

With COVID-19 impacting the movement of people and products, what anti-corruption and compliance risks should we keep in mind?

Updated as of March 11, 2020:

- **Issues with Cross-Border Shipments:** Increased scrutiny at borders and roadblocks to cross-border shipments may lead to pressure to make improper payments to secure approval from government officials at borders. Make sure team members who deal with shipping and operations, regulatory approvals, and trade compliance have the appropriate support from the business and compliance to respond to these pressures. Examine relationships with customs brokers and other third parties that may interact with government officials on the company's behalf and ensure these third parties receive appropriate messaging from the company about complying with laws and company policies on ethics and compliance. Issue reminders to employees and agents re-enforcing the company's commitment to ethics and compliance and directing team members to appropriate compliance resources if they have questions or are experiencing pressure to violate the company's ethics or compliance policies.
- **Extortion:** Restrictions on travel, supply chain disruptions, government-imposed quarantine, and other collateral effects of the coronavirus outbreak can give rise to opportunities for government officials to extort money from company employees or agents. It can also raise risks that employees offer improper payments to circumvent these boundaries. Companies should consider providing employees and agents with guidance on how to respond to these scenarios, including to speak up and report potential problems. Guidance should prioritize health and safety, while also providing reminders that the company is committed to following the law. Re-enforce company policies prohibiting payments to government officials to secure a business advantage and direct employees and agents to company resources that can answer questions and provide solutions.
- **Health and Safety Emergencies:** Many companies allow exceptions to policies prohibiting payments to government officials when those payments are made to prevent physical harm to a company's employees or agents. A global health emergency could give rise to an increase in scenarios where a health or safety payment must be made. Companies should ensure that these payments are properly documented, meet the criteria set out in company policies permitting such payments, and accurately recorded in the company's books and records.
- **Third-party Sales Channels:** Don't forget about your third-party business partners. They are facing the same risks and pressure as your company—in some cases, even more so. Third party interactions are often a Company's biggest anti-corruption risk. In 2019, third-party misconduct resulted in 80% of FCPA enforcement actions. Communicate with your third-party business partners about your expectation that they act ethically. Consider how to address sales targets during the outbreak so that pressure to meet targets does not undercut the compliance message. Sales and finance teams may feel increased pressure to recognize revenue prematurely and/or encourage third-parties to purchase more product than needed (i.e., channel stuffing).