

# Developing a CSR Supply Chain Compliance Program

Companies are increasingly held responsible for the unethical or socially or environmentally irresponsible acts of third parties, including those of entities several tiers up or down their supply chains. Adopting a corporate social responsibility (CSR) compliance program can help companies counteract CSR-related risks by avoiding or mitigating legal violations and injury to their brands.



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US company can face liability arising from its suppliers':

- Human rights violations.
- Unethical employment practices.
- Corruption.
- Actions causing environmental harm.

Consequences can be severe. For example, these third-party actions can:

- Subject a company to civil or criminal liability.
- Cause harm to a company's reputation or business standing.

To counteract their exposure to these risks, many US companies adopt corporate social responsibility (CSR) supply chain policies and procedures (CSR programs). By adopting a CSR program, a company can make plans and decisions (for example, selecting suppliers) that consider the potential impact of corporate actions on various stakeholders and constituencies (for example, requiring suppliers to provide their employees with safe working conditions).

This article examines issues a company should consider when:

- Designing a CSR program.
- Drafting CSR program documents.
- Implementing a CSR program.
- Enforcing a CSR program.

This article does not address CSR obligations applicable to federal government contracts or CSR obligations imposed by a non-US jurisdiction. It is also not company- or industry-specific, and therefore does not necessarily include every step a company must take to comply with all relevant CSR laws and regulations or conform to relevant industry standard model policies.



Search [Corporate Social Responsibility in US Supply Chains: Business Briefing](#) for an overview in-house counsel can use when educating business executives on why CSR and CSR programs should be important to the company.

## DESIGNING A CSR PROGRAM

A company that has a CSR program is more likely to have a corporate culture that emphasizes responsibility and integrity. The company also decreases CSR-related risks by avoiding or mitigating legal violations and injury to its brand. Most comprehensive CSR programs have written rules that require officers, employees, suppliers, agents, and business and development partners to take actions to meet and exceed relevant legal, regulatory and industry standards (see below *Drafting CSR Program Documents*).

Designing a comprehensive CSR program involves the following steps:

- Assembling a CSR program design and compliance team.
- Designating the primary business owner.
- Identifying and assessing actual and potential supply chain liabilities.

- Assessing the company's culture and CSR priorities and aspirations.
- Setting out a work plan, timeline and budget.

## DESIGN AND COMPLIANCE TEAM

Companies typically appoint an internal team (CSR team) to design and implement their CSR programs. To ensure that the CSR team is effective, the company should select high-profile and well-respected company leaders, including top management, to champion and emphasize the importance of the company's commitment to the CSR program. Companies typically staff their CSR teams with representatives from the following departments:

- Legal.
- Human resources.
- Procurement.
- Sales.
- Audit and compliance.

Depending on its needs, the company can supplement the internal CSR team with outside specialists, such as legal counsel, to assist in, among other things:

- Developing and documenting the CSR program.
- Educating personnel on the CSR program requirements.
- Interpreting and advising on the applicable CSR laws, policies and procedures.
- Supplier outreach and auditing.

## PRIMARY BUSINESS OWNER

To help ensure that its CSR policies and procedures are effective, the company should designate a primary business owner to develop, implement and enforce the CSR program. Designating a point person can:

- Cultivate a compliance-focused atmosphere that supports the CSR program objectives.
- Increase the likelihood that employees ask important questions or identify key issues about CSR.
- Build cooperation within and across departments, locations, divisions and business units.
- Ensure accountability.
- Ensure that CSR policies and procedures are applied consistently throughout the organization and that the company handles its supply chain counterparties consistently, for example regarding contract awards, terms and enforcement.

## ACTUAL AND POTENTIAL SUPPLY CHAIN LIABILITIES

A well-crafted CSR program addresses actual and potential supply chain liabilities posed by CSR laws and regulations (see below *Adhering to CSR Laws and Regulations*). The CSR program must also consider the liabilities the company is exposed to that are specific to the company's business, including its relationship with other entities in its supply chain. Risks can be posed, shaped or impacted by:

- The company's business model and structure.
- The company's products and services.

# Key CSR Laws and Regulations

The primary CSR laws are:

- **The conflict minerals rules.** The Securities and Exchange Commission's (SEC's) conflict minerals rules (Conflict Minerals Rules), found in Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, require companies that are subject to Sections 13 or 15(d) of the Securities Exchange Act of 1934 to disclose their use of conflict minerals in the companies' products.
- **The Foreign Corrupt Practices Act of 1977 (FCPA).** The FCPA prohibits subject companies from offering or paying anything of value to any person while knowing that any portion will be offered, given or promised to foreign government officials to assist in obtaining or retaining business.
- **The 2015 trafficking and federal contracts regulations.** The Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS) regulations prohibit federal contractors, subcontractors and their employees and agents from engaging in certain trafficking-related activities, among other things.
- **The UK Bribery Act.** The UK Bribery Act has broad extra-territorial application and generally prohibits bribing another person, being bribed by another person and bribing a foreign public official.
- **The UK Modern Slavery Act of 2015.** The UK Modern Slavery Act requires certain businesses who supply goods or services to disclose what activity they are undertaking to eliminate slavery and trafficking from their supply chains and their own businesses, among other things.
- **The Sarbanes-Oxley Act of 2002.** Public companies are generally required to implement practices and policies to ensure that their financial statements fairly present the condition of the business and that effective internal control systems monitor financial reporting.
- **The US Travel Act.** The US Travel Act prohibits engaging in any interstate or foreign travel or using the mail or

facilities associated with interstate or foreign travel with the intent to carry on or further any unlawful activity (18 U.S.C. § 1952).

- **The Food Safety Modernization Act.** The Food Safety Modernization Act governs, among other things, the manufacturing, composition and ingredients, packaging, transportation and safety of food products (21 U.S.C. § 2201-2252).
- **The Lacey Act.** The Lacey Act is a US conservation law that prohibits trade in wildlife, fish and plants that have been illegally taken, possessed, transported or sold (16 U.S.C. § 701).
- **Maryland state laws.** Maryland has enacted state laws that prohibit companies that fail to comply with the Conflict Minerals Rules from contracting with Maryland agencies (see 2012 MD H.B. 425 (NS)).
- **California state laws.** California has enacted state laws that prohibit companies that fail to comply with the Conflict Minerals Rules from contracting with California agencies (see 2011 CA S.B. 861 (NS)). California also prohibits state contractors from furnishing products made by forced labor (see *Cal. Pub. Cont. Code* § 6108). Additionally, California requires companies to disclose actions they took to combat human trafficking and slavery in their supply chains under the California Transparency in Supply Chains Act of 2010 (Supply Chains Act), which applies to any company:
  - that is a retail seller or manufacturer as indicated on its California tax return;
  - that does business in California; and
  - with worldwide gross receipts in excess of \$100 million.

Legislation similar to the Supply Chains Act is currently pending at the federal level.



Search [Corporate Social Responsibility and the Supply Chain](#) for more on CSR laws and regulations.

- The company's contractual obligations.
- The company's business locations.
- The locations of suppliers, agents and business or development partners.

In assessing these risks and liabilities, the company needs to review the causes and effects of its past compliance violations and vulnerabilities. For example, the company should:

- Evaluate the impact and effectiveness of any responsive corrective measures that the company took in the past.
- Assess the likelihood of similar future violations.

## Adhering to CSR Laws and Regulations

At a minimum, companies should design their CSR programs to comply with CSR laws and regulations (see *Box, Key CSR Laws and Regulations*). Government authorities regularly enforce CSR laws. For example, in April 2015, the California Attorney General (CA AG) sent letters to many retail and manufacturing companies doing business in California asking these companies to demonstrate compliance with the California Transparency in Supply Chains Act of 2010 (Supply Chains Act). The CA AG also issued a resource guide and consumer alert concerning the Supply Chains Act.

Even if a company believes it is not directly impacted by CSR laws, it should consider drafting CSR policies and procedures to help ensure compliance with all US CSR laws. The current US legislative trend favors the expansion of CSR legislation. Therefore, even if a company is presently not directly impacted by CSR laws, it may need to comply with these regulations in the future. In addition, a company may be indirectly affected by CSR legislation as a member of another company's supply chain to which CSR laws are directly applicable. As a result, this supply chain counterparty may contractually obligate the company to adhere to CSR laws, for example, to improve the counterparty's public disclosure profile.

Having a CSR program can also benefit a company by promoting the company's brand and improving its culture. This can attract customers, partners and investors, and also strengthen employee morale and commitment.

A company must also consider CSR liabilities relating to its supply chain. For example, a company with supply chain counterparties faces potential liability from:

- **Its contractual obligations in its supply chain contracts.** For example, the company as a supplier may not want or be able to adhere to the CSR obligations required by its customer.
- **Its deficient upstream CSR commitments.** For example, the company as a customer may want its supplier to impose CSR obligations on its second-, third- or fourth-tier suppliers. The supplier may promise the company that it will do so but fail to follow through or, if it does follow through, select suppliers who cannot or will not meet these obligations.
- **Actual, potential or alleged compliance issues of suppliers throughout the company's supply chain.** For example, a company's legal reputation and business standing are at risk if its products include supplier components that:
  - the US Department of Labor identifies as having been produced by child labor; or
  - were produced in a factory where an accident occurred because the factory owner prioritized profits over safety considerations.

CSR liability can be heightened if the company is deemed to have controlled the supplier's business activities at the time the labor violations occurred.

### CSR PROGRAM PRIORITIES AND ASPIRATIONS

In determining the CSR program's priorities, a company must assess any current contractual obligations imposed by supply chain customers that must be met. It should also identify current or projected industry CSR issues and trends.

In addition, a successful CSR program is typically consistent with and supports the company's culture and CSR-related aspirations. This allows a company to better:

- Understand, leverage and support the company's CSR-related strengths.
- Understand and address the company's CSR-related weaknesses.
- Bolster employee loyalty.
- Strengthen the company's brand.

Before implementing a CSR program, a company should review its existing mission statements, core values and policies. The company should also assess its current culture, priorities and aspirations by:

- Reviewing management and employee behaviors, actions and goals.
- Commissioning a study to gauge both management and employee attitudes towards supply chain compliance.
- Determining how the company can or should grow or evolve to accomplish and exceed the expectations and goals derived from the company's mission statements, core values and policies.

It is helpful for a company to solicit employee input on program development and implementation. This helps employees to better understand, internalize and take ownership of the CSR program and its goals.

### WORK PLAN, TIMELINE AND BUDGET

Before drafting and implementing a CSR program, the company should develop a:

- **Work plan.** Members of the CSR team should understand their role in developing, implementing and enforcing the CSR program.
- **Timeline.** The company should set out reasonable but firm milestone dates by which the CSR team must complete its tasks.
- **Budget.** The company should allocate adequate financial and personnel resources to developing, implementing and enforcing the CSR program.

### DRAFTING CSR PROGRAM DOCUMENTS

To help ensure effectiveness, a company must meaningfully implement and consistently and thoroughly enforce the written CSR program documents. These documents typically include:

- **A code of conduct.** The code of conduct sets out guidelines (including those related to CSR) for employees and management to clarify and make decisions that are consistent with the law and the company's mission statements, core values and policies.
- **CSR policies.** CSR policies set out the specific rules that support the CSR guidelines in the code of conduct.
- **CSR procedures.** The CSR procedures set out the acts or means to comply with a company's CSR policies.

Although this article discusses CSR codes of conduct, policies and procedures as separate items, companies sometimes combine them or refer to them interchangeably.

A company can better defend against an employee's or a supply chain counterparty's violation of law or the company's CSR requirements if its CSR program documents:

- Are clear, concise and comprehensive.
- Set out the penalties for violations.
- Are consistent with the company's business strategy. For example, if the company's CSR policy on workers' rights appears to be inconsistent with the company's cost-cutting measures, then the market may judge the company's CSR program to be superficial or dishonest.
- Reference resources to help covered parties comply.



- Are specific to the company's industry, business lines, corporate structure and the legal and regulatory regimes of the jurisdictions in which it does business. For example, if the company's suppliers are located in developing countries where exploitation is a greater threat, then the company should develop more stringent codes of conduct, policies and procedures applicable to its suppliers. A general off-the-shelf CSR program may be ineffective and may not be given much weight as a mitigating factor (compared to a specifically tailored program) if a violation occurs.

In addition, the company must determine to whom the CSR program is applicable. For example, the company may determine that the CSR program is applicable to the company's:

- Directors, officers, managers and employees.
- Suppliers.
- Agents.
- Business and development partners, for example its distributors, resellers or strategic alliance partners.

The company should ensure that it adheres to the same or more stringent CSR obligations as it imposes on third parties. Internal consistency reinforces a CSR program's credibility because third parties are generally more willing to comply if the company also complies.

The company must also determine, based on its characteristics (for example, the company's business lines and applicable regulatory regimes), whether the company's CSR program rules and guidelines should either:

- Exist as stand-alone CSR program documents.
- Be incorporated into the company's other general corporate codes of conduct, policies and procedures.

## CODE OF CONDUCT

A company's code of conduct (also often referred to as a code of ethics) typically contains content required by federal, state and local laws. For example, a public company's code of conduct typically addresses the requirements of the Sarbanes-Oxley Act of 2002 and the corresponding requirements adopted by the applicable securities exchange. A company's code of conduct also sets out high-level priorities and aspirations to allow an employer to promote professionalism and corporate values and to increase sensitivity to potential conflicts of interest.

Common topics or sections that address a company's priorities, aspirations and commitments in the code of conduct include:

- The corporate mission statement.
- Compliance.
- Conflicts of interest.
- Insider trading.
- Protection and use of company assets.
- Accounts and record-keeping.
- Nondiscrimination.
- Freedom of association.
- Employee safety and health.
- Employee privacy.

Several sections of a company's code of conduct (for example, the sections covering the corporate mission statement, compliance and employee safety and health) typically include CSR-related guidelines, including language such as:

- "The company's core values - innovation, creativity, quality and reliability - will be reflected in our behavior and in our business conduct."
- "We are not solely interested in the pursuit of financial gain. We conduct our business ethically and conscientiously."
- "Employees, officers and directors should comply, both in letter and spirit, with all applicable laws, rules and regulations in the cities, states and countries in which the company operates." This compliance-related statement applies to applicable CSR laws, rules and regulations.



Search [Model Code of Ethics and Business Conduct for a Public Company](#) for a sample code of conduct applicable to a public company.

## POLICIES

Policies are the company's specific commitments that typically support the code of conduct's CSR guidelines. Sample CSR-related commitments include:

- "We will reduce, reuse and recycle wherever possible."
- "When considering a business partnership, we will base our choice of partner not only on economic considerations, but also on other factors, including, where appropriate, safety, health, environmental management and sustainable conduct."
- "All forms of bribery are prohibited."
- "Suppliers will not use forced, bonded or involuntary prison labor. Workers are not required to entrust 'deposits' or their identity papers with the employer and are free to leave after their shift or after giving their employer reasonable notice."

Each company should identify and consider adopting relevant recognized industry standards and best practices published by international organizations, non-governmental organizations (NGOs) and industry groups.



Search [Corporate Social Responsibility and the Supply Chain](#) for a discussion of model CSR policies.

## PROCEDURES

Procedures set out the acts or means to comply with a company's CSR policies. For example, CSR procedures commonly:

- Assign responsibilities for CSR policy implementation and enforcement.
- Set out CSR training requirements.
- Describe CSR auditing and reporting requirements.

To be most effective, the company should draft its CSR procedures to:

- Adopt relevant recognized industry standards and best practices published by international organizations, NGOs and industry groups.
- Direct employees responsible for customer agreements to report any customer-required CSR contractual obligations.

- Instruct employees to include provisions in supply and other third-party agreements that require counterparties to adhere to relevant portions of the company's CSR program documents as appropriate.
- Enable the company to readily detect and prevent violations (for example, audit and reporting requirements help the company to better detect violations).
- Set out a remediation process to address actual and potential violations (for example, a detailed internal investigation procedure).
- Emphasize transparency and accountability, for example by:
  - setting out discipline guidelines for compliance violations;
  - listing reports that detail programs, initiatives and related results in annual reports and websites for view by current and potential investors and customers; and
  - setting out audit guidelines for suppliers.



Search [General Contract Clauses: Corporate Social Responsibility Representations and Warranties](#) for sample CSR representations and warranties.

## IMPLEMENTING A CSR PROGRAM

For a CSR program to be successful, it must be properly implemented. To help ensure that all impacted parties and stakeholders understand and adhere to CSR program requirements, as applicable, a company must explain, publicize and promote the CSR program's purpose and framework. For example, the company can state that it is implementing the CSR program to:

- Adhere to applicable CSR laws and regulations.
- Address known compliance-related issues and areas for improvement.
- Update policies and procedures.

It is also important for the company to clearly communicate:

- **The company's CSR compliance goals.** For example, the company can state that it seeks to:
  - exceed legal and regulatory compliance requirements, for example by responding to suspected violations;
  - promote a culture of compliance and cooperation across and among business units, the legal department and compliance personnel; and
  - foster an environment that encourages reporting of actual and potential violations and protects against retaliation.
- **The incentives for individual compliance.** For example, the company can create an internal reward policy for those business units with superior compliance records.
- **The consequences of non-compliance.** For example, the consequence for serious or repeated compliance violations may include termination of employment.

When implementing the CSR program, the company must consider how to timely convey the relevant information to all impacted parties, including:

- Board members, officers, managers and other employees.
- External stakeholders, such as suppliers, agents, business partners and development partners.

Proper implementation of a CSR program also involves training impacted parties and ensuring ongoing reviews are conducted so that the CSR program remains up to date.

## COMMUNICATE WITH DIRECTORS, OFFICERS AND EMPLOYEES

In its internal communications, the company should:

- Publish and publicize readily accessible, clear and comprehensive CSR program documents.
- Educate company directors, officers and employees regarding:
  - the CSR program;
  - the potential personal and corporate exposure and liabilities for violations of the CSR program and applicable law; and
  - the personal and corporate benefits of compliance.
- Identify those with compliance responsibility, which often includes all directors, officers and employees.
- Institute mandatory education modules and training programs tailored to the relevant audience.

## COMMUNICATE WITH EXTERNAL STAKEHOLDERS

Depending on the CSR program's nature and intended impact, the company should consider whether and how to convey its CSR goals and requirements to its:

- **Suppliers, agents, business partners and development partners.** This is especially relevant if the company imposes CSR-related obligations on these third parties under its CSR program.
- **Shareholders.** A company's CSR program can impact the value of the company's shares.
- **Customers.** A company's CSR program can positively impact customer sentiment and brand loyalty. This is particularly relevant if the customer is another company in a supply chain, because the requirements may fulfill that customer's CSR requirements.

A company can communicate its CSR program goals and requirements by training the external parties, publishing (on its website or in hardcopy) and publicizing:

- Its CSR program documents.
- A description of its CSR program's benefits.
- Reports or disclosures regarding its CSR-related activities, which may be required by law (for example, a company should determine whether it must make Conflict Minerals Rule disclosures).

A company should carefully consider the timing, consistency and substance of external communications, so that external stakeholders have ample warning to comply or react, as relevant. It is also important that external stakeholders who are similarly situated are treated equally (for example, perceived earlier and better communication with one supplier may harm business relationships with other suppliers).

## TRAIN IMPACTED PARTIES

Many companies incorporate training into their CSR programs. For example, many companies require all employees, suppliers, agents and business and development partners to annually review and certify a CSR training module. CSR training programs help ensure that these impacted parties can:

- Understand their obligations under relevant laws and the company's CSR-related code of conduct, policies and procedures, which reduces the risk of violation.
- Identify actual and potential violations and make the impacted parties aware of the company's reporting mechanisms.
- In the case of employees in the company's procurement or sourcing organization, consistently communicate with the company's suppliers and other third-party stakeholders.

Often, training is most effective when it helps the audience to understand and embrace the CSR program's goals and requirements in the context of the company's corporate values.

If the company believes that a third party must receive training to help ensure that the company can best implement its CSR program, then it should balance the benefits and risks of training led by the company versus training led by the third party. For example, the company can insist on training third parties if the benefits of controlling the training outweigh the risks of third-party claims resulting from inadequate or faulty training.

Companies should adopt a process for ensuring that new employees and third parties receive the requisite training. Including CSR training as part of new employee orientation or when contracting with a new supplier will help minimize compliance risks during the time period prior to the regularly scheduled training.

## LONG-TERM PLANNING

Companies implementing CSR programs should strive to make their CSR programs consistently meaningful, strong and enduring to protect the time and effort the company invested devising and implementing the CSR program. Also, given the current US legislative trend favoring the expansion of CSR laws and regulations, companies need to ensure their plans are continually updated to address new CSR laws and regulations to avoid liability.

To plan for the long term, companies should devise and implement CSR programs with enough flexibility to adapt to future challenges and trends. Therefore, once implemented, the company should continually reassess and update (where necessary) its CSR program by:

- Assigning personnel to track new CSR laws and regulations.
- Joining industry groups for information on relevant legislative activities.
- Connecting with and learning from companies with similar CSR values, which leverages the company's commitment to build its brand and business.

However, to fully support these plans and activities, the company must allocate the necessary financial and personnel resources.


## ENFORCING A CSR PROGRAM

For impacted parties to respect and adhere to a CSR program, and therefore make it effective, the company must consistently and fairly enforce the program by:

- Instituting metrics and a monitoring system to accurately measure and record compliance.
- Empowering its employees who are responsible for compliance to:
  - investigate and address actual and potential CSR program noncompliance;
  - discipline employees who violate the CSR program rules; and
  - address actual and potential supply chain counterparty non-compliance, which is most effective if done by collaboration among business units.
- Complying with legally required audits. For example, under the Conflict Minerals Rules, some companies that must file a conflict minerals report must also obtain an independent private sector audit (for more information, search [Conflict Minerals Diligence](#) on our website).
- Establishing and executing its own audit process.

## INSTITUTE INTERNAL AND EXTERNAL AUDIT PROCESSES

Audits can be a good way for the company to verify its CSR program's success and to catch issues that constitute or can lead to non-compliance by the company's:




Given the current US legislative trend favoring the expansion of CSR laws and regulations, companies need to ensure their plans are continually updated to address new CSR laws and regulations to avoid liability.



- **Employees or agents.** A company faces liability if its employees violate CSR laws, the company's CSR policies or a supply chain counterparty's CSR policies.
- **Supply chain counterparties (such as suppliers).** A company faces liability if its counterparties violate CSR laws or the company's CSR policies.

Successful audit processes typically:

- Are comprehensive and, in particular, cover those operations and supply chain areas identified as high risk.
- Require auditors to:
  - have specific questions and strategies to independently verify data to comply with the code of conduct, policies and procedures;
  - review pertinent documents;
  - interview employees;
  - interview management;
  - observe facilities and operations;
  - review and discuss audit findings with relevant management; and
  - record findings.
- Require internal audits and reports to be conducted at the direction of the company's in-house or outside legal counsel. In this way, the company has some ability to shield the resulting report under the attorney-client privilege.

 Search [Internal Investigations: US Privilege and Work Product Protection](#) for more on the attorney-client privilege.

If the company identifies an issue during an audit, it should promptly and adequately correct it.

### INTERNAL RESISTANCE AND RESPONSE

When developing and implementing a CSR program, program managers and executives should expect internal detractors to devalue or criticize the CSR program, which may limit or counteract its positive and broad impacts. For example, employees might:

- Criticize the CSR program for requiring additional administrative and other tasks that purportedly hinder business operations and growth.

- Characterize the CSR program as expensive and valueless, particularly because tangible returns on investment are difficult to measure.
- Disparage the public policy merits and effectiveness of CSR laws.

Although the company cannot address all of these concerns (for example, it may be difficult or inappropriate for a company to address the public policy merits of CSR laws), it can try to help the employees understand the importance of the CSR program and promote a culture of compliance, for example by:

- Appointing well-respected leaders to champion its importance.
- Making employees personally responsible for compliance.
- Providing additional training.

### RESPONDING TO POTENTIAL VIOLATIONS OR FLAWS

A company should react quickly and carefully if it identifies any potential or actual violations or determines that its CSR program has substantive or structural flaws. Otherwise, the company's knowledge is likely to be used as evidence that it willfully disregarded these violations or inadequacies if problems later result in allegations of a violation of law or policy. Therefore, the company must plan for and execute a response to real or potential violations that is:

- **Swift.** The company should immediately investigate and respond to potential violations of laws, regulations and the company's CSR code of conduct, policies and procedures.
- **Comprehensive.** For example, if the company identifies an issue in one business unit, it should assess other business units to globally address the problem.
- **Transparent.** The company should:
  - document executed remedial actions;
  - reward whistleblowers; and
  - avoid actual or perceived retaliation against whistleblowers.
- **Effective in the long term.** The company should:
  - identify the violation's cause; and
  - adjust policies and procedures and personnel and supply chain counterparty relationships accordingly.