs agents and brokers, legal service providers, freight forwarders, marketing advisors, real estate agents, joint venture partners, lawyers, accountants and lobbyists¹⁵. The highest bribery risk lies with agents, as they are authorised to represent the company. However, bribery risk is also associated with other forms of intermediary, such as lobbyists and law firms. Suppliers can also bring substantial risks, such as bid-rigging and kick-backs.

In order to obtain a high-level view of the risk profile of its third party population, a company should gather basic information on all its third parties, which will be used in the next step of risk assessment, as described more fully at section 3.2. This information gathering step applies to all existing third parties and policies need to be adopted and procedures designed for the systematic gathering of this information for all new third parties.

Depending on its size and risk profile, the company may take a centralised or decentralised approach to information gathering. For example, in a large company with a consolidated third party population, the process may be led by the risk, legal and/or compliance functions. A smaller company or a company with a large and diverse third party population may instead mandate business units to carry out identification and risk assessment themselves within a set timeframe, using a standardised process and a central register.

The information to be gathered includes information about the country in which the third party is based and where the services are provided, the volume of business with the third party and the nature of the work it performs. Categories of work posing higher risks include representing the company before government agencies or other third parties, performing services on behalf of the company and having contacts with government officials.

Identification – examples of good practice

- **Define third parties:** Have a clear understanding and definition of third parties. Label and describe what each type of third party does for the company.
- **Think ahead:** Keep in mind the needs of risk assessment and due diligence, which will rely on an accurate and complete picture of your third party population. Make an initial decision on what information you will need to gather at each stage. This will range from basic data for all third parties to extensive information for the highest risk third parties. Identify what suitable information you already hold.
- **Create a centralised database:** Create a centralised database where all information on third parties will be stored. Ensure enough flexibility to allow for additional categories of information to be added.
- **Plan the process:** Set out a clear process for gathering information and populating the database. Information can be gathered in various ways, such as accounts payable records, contracts held by legal departments and contracting functions and surveys of operating functions to find out who they see as their third parties and the nature of the relationships.
- **Map out lower tiers:** When describing and categorising your third parties, consider the extent to which they in turn rely on associates to conduct their business. If they are highly dependent on subcontractors, lower tiers in the supply chain or Politically Exposed Persons (PEPs), this will be relevant to the risk assessment process and information on these parties should be recorded.
- **Comply with laws:** Review the requirements of compliance with data and privacy laws for the jurisdictions which you and your third parties may fall under. There may be restrictions on the types of data you are allowed to collect, store or disseminate, or the matter in which you are permitted to do so¹⁶.

¹⁵ <https://www.sec.gov/spotlight/fcpa/fcpa-resource-guide.pdf> [accessed 20th June 2016].

¹⁶ There may also be certain instances where you cannot engage a third party due to other legal restrictions, such as sanctions.

3.2 Risk assessment

Principle 5. Use a risk assessment process for addressing third party risks and ensure the level of resources provided is commensurate with the level of risk

Use a risk assessment process to identify, segment, mitigate and monitor the risks and risk factors attached to different types of third parties and use this information to design the criteria used in due diligence and to design and/or improve the overall anti-bribery programme.

A “one-size-fits-all” approach to third party bribery risk management risks diluting resources and diverting focus from the highest risk third parties and may result in inadequate supervision or unethical behaviour that damages the company.

A third party risk assessment process allows companies to develop a proportionate approach capable of identifying and responding appropriately to higher risk third parties. It does this by identifying and assessing factors driving third party bribery risk and using this information to devise risk categories based on types of third parties and other pre-defined criteria. These criteria are then used in the due diligence process, described at section 3.4.

The results of risk assessments should also be used by management to decide the scale of resources to be allocated to due diligence, third party management and monitoring. Management can also use the results of risk assessments to design the approach to phasing and prioritising types of third parties and other risk factors.

Risk assessments should be repeated periodically to allow senior management and the board to judge what is working effectively, understand emerging risks and make amendments to the anti-bribery programme. As risk assessment is used to design criteria for due diligence, periodic risk assessments may also lead to new due diligence requirements for different forms and risk levels of third party, described at section 3.8.

“The commercial organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.”

Guidance to the UK Bribery Act, UK Ministry of Justice

Steps in third party risk assessment

Bribery risk assessment is critical to an effective and efficient third party anti-bribery framework. The key objective is to understand the risk factors associated with different types of third parties in enough detail to allow consistent categorisation and proportionate risk mitigation.

The steps set out below focus on third party risk, drawing upon TI-UK's publication *Diagnosing Bribery Risk* which gives a comprehensive description of anti-bribery risk assessment methodology¹⁷.

Figure 1 – Steps in the third party bribery risk assessment process



Risk assessment step 1 – Plan, scope and mobilise: The methodology and reporting lines for third party bribery risk assessment should be aligned with the risk assessment process for other risk areas (such as sustainability, labour and security). Decisions also have to be made about scope, including the extent to which the process will be applied to lower tier third parties, such as sub-contractors.

¹⁷ *Diagnosing Bribery Risk* (Transparency International UK, 2013), p.12
<http://www.transparency.org.uk/our-work/publications/10-publications/678-diagnosing-bribery-risk> [accessed 20th June 2016].

Risk assessment step 2 – Gather information about typical third party risks: Obtain sufficient information to form a comprehensive view of the bribery risks related to the types of third parties used by the company (i.e. the ways in which bribery might take place, especially where differing by type of third party). Key information sources are listed in the table below.

Risk assessment - sources of information on risks

- Internal documentation, such as due diligence records, incident reports, whistleblowing reports and audit reports
- Internet research, such as reports of bribery law enforcement
- Company's management and employees, especially those operating locally and those responsible for contracting with and managing relationships with third parties
- Support functions, such as compliance, purchasing and contracting
- Professional advisors and anti-corruption consultants
- The company's third parties
- Trade associations and chambers of commerce, such as reports on sectoral or market corruption issues
- Embassies and High Commissions

In addition, interviews should be held with key third parties, such as major suppliers and contractors operating in high risk jurisdictions and/or sectors, to get perspective on attitudes to due diligence, monitoring and audits, and any cultural considerations related to the subject of bribery and corruption. These interviews should be conducted with the most senior personnel possible at the relevant third party to obtain as informed and complete a view as possible.

Risk assessment step 3 – Identify general risk factors: Analyse the information to draw up a comprehensive definition and description of the bribery risk factors attached to the types of third parties used by the company (i.e. the reasons why bribery might be more likely to take place).

Risk assessment – risks and risk factors

A risk is the possibility that an event will occur and adversely affect the achievement of objectives. Third party bribery risk is the risk of offering, paying or receiving a bribe through an intermediary or any third party (individual or corporate) acting on the company's behalf, exposing the company to potential legal and reputational damage.

Some examples of risks posed by third parties are:

- A distributor pays bribes to customs officials to move goods across borders.
- An agent uses part of its fees to bribe procurement officials to award a contract to the company.
- A supplier offers a kick-back to a company employee to award it a contract.

A risk factor is a circumstance, internal or external to the company, which heightens the likelihood of a risk. The difference can be broadly characterised in the questions 'What could go wrong and how might it happen?' and 'Why might it happen and how likely is it to do so?'

Some examples of third party risk factors are:

- Operations in countries with high levels of corruption
- Operations in sectors vulnerable to corruption
- Interaction with public officials
- Provision of critical services
- Dependence on critical licenses to operate
- Reliance on lower tier third parties
- Authorisation to represent the company
- Unusual payment demands, methods or amounts

For example, the company will want to identify the typical risk factors to which third parties operating in different sectors are exposed. The OECD Foreign Bribery Report of concluded foreign bribery cases identified that two-thirds of the cases occurred in four sectors: extractive (19 per cent), construction (15 per cent), transportation and storage (15 per cent) and information and communication (10 per cent), although this does not mean that a company in sectors other than those listed will not have a high level of risk¹⁸.

¹⁸ OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials (OECD, 2014), p.8.

The table below illustrates some sector-specific risks and risk factors:

Figure 2 – Examples of sectoral risks and risk factors

Sector	Example risks and risk factors
Extractive	Long-term fixed investments usually in countries presenting a high risk of corruption. Contracts are lucrative and involve dealing with governments at all levels, national and subnational. Reliance on many tiers of contractors and suppliers, consortia, joint ventures and consultants.
Engineering and construction	Numerous companies with variations in standards of compliance programmes. Dependence on public contracts where bribes may be demanded. Reliance on joint ventures and consortia, many tiers of contractors and use of agents or other intermediaries to handle local concerns, such as planning approvals.
Transportation and storage	Bribes to customs and border officials. Small bribes (“facilitation payments”) paid to port and canal officials.
Telecommunications	High level of regulation and government engagement. Highest risk suppliers are involved in network build and infrastructure where there are substantial costs involved, such as site rental and tower construction. Joint ventures are also a risk area.
Drinks and beverages	Thousands of distributors and perhaps hundreds of bottlers. Bribes may be demanded in awarding contracts and concessions. Bottlers may face demands from public officials for bribes related to planning approvals or utilities supply such as water.
Financial services	Third party introducers or producing brokers use bribery. Suppliers bribe to win office or systems contracts.
Pharmaceuticals and healthcare	High level of regulation and government engagement, including sales to medical professionals who may be classed as government officials. Use of bribes, hospitality and gifts in marketing through distributors, sales agents and joint ventures; use of bribes to obtain desired results from clinical research organisations in clinical trials and approvals from regulators.
Defence and security	High degree of opacity due to national security concerns. Long and globally integrated supply chains. Large, long-term contracts and protracted negotiations. Highly technical products. Close involvement of governments. Sales agents may act as vehicles for corporate bribery or engage in corrupt behaviour under pressure to win sales campaigns.

This guidance looks specifically at the bribery risks arising from third parties. However, bribery risk exists within companies where third parties are used by management and employees as channels to route bribes. The largest bribery scandals have involved channelling bribes in this way, often through local subsidiaries, to intermediaries such as hospitality agents or consultants. The OECD Foreign Bribery Report of concluded foreign bribery enforcements found that corporate leadership was involved in, or at least aware of, the practice of foreign bribery in most cases. In 41 per cent of the cases, management-level employees paid or authorised the bribe and in 12 per cent of the cases the CEO was involved¹⁹. Another related risk is that of kick-backs where employees receive bribes from awarding contracts.

¹⁹ OECD, 2014.

Risk assessment step 4 – Assign risk categories to different types of third parties and other risk criteria:

This step links the general risk assessment process with the due diligence process for assessing individual third parties (described at section 3.4).

Allocate each type of third party used by the company to a risk category, based on the typical risk factors associated with this type of third party. The most common framework is to use three levels of risk - high, medium and low – but companies may decide this framework does not work for them. The numbers allocated to each category will vary significantly by sector and by company. Keep in mind that the approach is to stratify third parties to focus attention on those of highest risk. This means keeping an eye on the numbers in the high risk category to make sure they are manageable given the dedicated amount of resources. Typically, high risk third parties will comprise 2-15 per cent of a company's third party population²⁰.

Decide whether additional risk criteria are required for the due diligence process to identify high risk third parties. Depending on the typical bribery risks identified for the company's sector and business model, this may include criteria to identify a range of different issues; such as whether the third party has links with local government, whether the proposed relationship includes a long-term and exclusive contract, whether the type of service to be provided will involve extensive and unsupervised interaction with public officials or whether the payment method or amount is unusual.

Risk assessment step 5 – Define the process for mitigating identified third party risks: Once the company's third party bribery risk profile is understood, the company should decide how it can best mitigate these risks, including by tailoring actions for certain types of third party and for specific risk factors.

This process starts with the design of the third party anti-bribery framework (described at sections 3.1 to 3.8). A critical first step is to define the methodology for due diligence, working up from the risk categories for types of third parties and any additional risk criteria for risk rating individual third parties (described at section 3.4). Depending on the risks identified, the company may decide to take additional actions.

For instance, as a result of identifying new or changed third party risks the company could enhance its enabling environment (described at sections 2.1 to 2.3). This could include a range of different activities; such as new communications with a greater focus on certain risk factors, introducing enhanced cross-functional monitoring of certain types of high risk third parties or providing additional support for managing relationships with third parties used in certain markets.

The company may decide to eliminate or reduce the use of certain high risk parties, such as agents and consultants, with special approval processes where they are required by local laws. Companies may also reduce the number of third parties they have to improve oversight and manage risks more effectively. Care needs to be taken to manage the impact of such rationalisation on other strategic objectives, such as by monitoring for disproportionate impact on smaller or local suppliers.

Some risks may require additional mitigation through action external to the company, such as collective action or working with governments or intergovernmental bodies. For example, businesses that comply with the World Customs Organisation SAFE Framework requirements are eligible for faster processing of goods by customs, which translates into reduced time, costs and possibly reduced bribery risks²¹.

²⁰ Interview with a professional services advisor.

²¹ World Customs Organisation (WCO) SAFE Framework of Standards to Secure and Facilitate Global Trade (WCO, June 2015), p.5.

Risk assessment – examples of good practice

- **Focus on high risks:** Focus your efforts and resources on identifying and mitigating the inherently highest risks. This may require, for example, devoting more human resources and budget to gathering information on identifying risk factors in high risk locations, sectors or relationships and seeking external help where the company itself is unable to gather the necessary information to make an assessment of risk factors and best mitigating responses to risks.
- **Take a comprehensive approach:** Ensure a unified approach across operations with cross-functional working, avoiding silos.
- **Integrate your approach:** Align the risk assessment process with those for other issue areas. This can be achieved through inter-company exchanges between different risk owners, or through a central risk function that sets standards and processes.
- **Stay alert:** Avoid falling into habits of routine or rote approaches to risk assessments and being blind to the real or emerging risks. Use checks and validation methodologies to identify emerging issues such as risk scenario modelling, brainstorming, forensic data analysis, statistical quality control and the expertise of employees. Proactively identify new sources of information on the various risk factors.
- **Be open-minded:** Have an open mind about high risk types of third parties. For example, in a 2010 action under the FCPA, six oil and gas companies had to pay a total of US\$236.5 million in fines for bribes made on their behalf by their freight forwarder (Panalpina) and for falsely recording the payments as legitimate business expenses²². Years ago, freight forwarders may have been seen as low risk. Today, they are commonly subject to heightened due diligence and monitoring procedures.
- **Gain buy-in:** Build the commitment of employees and third parties to the risk assessment process by involving them in its development and through communication and training.
- **Document the process:** Document the risk assessment. This will help guide further risk assessments and will be important for audits and for investigation of incidents. It will also serve as evidence of the adequacy of the process for regulatory investigations.

²² <https://www.justice.gov/opa/pr/oil-services-companies-and-freight-forwarding-company-agree-resolve-foreign-bribery> [accessed 22nd June 2016].

3.3 Registration and pre-qualification

Principle 6. Apply a systematic procedure for engaging third parties

Adopt a comprehensive and consistent approach to registering, screening and engaging third parties to ensure that engagements are made to desired standards and that procedures are tailored to the different types of identified risks.

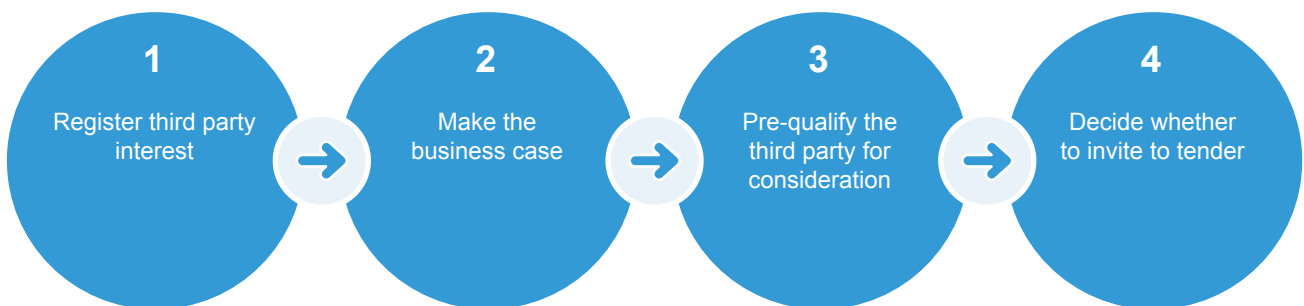
Bribery risk can arise from third parties being engaged through variable and incomplete processes, leaving the company unable to apply efficient and appropriate controls due to silo working and unreliable standards. Specific risks range from company procedures being undermined by local work-arounds for urgent requirements to deliberate falsification of third party documentation.

To mitigate these risks, a company should devise a policy and procedures to be followed in advance of entering into any future business relationships. These should describe the steps that employees must follow when engaging with third parties, including renewal of such engagements, and should be consistently applied across the entire organization. The policy and procedures may include: a definition of third parties and other relevant terminology (e.g. PEPs, public officials) and relevant examples; a description of the onboarding process; guidance on the responsibilities of different departments, including for approvals/sign-offs; and information on monitoring requirements.

Consistent registration of all potential third parties is the first stage in ensuring that the company is associated only with third parties that meet required standards, including those for integrity and no toleration of bribery. Though beyond the scope of this guidance, general procurement policies and controls can provide an initial basis for building bribery-specific procedures for engaging third parties.

The process outlined in this section relates specifically to new third parties. However, existing third parties also need to be brought in line with the company's standards and the process can be adapted for this purpose, described at section 3.9.

Figure 3 – Steps in the registration process



Registration step 1 – Register third party interest: This is the initial point at which a potential third party is recorded in the company’s system. It can be an unsolicited online registration by a company wishing to record its interest in becoming a third party or when the company invites a third party to tender. The purpose is to identify and record basic information on those who have or might have a relationship with the company. The registration webpage can also provide a point at which the company first communicates its expectations of third parties.

Specific risk	Registration control
Unethical third parties exploit private or commercial relationships with company staff to obtain preferential treatment in selection for tender.	Obtain and compare third party information to internal records to identify potential conflicts of interest. Require third parties to attest that they have not provided any gifts, hospitality or other benefits to company staff. Require third parties to declare any personal or commercial relations with company staff.

Registration step 2 – Make the business case: Before inviting companies to bid for a contractual relationship a business justification is approved by management, with counter signatures and approval thresholds. Any known risks might be highlighted at this point. This stage may not be necessary for third parties being considered for low value, low risk contracts.

Managers should ask questions to challenge the business case put forward and determine the process by which the third party was selected to identify any early risks. For example:

- What is the nature of the services to be provided?
- Is there an alternative to using an external third party?
- Is there already an approved third party that provides the same type of service in the jurisdiction?
- Who introduced the third party to the company?

Specific risk	Registration control
Rush contracts circumvent the controls at this stage.	Documented business cases are required as a key gateway control for subsequent stages (for example, prior to approval of contract or initial payment). Senior management review reports on all rush orders.
A third party is unnecessary and the business case is fabricated.	Definition of requirements is required as part of business justification and used as part of the tender evaluation process. Management review of large contracts or where other risk factors exist. Counter signatures are required for proposals to engage new third parties.

Registration step 3 – Pre-qualify third party for consideration: Potential third parties are required to provide basic information to allow the company to assess their suitability for being considered further. The majority of this information will relate to the company’s general procurement procedure but some aspects will be directly relevant to bribery risk management. Typically the company will require the potential third party to complete a Pre-qualification Questionnaire (PQQ), covering basic information such as:

- Financial information
- Ownership, directors and officers
- Summary of credentials and capabilities
- Any required certifications or third party attestations, for example related to information security, environmental performance and anti-bribery systems (such as certification under the forthcoming ISO 37001)
- Any past litigation or public administrative sanctions against the company or management, including any related to corruption

If satisfactory information is supplied, the third party is recorded as suitable for invitation to bid but not yet approved for engagement. If the third party proceeds to the due diligence stage then this may involve requests for further information (the overlap between pre-qualification and due diligence is described at section 3.4, step 2).

The company may choose to rely on external providers for some of the pre-screening information. For instance, Supplier Ethical Data Exchange (Sedex) is a not-for-profit organisation that gathers data on suppliers globally on sustainability issues and gathers information using extensive questions on business ethics which are completed by suppliers and validated by Sedex audits²³.

Specific risk	Registration control
Falsification of information.	Review of data before inviting to tender, with the depth of review depending on the risk category assigned to the third party during the risk assessment process.

Registration step 4 – Decide whether to invite to tender: Data from the PQQ is evaluated for quality and accuracy before entering into discussion with the third party or inviting bids. Medium and high risk third parties and companies tendering for a large contract may need to satisfy some preliminary due diligence before they can be invited to tender. The due diligence process is described in detail at section 3.4.

Specific risk	Registration control
Bid rigging among suppliers to distort the tender process through collusion on bids. Bribery to obtain advance information or alter specifications in favour of a particular supplier. Bribery or kick-backs used to win contracts, loans or supplies.	Segregation of duties, authorisations and counter-signatures in the registration and tender process. Management review of changes to specifications. Preliminary screening on third parties bidding for high-value contracts for indications of bid rigging and collusion.

²³ <http://www.sedexglobal.com/> [accessed 22nd June 2016].

3.4 Due diligence

Principle 7. Carry out an appropriate level of pre-engagement due diligence on third parties and repeat periodically

Carry out due diligence proportionate to the risks identified for different types of third parties, with a focus on those of highest risk. Use pre-defined risk criteria to assess individual third parties for inherent risk and vary the level of due diligence accordingly.

Due diligence screens third parties for red flags to enable the company to avoid association with third parties which could lead to reputational damage or legal liability. It is a systematic, periodic process carried out when entering into or renewing a contract or agreement with a third party. It commonly receives the greatest attention in countering bribery in third parties. According to a Kroll and Compliance Week 2014 survey, nearly all companies surveyed conducted due diligence on third parties with an increase from 87 per cent in 2013 to 97 per cent in 2014²⁴.

Even so, companies struggle to design and implement an effective due diligence process due to large numbers of third parties, variations in their forms and activities, the multiplicity of risks and uncertainty on how best to assess risks.

The due diligence process

Companies must find a suitable methodology for screening their third parties to ensure they obtain the right information to discover red flags and assess the level of integrity and compliance of a third party against consistent criteria. While focused on identifying high risk third parties, the due diligence methodology should be capable of managing large numbers of third parties within the available resources and without disproportionate time and effort for the majority of low risk third parties.

The company can reach a deeper level of understanding of higher risk third parties through a deeper level of diligence. Depending on the circumstances, this may include in-person meetings with senior officials of the third party, a site visit, obtaining information on the third party and principals from specialised databases and engagement of in-country experts to provide additional due diligence. If a decision is made to proceed with the third party, the engagement should be commensurately controlled and monitored, as described at sections 3.6 and 3.7.

The methodology should be built on the results of the company's third party bribery risk assessment, making use of the risk categories for types of third parties and other bribery risk factors to structure decision-making for individual third parties (described at section 3.2, steps 4 and 5). These pre-defined risk criteria allow the company to assess individual third parties for inherent risk and vary the level of due diligence accordingly.

The methodology should also be shaped by the risk approach set by the board and matched against norms for due diligence, including guidance from regulators, professional advisors and anti-corruption initiatives. The company can also learn from past cases and releases by authorities such as the UK Serious Fraud Office, UK Financial Conduct Authority, the US Department of Justice and the US Securities and Exchange Commission.

²⁴ 2014 Anti-Bribery and Corruption Benchmarking Report: Untangling the Web of Risk and Compliance (Kroll and Compliance Week, 2014), p.8.

Guidance from governments on due diligence

“The purpose of this Principle [Due Diligence] is to encourage commercial organisations to put in place due diligence procedures that adequately inform the application of proportionate measures designed to prevent persons associated with them from bribing on their behalf.”

UK Ministry of Justice, The Bribery Act 2010 - Guidance, March 2011

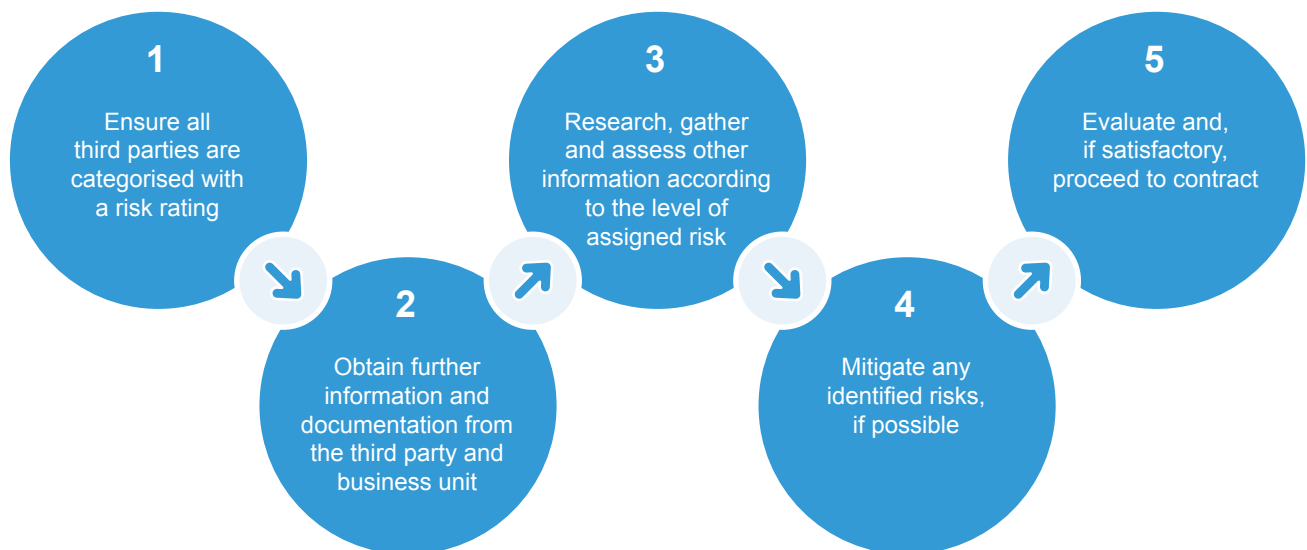
“... [P]erforming identical due diligence on all third party agents, irrespective of risk factors, is often counterproductive, diverting attention and resources away from those third parties that pose the most significant risks. DOJ and SEC will give meaningful credit to a company that implements in good faith a comprehensive, risk-based compliance program, even if that program does not prevent an infraction in a low risk area because greater attention and resources had been devoted to a higher risk area.

... Risk-based due diligence is particularly important with third parties and will also be considered by DOJ and SEC in assessing the effectiveness of a company’s compliance program.”

A Resource Guide to the U.S. Foreign Corrupt Practices Act (Department of Justice, November 2012), pp 59-60

The methodology suggested in this section can be adapted by companies according to their risk profile and the size and nature of their third party population.

Figure 4 – Steps in the due diligence process



Due diligence step 1 – Assign a risk rating: Assign overall risk ratings to third parties by scoring them against pre-defined criteria (developed through the risk assessment process and based on types of third parties and additional risk factors). For example, if using three levels of third party risk, decide in which level the particular third party belongs.

When assigning an overall risk rating to a particular third party, the company will check the type of third party and associated risk category and will also need to look for additional risk factors such as:

- How large is the contract the third party is bidding for?
- Is the contract in question unique/a one-off?
- What is the compensation structure for the third party? (e.g. sales commissions)
- What are the goods or services being provided? (e.g. lobbying, business development)
- How was the third party referred to the company? (e.g. by a public official)
- Does the third party have an anti-bribery programme and does the programme meet the company's own standards?

The overall risk rating assigned to a third party will determine the appropriate level of due diligence. For example:

- **High risk:** This category receives the most attention, with detailed information gathering from the third party and public record research, often supported by market intelligence gathering. This level will often require face-to-face interviews and on-site visits (sometimes called “boots on the ground” due diligence).
- **Medium risk:** This category will typically require some information gathering from the third party additional to the PQQ followed by public record research to verify the information and identify any significant legal, regulatory or reputational issues.
- **Low risk:** This category requires very limited or no further information beyond the initial PQQ. If the relationship owner is aware, either through the PQQ or dealings with the third party, of any issues, this could raise the risk rating to medium risk. Very small contracts or spot purchases up to a specified threshold are not subjected to due diligence unless the PQQ throws up a red flag such as a connection to a foreign public official or past improper behaviour.
- **Sampling:** Due diligence at the level higher than the assigned risk category is carried out on a statistically valid sample of the medium and low risk companies to provide a check that the methodology for assigning risk categories is working.

Due diligence step 2 – Obtain further information: For medium and high risk third parties, further information and documentation is requested using a third party questionnaire and business unit questionnaire. The level of detail of the questionnaires will correspond to the risk category of the third party. Use of an electronic workflow system will enable these and any other communications with the third party to be recorded centrally. It can also serve as a repository for documents provided by the third party, such as a code of conduct, anti-bribery policy or proof of registration. The company should be prepared for red flags or questions to emerge and to expand the gathering of information accordingly in step 3. Red flags may include obscure ownership structures, resistance to requests for information, negative media coverage and links to senior public officials or other PEPs. A sample list of red flags is provided in Appendix 1..

It is important that the due diligence requirements imposed on the third party strike the right balance between the information required and the burden of providing this information. Designing a process that requires a well-resourced in-house compliance department to comply with your requirements will make it too burdensome for small and medium enterprises (SMEs) and local companies where the primary language is different from that of the company, amongst others. Using existing standard forms or establishing them through industry bodies or initiatives may help reduce the burden on third parties. It is also worth noting that in some jurisdictions or sectors general awareness of and engagement with anti-bribery and corruption is very low, which has the effect of disadvantaging local companies competing for business. In these cases, the company may consider investing in education, for example through collective action initiatives, to increase awareness and to create a level playing field in jurisdictions where the company operates.

Figure 5 – Example of information required in a third party due diligence questionnaire

- Company information documents
- Beneficial ownership
- Any PEPs associated with the company
- Integrity of directors, partners, proprietors or associates: details of any factors such as bankruptcy, criminal record, failure to pay taxes
- Financial information
- Description of facilities and management assigned to work with the company
- Detailed descriptions and testimonials of experience and expertise
- Copies of relevant policies and procedures, including code of conduct and those for anti-corruption
- Copies of relevant certifications and licenses
- Description of any current and prior relationships with public officials (e.g. consultancy contracts)
- Evidence of the adequacy and implementation of any anti-bribery programme (e.g. training statistics)
- Any membership of anti-corruption or collective integrity initiatives, such as the UN Global Compact

Figure 6 – Example of information required in a business unit questionnaire

- Role of third party
- Alternatives to using external third party
- Jurisdiction/industry in which the third party resides/operates
- Whether the third party will perform services on behalf of the organisation or be authorised to represent the organisation vis-à-vis other third parties
- Whether the third party will be involved in governmental contracts and in what capacity
- Whether the third party will come into contact with government officials when representing the organization
- Whether the third party will be in a position to influence decisions or the conduct of other third parties for the benefit of the organization
- Whether the third party will use sub-contractors in the performance of the contract with the company. If so, how many and in what roles?
- Documentation held by the unit on the third party and related transactions
- The process used to select the third party and the number of competitor bids reviewed
- Knowledge of any corruption concerns or allegations involving the third party

Due diligence step 3 – Research, gather and assess other information: Based on an analysis of the further information provided by the third party, more comprehensive information is sought through company resources and externally. More information may be collected on areas such as:

- Services being provided
- Corporate information (such as proof of ownership, if not requested or provided previously)
- Members of the third party's leadership and those who will be working with the company
- Governance structure
- References from peer companies
- Litigation/criminal or administrative actions disclosure
- Negative coverage in media
- Code of conduct (if not requested or provided previously)
- Anti-bribery programme including policy and training given to employees
- Adherence /alignment to the company's own policies
- Use of sub-contractors /other third parties (and any related policy documents)
- Appearance on sanctions/debarment lists
- Relationships with government officials including director and staff familial relations with PEPs and government officials and employment of PEPs and PEP-owned companies further down the supply chain

Due diligence and local law - A potential grey area

Care should be taken when conducting due diligence in some countries, as access to certain types of information is restricted by law and the gathering of what may be viewed as market intelligence by foreign companies may be a breach of privacy laws and could even be seen by some authorities as an attempt to access state secrets. Due diligence providers should therefore be clear about the ways and means used by sub-contractors on-the-ground.

This issue was illustrated by the arrest and televised confession of Peter Humphrey and his wife Yu Yingzeng in China in 2013 for “illegally obtaining information”²⁵. Humphrey and his wife operated ChinaWhys, a firm offering background checks, financial audits and fraud investigation services to foreign multinationals in China.

Due diligence – use of external providers

The company may choose to engage an external provider to assist with step 3. Below are some key considerations for working with external providers:

- Specify your risk approach: Ensure the external provider knows and understands your company's risk approach, including how you define “high risk” third parties and risk factors and the red flags particular to your business.
- Agree the methodology and set parameters: Comprehensive due diligence can be long and expensive. Depending on the nature of the subject and the risks involved, a tiered approach may be advisable. For example, commissioning an initial report based on public information only to identify red flags or areas of concern and following up where necessary with on-the-ground interviews. Set parameters based on considerations such as:
 - the nature of the services the third party will be providing
 - the size of the contract
 - the projected nature, duration and depth of the third party relationship
 - any red flags already identified for the third party
- Ensure information is obtained ethically and legally: Make clear to the external provider that information must be obtained ethically and in compliance with laws and ensure the provider commits to complying with these requirements.
- Provide as much information as you can: An external provider will benefit from any information you can provide on the third party in question. For example, identifying individual subjects in China by name alone is next to impossible. Where possible, use your relationship with the third party to gather additional identifying information, such as the subject's name in the local script, address(es), key business interests and the names of relatives and business partners. In addition, brief the provider on conversations you have had to date with the third party so the external provider has as complete a picture as possible from the start.

²⁵ See, for example: <http://www.nytimes.com/2013/09/14/business/global/china-hems-in-private-sleuths-seeking-fraud.html> [accessed: 20th June 2016].

Due diligence step 4 – Mitigate any identified risks: Assess the results of due diligence and proceed to seek management approval if all is satisfactory. For high risk third parties, or where specific red flags have been identified for a medium risk third party (e.g. large or critical contacts, lobbying services), legal and compliance should be involved in the assessment. Carry out further work to mitigate any significant risks identified or decide not to proceed. Mitigation of deficiencies in an anti-bribery programme can be made before appointment or it may be agreed that they will be implemented immediately after appointment by a set date, with a clear follow up mechanism in place.

The scope and timeframe of the mitigation plan will depend on the severity of the issue(s) identified for the third party. Some key considerations are:

- Has the third party engaged in or is suspected to have engaged in illegal activity?
- Has the third party contravened industry standards?
- Are the issues isolated or systemic?
- What is the magnitude of the issues identified; i.e. how large or wide-scale is the misconduct?
- Are the issues endemic in the jurisdiction/sector where the third party operates?
- Is the third party taking corrective action in response to the issues?
- Are there any temporary solutions available?

A mitigation plan should contain the following key points:

- Nature of the issue
- How and when the issue was identified
- Detailed plan for remediating the issue
- Roles and responsibilities for remediation
- Timeframes (commensurate with the severity of issues, e.g. “critical”, “major” and “minor”)
- Follow up actions

Pre-engagement mini-audits

“We carry out mini audits of third parties’ systems and controls at pre-engagement. We have a pre-engagement conversation, especially when we receive push back on certain parameters that we may establish, whether it’s a reporting or process request. Sometimes there is unfamiliarity within our industry with these concepts, but once we have those conversations we receive good buy-in from our partners. We try to get the business owner in on the conversation as well as the finance department. On very rare occurrences, after we have had this ‘onboarding’ conversation with the third party, we have decided not to move forward with the engagement of some partners based on push back on compliance matters or expectations. This process, of course, complements formal due diligence that includes questionnaires and reputational assessments, among other inquiries. We run parallel paths of due diligence for certain types (or key) third parties: one is a commercial assessment; the second is the compliance due diligence process, which includes reputational and anti-corruption evaluations. A tiered path exists that considers other risks unique to each type of third party. For compliance due diligence, we maintain a questionnaire and toolkit. It looks at past relationships, government connections, investigations or allegations, specific risks to our industry and adverse media. In our overall risk matrix, anti-corruption is a very important component among other risks that are our focus. Depending upon the outcome of our risk assessment, we sometimes carry out additional due diligence steps, such as in-person training for the third party—especially for those partners that potentially pose a higher risk—or have a greater impact—to the company based on the services they provide or the level of engagement with government entities.”

Interview: senior compliance officer

Due diligence step 5 – Decide whether to proceed to contract: Subject to any identified risks being mitigated, the due diligence report is signed off by management as satisfactory and the necessary management approval is obtained to proceed to contract with the third party. For difficult decisions or where high residual risks remain, the decision whether or not to engage a third party may be referred to legal and compliance or to a special committee with representatives from legal and compliance.

“If it’s a tough call, it often gets kicked up to a committee – a high risk transaction committee. There has to be a process and it has to be documented. That’s good practice. You have to show you did a thoughtful review.”

Interview, professional advisor

Figure 7 – Sample due diligence framework cascaded by risk category

Due diligence activity	Risk Level		
	Low	Medium	High
Pre-Qualification Questionnaire (PQQ) completed and signed by third party and checked for any red flags	•	•	•
Signature of a senior manager of the third party that it follows or aligns to the company’s anti-bribery programme and complies with applicable laws and regulations.	•	•	•
Public record sources	Online only	Full public record research	Full public record research with market intelligence
Company documentation such as policies and procedures		•	•
Checks of open source databases		•	•
Checks of subscription databases such as Sedex	Optional	•	•
Supplementary questionnaire tailored by risk/sector		•	•
Relationship manager or buyer’s assessment		Short comment	Full evaluation
Evaluation of supplier’s anti-corruption programme based on public reporting and provided information		•	•
Due diligence by external provider		•	•
Assessment of adequacy of anti-corruption programme through evaluation exercise		As necessary	•
Local sources: Interviews, references, testimonials, informal comments from Embassies, business chambers, business associates, opinion formers		As necessary	•
Site visit (e.g. by legal and/or compliance function)		As necessary	•
Audit by professional firm		As necessary	As necessary

Due diligence – examples of good practice

- **Do not rely wholly on others:** Do not assume that because a third party is used by a peer company or has been certified by an accredited provider this obviates the need for adequate due diligence. Similarly, when third parties are acquired through M&A, do not rely on previous due diligence or a long pre-existing relationship with the acquisition.
- **Balance and integrate your approach:** Ensure due diligence is balanced and integrated with the other components of anti-bribery management of third parties, such as providing tailored communications and training.
- **Use sampling:** Use quality control sampling to provide reassurance that your methodology works and is picking up the high risks.
- **Allow time:** Finish the due diligence process in good time to give the business relationship holder and/or third party an opportunity to mitigate properly any risks identified.
- **Guide local decision-making:** Include the judgement of those close to the business activity, such as relationship managers, in decisions on the results of due diligence. The local decision responsibility needs to be balanced and the company will need to ensure that there is central functional input of setting and monitoring the standards and application of due diligence and that, based on the level of risk, management approval thresholds and counter signature requirements are in place to provide a compliance check.
- **Avoid over-burdening third parties:** Ensure your due diligence process does not over-burden and therefore lead to the unjustified exclusion of smaller and local third parties.
- **Involve legal and compliance:** Involve legal and compliance in decisions using a risk-based approach. Where risks remain high or for difficult decisions, the decision may be referred to a special committee.
- **Document the process:** In all cases, document the decision-making process to show it is thoughtful and thorough.
- **Make a qualitative assessment:** Make use of the judgement of management and employees such as third party relationship managers and compliance officers - this is critical to effective due diligence. Bribery can often occur in unexpected areas and an automated or 'tick box' approach can only follow established channels or flag trends. The company must remain alert to new risks. Those involved in due diligence on third parties should be encouraged to be challenging, questioning and innovative.
- **Deal with issues:** If due diligence has identified issues, consider appointing an external advisor to conduct further research. The issue may also be raised through a face-to-face meeting with management of the third party and a timetable established for correction or mitigation. Exploration and analysis of the risk area jointly by both sets of management can also eliminate risks. Discussions about bribery risk should be handled carefully as they will be sensitive to the third party and cultural differences may also lead to misunderstanding or offence.

3.5 Contract

The contract with the third party is more than an agreement – it is a critical anti-bribery control. It communicates explicitly the company's expectations on anti-bribery and ethical behaviour, establishes rights and specifies anti-bribery requirements and processes for monitoring, reappointment, remediation, termination and exit. According to the 2016 Kroll report, 75 per cent of responding organisations rely on contracting provisions to set compliance expectations and to outline the available responses should concerns arise²⁶.

The anti-bribery provisions and rights included in a contract will be determined by the extent of the influence of the company in the relationship. As principal, the company will require contractually that its agents and similar intermediaries conform to its anti-bribery programme, but in other associations (such as suppliers, consortia and joint ventures) the company may have insufficient leverage to insist on conformity to all elements of its anti-bribery programme and may have to rely more heavily on due diligence to ensure ethical behaviour by selecting the right partners. In all cases the company should seek a contractual commitment that the third party will comply with anti-bribery and corruption laws and establish its own controls to prevent and detect breaches of this commitment.

²⁶ Kroll and Ethisphere, 2016, p.20.

As a key anti-bribery control, contractual clauses may also be used to mitigate specific bribery risks. For example, some companies apply additional provisions for high risk intermediaries interacting with government, including detailed record keeping requirements for meetings with officials and for gifts and hospitality.

Figure 8 – Examples of anti-bribery contractual provisions

- Requirement to have an anti-bribery policy.
- Compliance with all relevant anti-bribery and corruption laws.
- Commitment to ensure adequate anti-bribery programme equivalent to that of the company (where the company has influence).
- Commitment to take all reasonable measures to ensure that sub-tiers comply with anti-bribery and corruption laws.
- Specification of who is responsible in the third party for the anti-bribery programme.
- Specific requirements for countering corruption risks such as small bribes (facilitation payments) or dealings with foreign public officials.
- Right to be informed of use (and identity) of sub-contractors and the procedure to be followed.
- Warranty that no public official or a close relative is associated with the third party whether as an investor, officer, employee or shadow director.
- Warranty that the third party is not nor has not been the subject of an investigation, settlement or conviction for bribery or other form of corruption.
- Explicit procedures for payment of fees and commissions: definition of the jurisdiction for payments, format and required supporting documentation (e.g. all payments to be made in the country of head office or operation and not to off-shore accounts, no cash payments of fees)
- Commitment to maintain accurate books and records available for inspection by the company or its representatives.
- Right to audit (tailor the clause to the nature of the relationship, level of risk and, if applicable, compliance with local laws).
- Immediate notification in writing of suspicion of or an incident of bribery.
- Commitment to remediate breaches and weaknesses in the third party's anti-bribery programme.
- Right to terminate in the event or evidenced suspicion of a significant incident of bribery or where there is evidence of several or repeated inadequacies in the third party's anti-bribery programme (specify the circumstances in which the clause can be invoked). Regular performance reviews related to the anti-bribery programme.

Figure 8 above lists the types of provisions a company should consider adding to its third party contracts²⁷. As with all important legal documents, a company should consult with legal counsel to determine the best provisions and exact language for its business, taking into account the level of risk it faces. Companies should make sure that the contractual language is broad enough to properly manage and monitor its third parties and address corruption concerns should they arise.

²⁷ These examples are derived in large part from the ICC Anti-Corruption Clause (International Chamber of Commerce, 2012). See: <http://www.iccwbo.org/Advocacy-Codes-and-Rules/Document-centre/2012/ICC-Anti-corruption-Clause/> [accessed 20th June 2016].

Contract – examples of good practice

- **Set anti-bribery terms from the start:** Make the contractual anti-bribery terms known at the start of the appointment/ selection process when there is still contention for the award of the contract. A third party is more likely to agree terms when its bid is still under consideration than in the final stages when the appointment is all but ready to go. This also makes it less likely there will be late surprises or sticking points in drafting the agreement.
- **Reference codes, standards and laws:** Consider requiring accordance with leading codes such as Transparency International's Business Principles for Countering Bribery, the ICC Rules of Conduct and anti-bribery certifications (such as the forthcoming ISO 37001). References to laws can also be made such as the UK Bribery Act and the FCPA.
- **Provide model contracts:** Provide those responsible for negotiating contracts with standard contracts and anti-bribery terms supported by a commentary and sound legal analysis. This is to ensure consistency and that anti-bribery terms are not deviated from during the course of negotiation and drafting whether through error, omission or external pressure.
- **Engage internally on contract terms:** Ensure cross functional consultation for the drafting of standard contracts and that management understands the provisions, rights and contractual issues related to key risks including bribery.
- **Extend rights to cover sub-contractors:** If the third party relies heavily on the use of sub-contractors, provide for rights extending to third parties, such as the right to be informed of or approve the appointment of all sub-contractors or to set criteria where a third party engages high-risk sub-contractors, engages with foreign public officials or has a past history of bribery incidents. The company may also require a first tier associate to require its own sub-contractors to conform to the company's anti-bribery requirements. Where a supply chain is deemed high risk and the company has sufficient leverage, it should ensure that it has full visibility over a first tier associate's suppliers. In exceptional cases where the supply chain is tightly integrated, this could include a contractual requirement that, in its own contracts with lower tier third parties, the first tier associate will include audit rights for the company itself or its representatives. In any case, the company should assure itself that the first tier associate has in place and is able to exercise audit rights over its own third parties.
- **Update contract terms:** For long-standing relationships or those arising from acquisitions, do not overlook updating contract terms. For high risk third parties, implement a procedure for regular review of contracts by legal and compliance. Laws and regulations, business environments, needs and other circumstances are ever changing. For instance, the coming into force of the UK Bribery Act meant that many contracts were updated to reflect the Act's provisions. Over time, interpretations in legal cases relating to third parties may need to be reflected in third party contracts.
- **Define the process for responding to potential breaches.** To encourage open discussion of bribery risks, set out clear expectations of how the third party should handle bribery incidents. Depending on the company's leverage, define processes and timetables for the investigation, reporting and remediation of weaknesses in the third-party anti-bribery programme.
- **Create a detailed exit plan.** For significant contracts, prepare a plan on how the company will exit the contract in the event of a breach of the anti-bribery requirements. This is particularly important for joint ventures and consortia where an exit can be complicated.
- **Maintain comprehensive records:** Maintain complete and up-to-date inventory of third party relationships and contracts using an aggregated data system.

3.6 Management

Principle 8. Use tailored communications and training, together with advice and reporting mechanisms, to manage third party relationships

Provide tailored communications and training to third party relationship managers and third party employees, commensurate with the level of risk. Provide third parties with access to confidential advice and speak-up channels and follow up any credible reports.

3.6.1 Communications and training

The due diligence process should provide evidence of a satisfactory anti-bribery programme appropriate to a third party's risk profile. Even so, it cannot be certain that a third party's employees will have sufficient understanding and skills or even act in the desired way. Therefore, a company will need to communicate clearly and accessibly to third parties the importance it attaches to countering bribery, the ways it expects third parties' employees to act and how to recognise and deal with particular risks.

Contracts and communication of the code of conduct and expectations for third party business conduct are the platform for conveying the company's anti-bribery requirements of third parties.

“Education is key. That initial investment of time makes a big difference. We are an iconic company and want to make sure that we do not partner with a potentially damaging third party.”

Interview, senior compliance officer

Training should be a standard component in the toolkit for third party anti-bribery management and considered a requirement for high risk third parties. However, it is often neglected by companies. The 2015 Kroll survey identified only 27 per cent of respondents giving anti-bribery and corruption training to their third parties at least once a year with 48 per cent never providing training. Of those providing training, just under one third rated their training as effective or very effective²⁸.

Communications and training should focus on high risk third parties, such as sales agents, but it should not be assumed that large global companies do not need attention. Though they can be expected to have substantive anti-bribery programmes, continuing bribery enforcements involving large companies show that this is not a guarantee of good anti-bribery practice. The employees of large third parties and their sub-contractors may benefit from specialised training and tailored communications when working on behalf of a company.

As with due diligence (described at section 3.4, step 2), the company should take care not to over-burden third parties and be alert to the possibility that, as a result of the proliferation of third party management programmes, local businesses may be overwhelmed by training courses initiated by different companies. In such cases, the company should take into account a third party's existing anti-bribery training – including that provided externally – when deciding the level of engagement. The company should also consider participating in collective action education initiatives to create efficiencies and ensure consistent standards.

²⁸ Kroll and Compliance Week, 2015, p.7.

Communications and training – examples of good practice

- **Take a risk-based approach to training:** For example, use customised and more frequent and face-to-face training (considered more effective) for higher risk levels and remote online training for low level risk, and a hybrid of both approaches for medium level risk.
- **Integrate your messaging:** Position anti-bribery communication and training in the context of corporate standards and processes, other sustainability issues and responsibility commitments. Anti-bribery communications must be precise and prominent among the many corporate communications for the message to get through.
- **Ensure tone from the top:** Involve third party senior management in training and communication as much as possible, such as appearing at the introduction to say a few words.
- **Make it accessible:** Communicate the anti-bribery requirements, guidance and training in local languages and in a style that explains clearly and in a non-legal manner what is expected of associates.
- **Train your employees:** Give regular tailored training for employees who engage with third parties – this should be consistent with identified third party risks and match the messages given to third parties.
- **Integrate employee and third party training:** For some third parties, such as sales agents, match training to that given to employees and consider extending it, through agreement with parties involved, to high risk lower tier subcontractors, such as customs brokers appointed by agents. Where appropriate, involve third parties in employee training sessions or modify in-house training – this can be cost effective.
- **Provide tailored codes of conduct or business conduct guidelines:** For example, publish a dedicated page on the company's website which sets out guidelines for suppliers, subcontractors and other third parties, including standards of conduct and expectations of suppliers in specific issue areas, such as gifts and entertainment and conflicts of interest²⁹.

²⁹ See, for example: <http://www.bechtel.com/supplier/ethics/> [accessed 20th June 2016].

3.6.2 Advice and speak-up channels

Advice channels provide information and answer queries about the anti-bribery programme. Speak-up channels (also called whistleblowing channels, hotlines or helplines) are provided for employees to raise concerns or report instances of bribery. Less commonly, they are made available to business associates.

Companies should consider providing speak-up channels for third parties. Because whistleblowers often suffer from their actions, third party employees may be reluctant to report concerns. They can be encouraged by how well the company handles reports and deals with issues and by explaining confidentiality and protection. Use of an external provider for the speak-up channel may also encourage a third party to report their concerns in the knowledge that the line is being manned by an independent body. To further encourage use of the channels, the company should consider making them available both in English and relevant foreign languages.

Corporate speak-up channel used for third parties

“Vodafone operates a whistle-blowing mechanism called “Speak Up” for all employees, suppliers and business partners. It is the duty of our suppliers, contractors, business partners and employees to report any breach of the Code of Conduct including dishonesty, corruption, fraud, labour and human rights concerns, environmental damage or any other unethical behaviour. A report can be made by contacting our independent third party”

Vodafone website (http://vodafone360.com/content/index/about/about_us/suppliers/speak_up.html)

Advice and speak-up channels – examples of good practice

- **Encourage third parties to speak up:** Extend internal speak-up channels to third parties.
- **Check for existing channels:** Include the presence of a speak-up process in the third party as a due diligence criterion.
- **Build trust in the process:** Overcome reluctance or concerns about reporting by third parties by building their trust in the procedure for speaking up by. For example, explaining and reminding about legal protections for whistleblowers, using an independent agency and/or reporting on number (not nature) of incidents and number of incidents resolved.
- **Provide training:** If the company provides tailored training for third parties' employees, include discussion of speak-up channels in the course. This will be subject to agreement with the third party as it may be a sensitive topic.
- **Encourage direct reporting:** Make clear that concerns should be raised through the company whether through the relationship manager, compliance manager or the whistleblowing channel.

3.6.3 Incident management

No anti-bribery programme will guarantee that a company will be free of bribery incidents in its supply chain. A procedure is necessary to anticipate and manage incidents promptly, thoroughly and efficiently. Incidents can be revealed through monitoring, audits, whistleblowing (including internal tips from speak-up lines or a report to authorities) and media allegations or by the authorities as a consequence of other investigations. The nature of the incident may vary from a suspicion to a high likelihood that bribery has occurred.

On receiving information or allegation of an incident, management should inform and consult the legal and compliance departments and flag the incident immediately to senior management. All alleged bribery incidents should go through triage to establish their credibility, as well as the scale and severity of the issues involved, which will determine the appropriate level of response. The company should have an internal and external communications and escalation plan and, in the case of a major incident, investors will need to be informed of the potential severity and the actions to be taken.

The company should investigate whether its controls failed and there is a potential exposure under bribery laws. As part of an investigation, the company will likely need to exercise its contractual third party audit rights, protect and review documentation and electronic files and conduct internal and third party interviews. This can involve the use of outside firm with investigatory expertise. If an employee(s) is alleged to have participated in bribery with the third party, the company may need to suspend them as appropriate.

Incident management – examples of good practice

- **Cooperate with the authorities:** Establish a policy and procedure to report to and cooperate fully with the authorities if it is likely that bribery has taken place, managed by your legal department.
- **Decide whether to continue or terminate the relationship:** Decide if the relationship can be continued during the course of the investigation or should be suspended. For example, you may decide to continue the relationship where the third party is a critical partner or the bribery incident is contained to one function of the third party and does not reflect the whole company. If the association is continued, end contact with those involved in the bribery allegations or investigation. The conclusion of a legal case against a company will likely be followed by remedial actions, including change of management and strengthening of the anti-bribery controls. Even so, you may decide to terminate an association with a third party where the conduct in question has been egregious and concerns remain. The decision making process should be thoughtful and documented.
- **Learn from incidents:** Once an incident has been concluded, improve your third party management in the light of any lessons learned.

3.7 Monitoring

Principle 9. Implement rigorous monitoring procedures to deter and detect bribery incidents and breaches of the anti-bribery programme

Require high risk third parties to self-certify annually that they have complied with the anti-bribery programme. Repeat due diligence periodically for existing third parties. For high risk parties where there is a significant bribery concern, exercise contractual audit rights.

Rigorous monitoring procedures act as a deterrent to third parties and to employees contemplating bribery and are a way to bring to light suspicions or incidents of bribery.

A company should regularly collect new information on third parties by requesting updated information directly from them, requiring them to self-certify compliance with the company's anti-bribery programme, conducting renewed due diligence, exercising audit rights and/or using technology to automate some of this process. A detailed account of third party audits is described at section 3.7.2

The results of monitoring will be reported to management regularly and provide information for the company's public reporting on its anti-bribery measures.

Monitoring – examples of good practice

- **Update information:** Ask all third parties to complete an online questionnaire each year updating basic information about their company such as ownership, acquisition and annual reports.
- **Require annual certification:** Require an annual self-certification from a director or the chief executive of high risk third parties that a) their anti-bribery programme is implemented and has been subject to review during the year and b) there have been no bribery incidents. The certification can include a statement on any achievements, developments or issues that could touch upon the implementation of the programme.
- **Renew due diligence:** Subject all contracted third parties to periodic repeat of due diligence as well as on reappointment. For high risk third parties, a timeframe of every two to three years should be considered.
- **Use technology:** For certain types of high risk third party, consider monitoring their risk profile continuously using adverse media or broader data screening technology. Transaction monitoring and data analytics tools can also be used (described in section 5).
- **Showcase achievements:** Encourage third parties to showcase any achievements in countering bribery such as collective action. This builds the relationship and can also provide valuable learning to be applied across your third parties.

3.7.1 Internal controls

Once a contract is in place, the anti-bribery programme's controls need to be applied to all third party relationships, with a focus on those of highest risk. The company's anti-bribery programme will incorporate internal financial and accounting controls, such as approval thresholds, countersignatures and segregation of duties, but these may need to be refined for certain types of third parties to counter identified risks.

Third party transactions should be monitored against the controls during the course of the relationship. Technology systems can help monitor where activities are operating effectively and highlight where transactions or patterns of behaviour are out-of-line. For example, data analytics on procurement patterns can identify suspicious or anomalous payments and radio-frequency identification (RFID) tracking tools can be used to track high value goods and identify incidents of substitution, diversion, counterfeit or theft, activities that are often enabled by bribery.

Internal controls – examples of good practice

- **Check activities against company policies:** Check that activities invoiced conform to the company's policies for hospitality, travel expenses, gifts, donations, sponsorships and "facilitation payments".
- **Scrutinise high-risk expenditure:** Provide additional scrutiny around payments for high risk expense types (including visas, customs, taxes, government certificates, licences, bonuses, commissions, gifts, entertainment, travel, donations, marketing).
- **Test your controls:** Check controls by selecting transactions, making sure that reliable third party documentation is kept and transactions are recorded accurately.
- **Enforce thresholds and countersignatures:** Enforce thresholds and countersignatures for approvals of contracts, payments and transactions.
- **Implement checks and approvals:** Introduce and enforce for accounts receivable write-offs, third party credit terms and the re-purchase of inventory sold to third parties.
- **Limit jurisdictions:** Only make payments in the jurisdictions where the third party is based or operates.
- **Prohibit cash payments:** Do not make cash payments and enforce strong petty cash controls.
- **Segregate duties:** Ensure that no single employee handles every aspect of a relationship with a third party.
- **Check payments against goods and services rendered:** Check that payments are appropriate for the goods and services rendered.
- **Provide supporting documentation:** Ensure invoices for payments are supported by full documentation.

3.7.2 Third party audits

Audit rights are a standard part of agreements with all third parties, yet whether and how to audit third parties is a great concern for many companies. Surveys show that many companies do not exercise audit rights³⁰. Often, rights are only exercised when there is a serious issue with a third party and the relationship is likely to be terminated.

The lack of take up of audit rights often lies in the resources and costs needed to carry out audits, the demands of audits on other issue areas or resistance from third parties to the audits. There are also a number of challenges:

- Third parties can be adept at window dressing, manifesting good practice and telling auditors what they want to hear.
- Auditing first tier companies may be insufficient. First tier associates may channel bribes through sub-contractors or rely on suppliers and intermediaries for services where bribery is systemic such as in logistics or obtaining licenses.
- A satisfactory result does not guarantee integrity. Lessons can be drawn from heavily audited issue areas such as labour or safety where major incidents have occurred despite evidence of prior satisfactory audits.

For all this, audit rights are a useful deterrent, clearly signalling to third parties the company's commitment to anti-bribery and corruption. Further, while the main intent may be to heighten the attention that a third party gives to its anti-bribery programme, failure to exercise audit rights may be seen as a deficiency by the authorities in the event of an investigation.

The audit process

The purpose of audit rights is to detect non-compliance with applicable anti-bribery laws, policies (including the company's) and procedures. Audits should be carried out periodically on all high risk third parties and where there is a significant bribery concern. When prioritising existing high risk third parties to audit, the company should consider factors such as: the level of risk of location and nature of work; the amount of time since the third party was last audited; the existence of past red flags; and the maturity of the third party's own anti-corruption programme.

Once a third party is selected for audit, the process requires on-site visits and involves document review, interviews, transaction testing and preparation of a report. Where provided for by the contractual audit rights, detailed transaction testing should be included in response to identified incidents and as part of follow-up monitoring of agreed remediation. The audit team – usually made up of internal or external audit and legal team members -- should confer with the company's relationship manager for the third party at the onset.

Listed below is a brief description of the steps involved in a third party audit, replicated in large part from *TI-USA's Verification of Anti-Corruption Compliance Programs*³¹, and some examples of best practice for getting the most out of third party audits. It should be noted that figure 9 below sets out an example of a particularly robust third party audit and that, in practice, the scope of the audit will be restricted by what was agreed in the contract and, ultimately, the extent of the company's influence in the third party relationship.

30 A 2015 survey by KPMG found that more than half the companies surveyed with right-to-audit clauses did not exercise them. See: *Anti-Bribery and Corruption Global Survey 2015* (KPMG, 2015), p.3.

31 *Verification of Anti-Corruption Compliance Programs* (Transparency International USA, 2014).

Figure 9 – Stages of a third party audit

Document Review	This includes examination of a third party's:
This step is essential to planning the review, selecting the appropriate transactions for testing and ensuring that time in the field is used in an effective way.	<ul style="list-style-type: none"> • Anti-corruption policies and procedures (such as code of conduct, gifts, entertainment, charitable donations, political contributions, lobbying) • Minutes of board and audit committee meetings and presentations to board committees • Organizational charts and job descriptions • Information regarding revenues • Information regarding use of third parties, due diligence processes and reports • Information regarding sales, commissions and discounts paid • Training materials and proof of training • Licenses maintained • Information regarding internal audit reports, any reports of past problems and reports from whistleblowers • Information on accounting systems, including local to central roll up • Data on compliance sensitive accounts, such as travel, gifts, legal and professional fees, consulting fees, licenses, permits, sundry expenses, lobbying fees, inspection fees, miscellaneous fees, marketing and promotional expenses, penalties, cash, petty cash expenses, charitable and political donations, and third party payments
Interviews	Key personnel should be interviewed during field visits. Those typically interviewed should include:
The interviewer should look for an understanding of the corporate anti-corruption program, an atmosphere that encourages prompt reporting of suspected wrongdoing and clear channels for processing compliance inquiries and investigating complaints.	<ul style="list-style-type: none"> • Management • Head of legal and compliance • Human resources staff • Employees from the sales, marketing, accounting and finance departments, operations, legal, compliance and procurement • Employees who manage government relationships, or relationships with distributors, representatives or agents, employees responsible for hiring third parties and responsible for third party due diligence • Employees in charge of customs, freight forwarding and taxes

Testing

The reviewer needs to test the effectiveness of the controls, review whether there is appropriate and reliable third party documentation for the transactions and determine whether the transaction is recorded accurately.

Some examples of what a reviewer should test in connection with sample transactions include whether:

- Approvals are reflected on transaction documentation
- Authorization limits are appropriate
- There is appropriate segregation of duties; i.e. the same person not initiating, approving and recording the transaction
- All steps in a bidding process have been complied with
- Expenses are recorded appropriately in the books
- Goods purchased have been delivered
- Payments on invoices match the purchase order and contract
- Due diligence was completed for the vendors
- Services were truly provided under service contract
- Invoices appear legitimate

Preparation and evaluation of report

The report should:

- Summarise results of review
 - Propose recommendations for addressing any problem that arose
 - Be shared with appropriate company personnel including management, legal and compliance
 - Be placed in the third party's due diligence file
 - Result in actions by the company if so recommended
-

Using audit as an indirect check on second tier third parties

“As our highest risk third parties, we scrutinise our contracts and relationships with the suppliers and, when we conduct on-site audits, these will cover transactions and dealings with sub-contractors. Further, all suppliers in this area are required to provide receipts for permits and spend levels, so we conduct indirect tier 2 checks on a specific set of suppliers.”

Interview: compliance manager

Third party audits – examples of good practice

- **Focus on the highest risks:** Focus third party audits on higher risk third parties but consider auditing a control sample of lower risk third parties selected randomly.
- **Audits as due diligence:** See audits as a continuation of due diligence:
 - Applied consistently, periodically and in a proportionate way to all high risk third parties
 - Carried out on any third party where there is a significant bribery concern
- **Use external auditors:** Engage external auditors to obtain an independent view. They are able to draw on a wide experience of best practice and have greater credibility with stakeholders. They may also be more acceptable to third parties.
- **Consider lower tiers:** Consider relationships with subcontractors and keep in mind that the real risks may lie in the lower tiers.
- **Conduct on-site visits:** Remember that these are an important aspect of audits.
- **Manage the cost:** Lessen the pressure on resources by carrying out audits on a rolling basis spread across time, types of third parties, business units and locations. Using collective industry initiatives where appropriate, such as Sedex, can also lower auditing costs.
- **Counter resistance:** Where a third party provides arguments, delays or hurdles to resist an audit, try to find a workable solution to reassure the third party and enable an audit to take place. For example, a discussion can be held with the owner or chief executive to explain why the audit is needed, how it would take place and respect their concerns about intellectual property or market confidential information. Their interests could be protected by redacting information in reports or using an independent auditor.
- **Develop an audit plan and audit protocols:** Develop these based on your needs, experience and benchmarking best practice. If you use independent auditors they will have a model plan and protocols but you should evaluate these against your own to ensure the approach is suitable for your purposes. Examples can be found in guidance from professional bodies and advisors. An example is the Institute of Internal Auditors' Practice Guide, Auditing Anti-bribery and Anti-corruption Programs³².
- **Be consistent:** Apply the same auditing standards across all issue areas. This prevents cherry picking, allows for sharing of best practice and increases confidence in the results of anti-bribery audits.
- **Make use of experience:** Use experienced interviewers and reviewers with knowledge of best practices and ability to recognise red flags.
- **Value substance over form:** When testing transactions the emphasis should be on reaching an understanding of the substance, or business purpose, of a transaction over its legal form.
- **Make connections:** In testing, connect financial to non-financial information.
- **Follow up:** Carry out follow-up interviews or requests as needed to obtain clarification.

³² Practice Guide: Auditing Anti-bribery and Anti-corruption Programs (IIA, 2014).

3.8 Review and evaluation

Principle 10. Review and evaluate the effectiveness of the anti-bribery programme periodically

Report on the performance of the anti-bribery third party management programme to the board and senior management periodically, together with recommendations for improvements.

In addition to third parties' performance, the effectiveness of the company's anti-bribery programme should also be reviewed and evaluated. This will include, for example:

- Testing risk assessment and due diligence procedures by repeating checks or sampling lower risk third parties
- Checking internal controls
- Reviewing incident reports
- Surveying employees and third parties to test their knowledge of the programme and soliciting their views on the effectiveness of procedures for due diligence, monitoring and storing and processing information

The results of this process will be reviewed periodically by senior management and the board, with improvements made as necessary. TI-USA's report, *Verification of Anti-Corruption Compliance Programs*, sets forth concrete recommendations for companies to use in evaluating their compliance programmes, based on an in-depth examination of compliance verification practices.

Review and evaluation – examples of good practice

- **Ensure management and board oversight:** Ensure that the board and senior management review the anti-bribery programme periodically, including the third party management aspects, and consider recommendations for improvements.
- **Follow up:** Set out a clear mechanism and timeframe for implementing approved changes to the programme.

3.9 Applying the framework to existing third parties

The framework described in the previous sections refers primarily to the process of engaging new third parties. However, once the policy and procedures for third party management have been set, they should also be applied retrospectively to the company's existing third party population. Further, existing third party relationships may need to be reviewed periodically as a result of changes to bribery risk criteria or enhanced anti-bribery programme controls.

Retrospective due diligence

During the identification and risk assessment process, the company will have gathered information on its existing third parties and used this to define categories of risk. The company should then assign a risk rating to each of its existing third parties using the same process described at section 3.4.

Once it has assigned risk categories to its existing third party population, the company should conduct retrospective due diligence on them. Relationship managers should explain the process to their third parties, issue them with PQQs and questionnaires, identify red flags and hold discussions with their management if and when potential issues are identified. They should communicate all changes to the anti-bribery third party management programme and new expectations and requirements that existing third parties are likely to face upon the renewal of a contract. Where significant issues are identified, mitigation plans should be put in place and, where residual risk is too high, a decision will be taken on whether to renegotiate a contract, terminate a relationship or simply not renew a contract after it expires. This decision should involve legal and compliance and, for difficult decisions, it may be referred to a committee.

The main challenge for the company will be allocating resources. For a company with a large third party population, this will be a major undertaking and it should take a risk-based approach, whereby conducting due diligence and mitigating risks for its highest risk third parties is a top priority and the focus of its resources.

Re-engagement due diligence

Due diligence should be repeated upon re-engagement of all high risk third parties and other third parties depending on the company's risk approach. However, where a third party has already been subject to pre-engagement or renewed due diligence and regular monitoring, it is not necessary to start from scratch. Rather, the company should review information held on the third party to check that it is up-to-date and complete and identify any potential issues or red flags. Where there is missing or inadequate information or the relationship manager has concerns, the company should conduct web searches, hold discussions with the third party's management and request information to address these issues and identify any developments, such as changes to the shareholding or management structure, anti-bribery programme or business model and any allegations, incidents or sanctions involving the third party that have not been reported to the company. These checks should be conducted for all high risk third parties; if significant issues are discovered, the company should consider conducting full due diligence, including "boots-on-the-ground" due diligence, and perhaps engaging an external due diligence provider.

Incorporating results of the risk assessment

Where the company's risk assessment has identified new third party risks that were not previously addressed by the company's third party management programme, or pre-existing risks that were not adequately categorised or mitigated, the company should apply the new due diligence criteria and, where possible, monitoring procedures – including audits – to existing third parties where the risks are highest. This may involve re-negotiating individual contracts.

Applying the framework to existing third parties – examples of good practice

- **Use a phased, risk-based approach:** Where higher bribery risks are associated with certain geographies or lines of business, phase the retrospective due diligence process in line with higher risk company structures and divisions.
- **Align with existing business processes:** For low and medium risk third parties, reduce duplication and improve resource efficiency by aligning retrospective due diligence with existing business processes, such as contract review cycles.

4 PUBLIC REPORTING

Principle 11. Report publicly on your anti-bribery management of third parties

Provide up-to-date information in an accessible manner to communicate to stakeholders your company's anti-bribery commitment and anti-bribery measures related to third parties.

Public reporting is a way in which companies can demonstrate to stakeholders that they manage third parties responsibly and have appropriate systems in place to counter risks, including corruption. This reinforces the anti-bribery messages being communicated in other ways by the company to its current and prospective employees and third parties. The business value of reporting should not be overlooked as it can drive reputation, quality, performance and change.

Anti-Corruption Policy for Representatives

“Microsoft Corporation, and all of its subsidiaries and joint ventures worldwide (‘Microsoft’), requires its channel partners (for example, resellers, software advisors, original equipment manufacturers, and distributors), suppliers, vendors, consultants, lobbyists, and any other third-party representative (collectively, ‘Microsoft Representatives’) to comply with this Policy... Partners are responsible for training all employees who work on behalf of Microsoft. We provide online training free of charge and other resources in the materials to the left.”

Microsoft website (<https://www.microsoft.com/en-us/legal/compliance/anticorruption/default.aspx?Search=true>)

Public reporting – examples of good practice

- **Define key content:** : Include a description of the anti-bribery programme, risk assessment processes, due diligence processes applied to third parties and the programme's contribution to sustainability. Key content can also include the commitments the company requires from its third parties, such as compliance with anti-corruption laws, a code of conduct, a conflicts of interest policy and a gifts and entertainment policy.
- **Engage with stakeholders:** Learn from stakeholders what they consider to be material and what they want to know about the company. Make this a valuable business process which is acted on rather than a superficial process designed purely for communication.
- **Define materiality:** When deciding what to report, bear in mind that material issues are those that are important to stakeholders and that can impact the company's ability to deliver its strategy.
- **Identify business value:** See reporting as a way to increase value. For example, by reinforcing confidence of investors, communicating key anti-bribery messages and driving quality and performance.
- **Promote tone from the top:** Show the leadership's commitment to no toleration of corruption through messages and reports on their actions (e.g. site visits).
- **Monitor external expectations:** Monitor and align to the rapidly changing external expectations and regulations for transparency and reporting for both voluntary and mandatory reporting.
- **Integrate communications:** Integrate internal and external communications and reporting as they are mutually reinforcing.
- **Include performance measures:** Use and report on performance measures such as training given, collective action initiatives, availability and use of speak up lines, quality systems used, certifications, third party perceptions of the enterprise's commitment to integrity, contracts terminated, trust of third parties in the company and their understanding of the anti-bribery programme, audits, etc.
- **Tailor reporting:** Provide adapted public reports for your third parties. For example, focused on region, country or nature of relationship.
- **Make it accessible and up-to-date:** Report on third party management in annual reports, sustainability and social reports and dedicated webpages.

5 INFORMATION MANAGEMENT AND TECHNOLOGY

5.1 Documentation

A documentation procedure for third party anti-bribery management is a key aspect of internal controls. It is important for a number of reasons, including:

- **Legal compliance:** In the event of a bribery investigation, the UK authorities will seek evidence of adequate procedures for documentation. Failing to keep adequate documentation is a frequent basis for enforcement under the accounting provisions of the FCPA.
- **Providing an audit or investigation trail:** A full record of transactions will be needed for audits and investigations of a bribery incidents by the authorities.
- **Detection of bribery:** Gaps in documentation, inadequate or falsified books and records of third party transactions are red flags for bribery.
- **Countering bribery:** A strong documentation system can deter bribery.
- **Tracking internal compliance:** Documentation can help track compliance with the anti-bribery programme.
- **Continuous improvement:** Records can provide information to simplify processes or improve controls.

Documentation – examples of good practice

- **Tailor your approach:** Tailor if necessary, the documentation policies and procedures to support third party anti-bribery management.
- **Integrate documentation and workflow:** Integrate the documentation system into the electronic workflow system.
- **Require alignment:** Require the documentation procedures of the third party to match those of your company and monitor their implementation.
- **Record risk assessments and due diligence:** Document fully the risk assessments and due diligence reviews.
- **Clarify accounts codes:** Ensure fully descriptive titles for accounts codes and accurate recording of vulnerable transactions, such as consultancy fees, hospitality, small bribes ('facilitation payments').
- **Maintain meeting records:** Record negotiations and meetings, including any significant informal discussions with third parties especially where they touch upon integrity or ethical behaviour.
- **Tailor retention periods:** For third parties where contracts or relationships extend beyond standard retention periods, consult with the legal department on needs related to anti-bribery and other legislation.

5.2 New technology and data management tools

Developments in technology are providing companies access to new sources and an increased amount of supplier data. New technology is speeding up the digitisation of most forms of company information and these are increasingly accessible through electronic means. However, the greatest developments are in the access to information that had hitherto been inaccessible; for example through social media and other forms of big data collection and analysis. This surfeit of data also presents challenges in terms of the technology and the human resources and expertise required to process and analyse the data and turn it into useful information.

The following categories show the various ways that new technology and data management can be used to support the management of third party relationships:

Due diligence on third party relationships

Official and unofficial data sources can be used to gain a more complete overview of a third party's business, directors and management, potential conflicts of interest, relationships with PEPs or other high risk individuals and ultimate beneficial owners. Depending on the perceived risk and availability of information, non-traditional sources including data in other jurisdictions, news aggregators and social media can be considered. Be aware of any local data-privacy restrictions (see "Data Protection Laws" below).

E-procurement systems and vendor management

Technology can also make it easier for third parties to comply with due diligence requirements through the use of self-service portals where the third party can fill in and upload the requisite data and update it periodically. Such systems can greatly reduce the time and cost of preliminary due diligence for both parties. Supporting systems can pick up anomalies in any data entered and raise red flags.

Continuous monitoring of existing relationships

Automation of ongoing monitoring is often overlooked³³ but, if well designed, a good system will pick up exceptions such as any changes of ownership, new allegations or court cases, breaking news stories (positive or negative) and any other information that may be relevant for the ongoing commercial management of the relationship. The level of sophistication of such a monitoring system should be in line with the size of the contractual relationship and the level of perceived risk.

Management of existing relationships

Good data management and storage will of course allow for better management of the ongoing relationship. In addition, such systems will be invaluable in the case of any bribery incident or investigation.

Examples of how such a system can be used:

- **Relationship management:** Documenting, analysing and tracking a relationship throughout its course, including contracts, transactions, meetings, negotiations and progress, performance and results, including audits.
- **Compliance:** Tracking compliance with the company's anti-bribery programme using key indicators for internal controls, red flags and non-compliance.
- **Audit trail:** Providing accessible records that can be used as evidence in the event of investigations by auditors or the authorities.

Data accessibility

Information can be processed centrally and made accessible to employees locally through the internet and mobile devices. Access can be given to all employees so that they know which third parties are registered or accredited, or access can be restricted by function or geography as appropriate.

33 Kroll and Compliance Week, 2015, p.21

Data protection laws

Due diligence and monitoring processes must comply with data protection laws in the jurisdictions where the company and its third parties operate. Data protection laws can be a significant constraint to carrying out due diligence by preventing companies gaining information on third parties. For example, the UK's Data Protection Act 1988 requires that personal data must not be kept for longer than is necessary³⁴. The EU Data Protection Directive provides that data should not be processed at all, excepting where conditions are met in three categories of transparency, legitimate purpose and proportionality³⁵. There will be some information that is protected under privacy protection laws and will be restricted to the compliance or legal departments. Some of the information held on a company's system will inevitably be sensitive, such as evidence of bribery risk, conflicts of interest, improper behaviour, weaknesses or red flags.

New technology and data management tools – examples of good practice

- **Consult legal advisors:** Involve legal advisors in the design and implementation of systems to ensure compliance with legislation.
- **Develop and apply new technology:** Decide whether to use commercial software systems, which are widely available for all sizes of company, or whether to design your own solutions. Discuss the design with those in the company who will use the system as well as third parties who may have to input data.

³⁴ <https://ico.org.uk/for-organisations/guide-to-data-protection/data-protection-principles/> [accessed 20th June 2016]

³⁵ Council Directive 95/46/EC

APPENDIX 1: SAMPLE DUE DILIGENCE RED FLAGS

Links to public officials

- A public official recommends, pressures for or demands use of a third party
- The third party has connections with a public official or a member of the ruling family, including family, close friendship or current or past joint business interests
- The third party is closely linked to a political party, as evidenced by political contributions, public statements, attendance at or hosting of political events
- A director or manager of the third party is a former public official
- The third party relies heavily on keeping good and close contacts with public officials for its other business interests
- The third party refuses to disclose ownership and beneficial ownership information

Evidence of a genuine entity

- Lacks the basic attributes of a functional business
- Has no pertinent experience or qualifications
- Charges excessive fees, usually expressed as a percentage of the contract value, or overcharges for the work performed
- No evidence of a service or work product
- Lacks credible office and facilities
- Website and internet and social media presence not commensurate with the nature and size of the third party
- Unlisted in business journals, directories, chamber of commerce membership
- Inadequate evidence that it has the expertise or technical facilities to deliver
- Circumstances of the third party entity's creation are vague

Relationship attitude

- Resists or obfuscates requests for information: reveals as little as it can, is not forthcoming about aspects of its business, claims grounds of market confidentiality
- Resists receiving visits to or tours of its premises and facilities
- Provides what it expects is required but the information is window-dressing, does not live up to close inspection or has no depth in its application across the activities of the third party, such as an "off-the-shelf" anti-bribery programme designed to satisfy and deceive the potential client
- Refuses to commit to implementing an anti-bribery programme equivalent to that of the company
- Company officials exhibit unusual behaviour: acquiescent to all requests, uneasy, nervous, deflecting questions, unavailable for meetings
- Information provided is vague, lacking in detail or irrelevant
- Is unclear about the subcontractors it will use, payment arrangements with subcontractors and/or the role of subcontractors

Reputation questions

- Suggestions that the third party or its officers have links to corrupt activity – this can be references in the media and social media or comments by opinion formers, contractors or contacts of the third party
- The third party or its officers have been subject to criticism in media and social media for poor ethical standards or alleged wrongdoing
- Has been the subject of investigations or sanctions in any field, not just bribery and corruption
- There is evidence of unsatisfactory relations or unexplained contract terminations between the third party and its customers and suppliers

Financial and operational

- Statutory accounts are late in posting
- Books and records show inaccurate recording of expenditures
- Proposed fees and commissions are excessive
- Contract records show manipulation of the contract terms and specifications once having been awarded
- Evidence of financial pressures

Further tools and checklists are available from www.transparency.org.uk and www.transparency-usa.org.

APPENDIX 2: GLOSSARY

Anti-bribery programme: The enterprise's anti-bribery efforts including values, code of conduct, detailed policies and procedures, risk management, internal and external communication, training and guidance, internal controls, oversight, monitoring and assurance³⁶.

Audit: The process by which the reliability of internal controls, documentation and reported performance is checked and verified to provide assurance to management, investors and other stakeholders.

Beneficial ownership: A beneficial owner is the real person who ultimately owns, controls or benefits from a company or trust fund and the income it generates (Transparency International)³⁷.

Business Principles for Countering Bribery: A good practice model for corporate anti-bribery policies and programmes developed through a multi-stakeholder process initiated and led by Transparency International.

Downstream: The flow of materials and services from the company to users concluding in disposal of goods or products or completion of a service. See also Upstream.

E-procurement: Business-to-business purchasing and sale of supplies and services through the internet and other electronic communication methods.

FCPA: US Foreign Corrupt Practices Act.

Integrity pact: A tool developed by Transparency International to counter corruption in public contracting and projects.

Open source information: Due diligence information obtained legally and ethically from public sources.

Original equipment manufacturer (OEM): A company making a part or subsystem used in another company's end product.

Politically Exposed Person (PEP): An individual who is or has been entrusted with a prominent public function.

Pre-qualification Questionnaire (PQQ): A self-assessment questionnaire sent to third parties as a preliminary information gathering exercise. PQQs provide basic information on all aspects of a third party, including company information, ownership, organisation board, governance, financial situation, expertise, experience and appropriate policies and procedures.

Radio frequency identification (RFID): Radio frequency identification is a technology used to identify and track chips attached to objects. The tracking provides information on status, locations and timings.

Stakeholder engagement: The process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes. (AccountAbility, 2013).

³⁶ Business Principles for Countering Bribery (Transparency International, 2013).

³⁷ <https://www.transparency.org/glossary/> [accessed 20th June 2016].

Stakeholder: Those groups who affect and/or could be affected by an organisation's activities, products and services and associated performance. This does not include all those who may have knowledge of or views about the organisation. Organisations will have many stakeholders each with distinct types and levels of involvement and often with diverse and sometimes conflicting interest and concerns. (AccountAbility, 2013).

Supply chain: All activities and information flows in the transformation of goods and expertise from origin to when the product is finally used, consumed or discarded or the service completed.

Supply chain control tower: A central hub for capturing and enabling use of supply chain data.

Sustainable procurement: Taking social and environmental factors into consideration alongside financial factors in making procurement decisions. It involves looking beyond the traditional economic parameters and making decisions based on the whole life cost, the associated risks, measures of success and implications for society and the environment. Making decisions in this way requires setting procurement into the broader strategic context including value for money, performance management, corporate and community priorities (UN Procurement Practitioner's Handbook).

Upstream: The flow of materials and services to the company.

Watch list: An external database containing information on companies and individuals, including identify verification, links to PEPs and their associates, concerns or irregularities, allegations or instances of corruption, sanctions and past and current legal cases.

APPENDIX 3: RESOURCES

Anti-bribery codes and guidance

Adequate Procedures - Guidance to the UK Bribery Act 2010 (Transparency International UK, 2010)

<http://www.transparency.org.uk/our-work/publications/10-publications/95-adequate-procedures-guidance-to-the-uk-bribery-act-2010>

Bribery Act 2010: Guidance about procedures which relevant commercial organisations can put into place to prevent persons associated with them from bribing (Ministry of Justice, 2010)

<https://www.gov.uk/government/publications/bribery-act-2010-guidance>

A Resource Guide to the U.S. Foreign Corrupt Practices Act (Department of Justice, 2012)

<http://www.justice.gov/criminal-fraud/fcpa-guidance>

Anti-Corruption Ethics and Compliance Handbook for Business (OECD, 2013)

<http://www.oecd.org/corruption/anti-corruption-ethics-and-compliance-handbook-for-business.htm>

<http://www.oecd.org/corruption/Anti-CorruptionEthicsComplianceHandbook.pdf>

Business Principles for Countering Bribery, third edition (Transparency International, 2013)

http://www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery

OECD Good Practice Guidance on Internal Controls, Ethics and Compliance (OECD, 2013)

<http://www.oecd.org/corruption/keyoecdanti-corruptiondocuments.htm>

Countering Small Bribes: Principles and good practice guidance for dealing with small bribes including facilitation payments (Transparency International UK, 2014)

<http://www.transparency.org.uk/rss/15-publications/1096-countering-small-bribes/1096-countering-small-bribes>

Assurance and certification

Assurance Framework for Corporate Anti-bribery Programmes (Transparency International, 2012)

http://www.transparency.org/whatwedo/pub/assurance_framework_for_corporate_anti_bribery_programme

Practice Guide: Auditing Anti-bribery and Anti-corruption Programs (IIA, 2014)

<https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/Auditing-Anti-bribery-and-Anti-corruption-Programs-Practice-Guide.aspx>

Sedex Members Ethical Trade Audit (SMETA) (Supplier Ethical Data Exchange, 2014)

<http://www.sedexglobal.com/ethical-audits/smeta/>

Verification of Anti-Corruption Compliance Programs (Transparency International USA, 2014)

http://www.transparency-usa.org/documents/TI-USA_2014_verificationreportfinal.pdf

Collective action

Integrity pacts in public procurement: an implementation guide (Transparency International, 2014)

http://www.transparency.org/whatwedo/publication/integrity_pacts_in_public_procurement_an_implementation_guide

A Practical Guide for Collective Action against Corruption (UN Global Compact, 2015)

https://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/CollectiveActionExperiencesGlobal.pdf

Due diligence and risk assessment

OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones (OECD, 2006)

<http://www.oecd.org/daf/inv/investmentfordevelopment/weakgovernancezones-riskawarenesstoolformultinationalenterprises-oecd.htm>

Diagnosing Bribery Risk (Transparency International UK, 2013)

<http://www.transparency.org.uk/our-work/publications/10-publications/678-diagnosing-bribery-risk>

Guide for Anti-Corruption Risk Assessment (UN Global Compact, 2013)

<http://www.unglobalcompact.org/resources/411>

Good Practice Guidelines on Conducting Third-Party Due Diligence (World Economic Forum, 2013)

http://www3.weforum.org/docs/WEF_PACI_ConductingThirdPartyDueDiligence_Guidelines_2013.pdf

Anti-corruption Third Party Due Diligence for SMEs (International Chamber of Commerce, 2015)

<http://www.iccwbo.org/News/Articles/2015/ICC-releases-new-anti-corruption-guide-for-SMEs/>

Public reporting

UN Global Compact

Reporting Guidance on the 10th Principle against Corruption (UN Global Compact, 2009)

<https://www.unglobalcompact.org/library/154>

Supply chain

Supplier Workbook (Supplier Ethical Data Exchange)

<http://www.sedexglobal.com/resources/supplier-workbook/>

ICC Guidelines on Agents, Intermediaries and Other Third Parties (International Chamber of Commerce, 2010)

<http://www.iccwbo.org/Data/Policies/2010/ICC-Guidelines-on-Agents,-Intermediaries-and-Other-Third-Parties/>

ICC Anti-corruption clause (International Chamber of Commerce, 2012)

<http://www.iccwbo.org/Advocacy-Codes-and-Rules/Document-centre/2012/ICC-Anti-corruption-Clause/>

Stand Together Against Corruption: A Practical Guide to Help Prevent Corruption in the Supply Chain (UN Global Compact, 2013)

<https://www.unglobalcompact.org/library/421>

Sustainability and supply chains

Guide to Corporate Sustainability (UN Global Compact, 2015)

https://www.unglobalcompact.org/docs/publications/UN_Global_Compact_Guide_to_Corporate_Sustainability.pdf

Supply Chain Sustainability - A Practical Guide for Continuous Improvement, Second Edition (UN Global Compact, 2015)

<https://www.unglobalcompact.org/library/205>

Whistleblowing

ICC Guidelines on Whistleblowing (International Chamber of Commerce, 2008)

<http://www.iccwbo.org/Advocacy-Codes-and-Rules/Document-centre/2008/ICC-Guidelines-on-Whistleblowing/>



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