



# Anticorruption in the supply chain

Advice and recommendations for reducing corruption risks

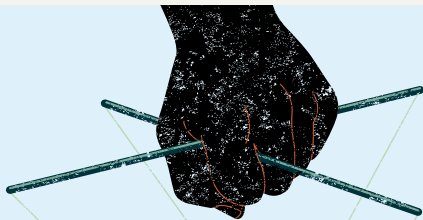


# Good follow-up of suppliers is based on good knowledge of corruption

Corruption threatens the society and prevents development.

Corruption can lead to major economical and reputational consequences.

Preventive work will make companies less vulnerable.



**UN, OECD and Council of Europe** are among the international organisations having issued conventions against corruption. Countries ratifying such conventions have an obligation to introduce them in national legislation and implement them in an efficient way.

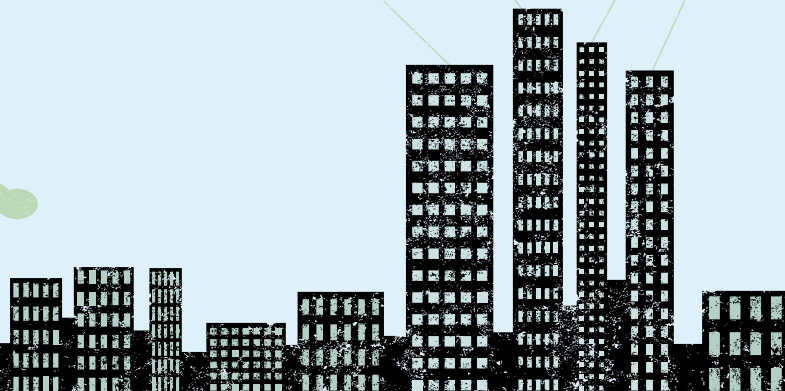
**Norwegian penal law** defines corruption as *to request or receive, give or offer an improper advantage in connection with a position, office or assignment.*

The punishment is fines or imprisonment – 3 years for corruption or 10 years for serious corruption. Both companies and employees can be punished.

**Corruption crosses borders.** Authorities in Norway, USA, UK and other countries can investigate and penalize corruption taken place in other countries.

**An effective anticorruption program** in the company is of importance for penal liability and the length of punishment.

**Other countries' legislation** can be relevant for Norwegian companies. Important are US Foreign Corrupt Practices Act (1977) and UK Bribery Act (2010).



# Include the supply chain in own framework for anticorruption

**Buyers and suppliers** have a common interest in good anticorruption work. What is happening with your supplier may have an effect on your customer. Suppliers can contribute to good preventive work back in the supply chain. Suppliers with small organisations and limited resources may need support in this work.

**Declarations or contractual provisions** about corruption are common within supplier relations. There are reasons to expect increased interest for the suppliers' own anticorruption programs.

Companies buying goods and services can be responsible for corruption by suppliers.

Here we advise how the company can succeed in following up its suppliers.

## Examples of anticorruption provisions in the supply chain:

«Suppliers and their agents shall prohibit any and all forms of corruption, extortion, and embezzlement. Monitoring and enforcement procedures shall be implemented to ensure conformance.»

(The Kongsberg Groups' Supplier Conduct Performance)

«Suppliers and partners are expected to adhere to ethical standards which are consistent with Statoil's ethical requirements.»

(Statoil)

«The Suppliers shall comply with applicable laws and regulations concerning bribery, corruption, fraud and any other prohibited business practices. The Suppliers shall not offer, promise or give any undue advantage, favour or incentive to any public official, international organisation or any third party.»

(Telenor's Supplier Conduct Principler)

# Follow up corruption risk through the whole procurement process

## Look ahead.

*Procurement strategy, prequalification, invitation to bid, bid evaluation, award of contract.*

The potential to influence is greater by the early adoption of anticorruption measures.

Focus on improvements and motivation - do not exclude an otherwise good supplier if you may influence.

## Follow up during the supply process.

*Contract administration*

**Evaluate early corruption risks.** Where are the greatest corruption risks (business areas, location etc.)

**Make an integrity due diligence investigation.** Map history and rumours concerning a possible supplier. Check codes of conduct and routines.

**An improvement plan** may be the basis for accepting a supplier with unsatisfactory codes of conduct or routines. There must be targets and time limits to be met. Anticorruption measures aimed at employees and sub-suppliers should be a goal.

**Share competence** if you have reason to believe that the supplier is not in the position to establish sufficient codes of conduct and procedures. This is especially important with smaller suppliers and in areas with high corruption risks.

**Supply chain management system** is routines for following up suppliers, including anticorruption. A risk analysis is the basis for actions. Weaknesses exposed through the due diligence will lead to closer follow-up. Both buyer and supplier must consider controlling measures. The status of improvement plans will be evaluated at **supplier meetings**, and deviations will be subject to reactions.

# Suppliers should establish and implement anticorruption programs

« Monitoring the supply chain regarding corruption is supplementing, not replacing, an own anticorruption program undertaken both by supplier and buyer - adapted to the company's size, location and sector. »

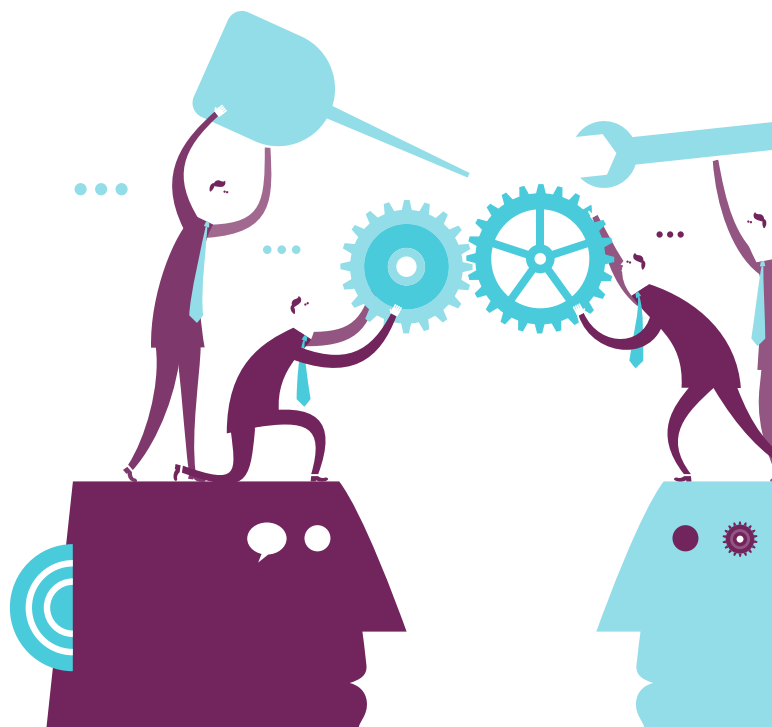
**Effective implementation** of the program requires education/training (dilemma training), documentation and control, and a whistle-blowing mechanism.

**A proper risk analysis** increases the possibility for a targeted and effective program. Where are we most exposed? (procurement, marketing) In which way are we exposed? (facilitation payments, hospitality, kickbacks, influence).

**Ethics codes of conduct** with zero tolerance for corruption. Contributes to the understanding of legal requirements and will often have stricter requirements than demanded by the law.

**Good processes are important.** Commitment from the top is vital, employees and their organisations should be engaged in the development and updating of the program. The responsibility for such work should be clearly defined.

**Evaluate the codes of conduct of customers and competitors.** Flexibility to adapt your own codes and work for harmonisation – that will make it easier to cooperate and to make requirements further down in the supply chain.



# Need for cooperation and sharing of experience

Both as buyer and supplier companies have different resources, qualifications and needs.

Smaller companies have less administrative capacity, but are also less complex. Larger companies may have greater need for formal routines/documentation.

**Do you have a good anticorruption program?** Then you may contribute by sharing codes of conduct, routine descriptions and experience? This protects your company if your suppliers then will work better with anticorruption. It may support the whole business area if you share experience across the area.

**Control is good, but motivation and learning are better.**

Can you explain your supplier why anticorruption work is useful for the company? Can you involve your supplier's employees in your internal education/training, or let your colleagues train the supplier's employees?

**Build confidence and sound relations.** Corruption may be a demanding area for supplier follow-up. Corruption is illegal and related to unethical behaviour, and it represents a challenge to establish the necessary openness and confidence to achieve real progress. It is therefore important to find the necessary balance between cooperation and sharing of competence on one hand, and control and follow-up on the other hand.

# More knowledge

TI Norway, NHO and other actors provide useful tools.

Here is a list of some of importance:

Ti Norway's handbook «Protect your business!»

TI Norway's website [www.transparency.no](http://www.transparency.no)

TI's website [www.transparency.org](http://www.transparency.org)

NHO's guidelines for gifts and hospitality «...across the border?»

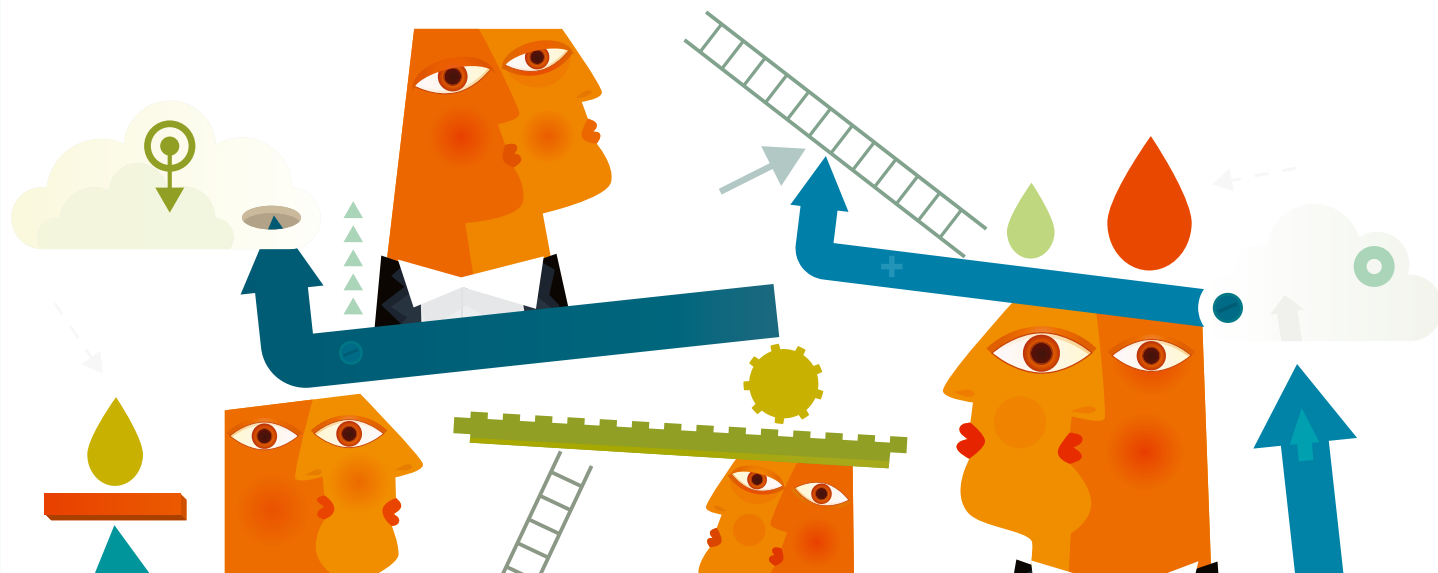
NHO's website [www.nho.no/samfunnsansvar](http://www.nho.no/samfunnsansvar)

UN Global Compact's e-learning and guidance documents.

*A longer and more comprehensive version of these advice and guidelines for reducing corruption risk in the supply chain are available on TI Norway's and NHO's websites.*

« Corruption threatens the rule of law, democracy and human rights, undermines good governance, fairness and social justice, distorts competition, hinders economic development and endangers the stability of democratic institutions and the moral foundation of society.»

(The Council of Europe Criminal Law Convention on Corruption)





Dronning Mauds gate 15, Oslo  
P.O. box 1385 Vika  
0114 OSLO

Telephone 22 83 48 00  
[www.transparency.no](http://www.transparency.no)



Middelthuns gate 27  
P.O. box 5250 Majorstuen  
0303 Oslo

Telephone 23 08 80 00  
Telefax 23 08 80 01  
[www.nho.no](http://www.nho.no)