

# Anti-Corruption Guidelines FWF

- Anti-Corruption Guidelines FWF..... 1
- 1. Introduction ..... 2
- 2. What is corruption ..... 2
  - 2.1. Zero-tolerance against corruption..... 2
  - 2.2. Definition of corruption..... 2
  - 2.3. Motivations for corruption ..... 3
  - 2.4. Consequences of corruption..... 3
- 3. How to reduce the risk of FWF being involved in corruption ..... 4
  - 3.1. Protect the staff members and FWF service providers against pressure from their surroundings ..... 4
  - 3.2. Control and follow-up routines ..... 4
  - 3.3. Whistle blowers..... 4
- 4. Areas with specific corruption risks..... 5
  - 4.1. Country specific risk analysis ..... 5
  - 4.2. Corruption risks in various stages/phases..... 5
    - 4.2.1. Subsidies ..... 5
    - 4.2.2. Establishing and scaling up local offices ..... 5
    - 4.2.3. Working with partners ..... 5
    - 4.2.4. Working with member companies ..... 5
    - 4.2.5. Monitoring, reporting and evaluation ..... 6
  - 4.3. Corruption risks in administration and support functions ..... 6
    - 4.3.1. Finance ..... 6
    - 4.3.2. Administration ..... 6
    - 4.3.3. Personnel and Human Relations ..... 6
- 5. How to handle potential corruption cases involving FWF ..... 8
  - 5.1. Security considerations ..... 8
  - 5.2. Always report when suspecting possible corruption..... 8
  - 5.3. Investigation..... 9
  - 5.4. Reaction against staff members or service providers involved in corruption ..... 9
  - 5.5. Information strategy ..... 10

## 1. Introduction

Corruption is widely acknowledged to distort markets, undermine the law, damage government legitimacy and hurt economic development.

Some of Fair Wear Foundation's operations are in challenging environments, in countries where corruption is widespread. It is not realistic to think that Fair Wear Foundation (FWF) is not, or might not be, affected by corruption. Corruption is closely linked to system weaknesses and mismanagement. These factors can be dealt with if taken seriously. It is necessary to focus on the corruption challenges at all levels in the organisation and proactive measures must be established.

The Anti-Corruption Guidelines is a reference document to support the FWF staff members and FWF service providers in avoiding and in handling corruption related issues. Focusing on preventing corruption is the responsibility of all FWF staff members. The guidelines focus on how to avoid being involved in corruption and points out specific challenges to consider. In cases where corruption has taken place, this document gives guidelines on how to handle the situation.

FWF is convinced that a strong focus on anti-corruption work both internally and externally will strengthen FWF's reputation as a professional and trustworthy organisation.

The FWF director is responsible for ensuring that the issues in this guideline are made known in the organisation and that anti-corruption work and awareness is regularly on the agenda in connection with staff meetings, training, etc. The Marketing and Communication manager is the focal point for the FWF anti-corruption work.

## 2. What is corruption

### 2.1. Zero-tolerance against corruption

FWF has zero-tolerance against corruption. FWF employees and FWF service providers are not allowed to provide for, request or receive anything that can be defined as corruption according to this chapter. However no actions should put lives at risk due to strict adherence to FWF's guidelines and regulations for anti corruption. The FWF director should be consulted for advice if possible and should always be informed as soon as possible.

### 2.2. Definition of corruption

Corruption is not an easy term to define. Some activities might be seen as corruption by some individuals, but not by others. What appears to foreigners to be illegitimate or illegal governance practices might be acceptable locally both legally and culturally.

There are several different definitions of what corruption is, but there seems to be no single definition that captures every instance of corruption. In general, corruption has to do with unethical behaviour. Corruption is a lot more than bribes, and definitions often list issues such as fraud, waste, abuse and misconduct.

By trying to define corruption too precisely, the risk increases that issues not mentioned may be looked upon as not included. Still, a definition can help to give a common understanding of what corruption is all about. FWF has chosen to adopt the following definition of corruption:

Corruption is the abuse of power for illegitimate individual or group benefit.

This definition is a reference for the content of this guideline.

Corruption can involve both financial and non-financial benefits such as enhanced personal reputation, the acquiring of political capital or access to services. Sexual corruption, in which sexual favours are extorted in return for assistance or preferential treatment, is a huge problem in many areas of the world.

Corruption might occur in many forms, including but not limited to:

- Bribery: When someone improperly provides goods or services against some form of improper compensation.
- Kickback: A form of bribery, where someone involved in a purchasing process is getting a reward from the supplier for placing an order of goods or services.
- Embezzlement: Theft of resources for own use.
- Extortion: The act of obtaining something by force, threats or undue demands.
- Favouritism: The unfair favouring of one person or a group at the expense of others and includes nepotism which is favouritism shown to relatives.
- Unnecessary waste: Including inefficiency, poor administration and lack of oversight and coordination.

### **2.3. Motivations for corruption**

Motivation factors may be linked to the various cultures' attitudes to honesty and historical elements in the various countries. Forms of corruption are culturally tolerated and expected in some areas of the world. The reward and risk factor will always be an important issue that could motivate corruption. It could be a motivation factor when a lot can be gained from corrupt acts and the likelihood of detection is considered low and/or minimal punishment is expected if detected.

Personal financial problems or challenges are often the motivation for corruption. Strong family ties and a commitment to share with less wealthy members of the extended family or clan, might create expectations and pressure from the staff member's surroundings that all possibilities to gain as much income as possible is utilized. Low trust in the governmental structures and society creates limited belief in the future and larger financial insecurity for the individuals. Indebtedness and gambling are also frequent motivations for corruption.

### **2.4. Consequences of corruption**

Corruption poses a serious development challenge. It undermines democracy and good governance by subverting formal processes. It also weakens economic development by generating considerable distortions and inefficiency. Corruption especially hurts the poor by denying them free and fair access to the services to which they are entitled.

Individuals or organisations faced with the possibility that a bribe may help them get past cumbersome and in cases illegal bureaucracy, may be tempted to pay instead of overcoming such obstacles through time-consuming legal action. While the bribe may solve the immediate problem, the payment reinforces a bribing culture and may contribute to inflate the amounts unduly requested for the same goods or services later on. Accepting corruption might also complicate the lives and work of other persons and organisations and will have a negative impact on FWFs reputation.

### **3. How to reduce the risk of FWF being involved in corruption**

Clear rules and regulations, including clear and well known segregation of duties, are the basis of corruption prevention. An atmosphere with focus on transparency, ethics, training and awareness building is a key factor.

In many cultures, gifts are frequently given as a sign of friendship and appreciation. The intent of the giver and the receiver's perception of the giver's intent, are important factors to consider when trying distinguishing between a gift and a bribe. The value of the gift or bribe must also be considered. FWF staff members are only allowed to receive gifts of very low value. For further details on this, refer to the FWF internal policies.

#### **3.1. Protect the staff members and FWF service providers against pressure from their surroundings**

In some cultures, it may be expected that staff members and service providers make use of potential options for corruption in given situations. It is FWFs obligation to help our staff and service providers to reduce such pressure through implementing strict rules, routines and follow up procedures. The way FWF selects, trains and rewards service providers should minimize the risk of being exposed to corruption.

#### **3.2. Control and follow-up routines**

Necessary control routines must be established, and these routines must be followed up. How to set up proper routines and to control the adherence to these routines is described in various FWF documents.

#### **3.3. Whistle blowers**

A whistle blower is someone notifying his or her surroundings (normally a superior) about potential corruption taking place. All staff members must be encouraged to become whistle blowers if they detect possible corruption issues. The whistleblowers can be pressured from the potential corrupt staff member, service providers or supporters. To reduce that risk, FWF staff members and service providers can "blow the whistle" through contacting the FWF director. In the event that staff members or service providers are hesitant to contact the director a FWF board member , concerned with HR, can be contacted. Remember that the whistleblower is a witness, not a complainant.

Always keep in mind that whistle blowing can also be misused as a very powerful tool to hurt or damage other staff members' reputation. There might be motivations for putting forward false accusations, including covering up corruption that the accused employee is trying to fight.

## **4. Areas with specific corruption risks**

In this chapter, some significant corruption risks are identified. It is an attempt to map risks and types of corruption most likely to arise in connection with the different FWF activities. General recommendations on how these risks can be handled will be given in some instances. Measures should be taken to reduce the possibility of being involved in corruption in the areas identified as particularly risky to an absolute minimum. An important tool to reduce the corruption risk is to establish procedures based on the relevant generic FWF documents.

Different types of activities have various challenges when it comes to various risks and potential types of corruption. This must be taken into account when establishing local procedures and regulations to reduce the risk of corruption. FWF staff at all levels must follow up the established routines and procedures.

### **4.1. Country specific risk analysis**

For every production country where FWF is active, FWF publishes a country study which looks into the general risk of corruption in relevant areas.

### **4.2. Corruption risks in various stages/phases**

The corruption risks' likelihood to occur and the impact if they occur must be analysed in a given context. The risk depends on the type of activity. Further, the risk depends on how well established the activity is and the resources assigned to the tasks.

#### **4.2.1. Subsidies**

FWF is mainly funded with funds from Dutch, Swiss or internationally oriented institutions with relatively clear and transparent procedures, including who can expect to get funding, for what and how. However, there is a limited risk that someone will try to make FWF pay a bribe or offer kickback in order to get funding.

Next to subsidies FWF receives membership fees (based on turnover) from member companies. This process is part of the FWF core administration is yearly checked by an external accountant.

#### **4.2.2. Establishing and scaling up local offices**

There is a risk that FWF staff focus on operational activities rather than establishing systems and procedures when opening or scaling up an office. Officials could be bribed to get necessary permits and licences and there is a risk of corruption in the recruitment process of new staff members.

During the process of finding premises and setting up administrative systems there is a risk of various sorts of corruption such as kickback from the owner or agent and involving families or friends of staff members etc.

#### **4.2.3. Working with partners**

Working with service providers and stakeholders creates different challenges compared to working alone. Service providers, like local auditors FWF is working with, and stakeholders have knowledge of the region or specific competences that FWF lacks and thereby strengthen FWFs operation. Local service providers and stakeholders will normally have knowledge of local conditions, but close ties to beneficiaries and local officials could be challenging in a corruption-perspective.

#### **4.2.4. Working with member companies**

As FWF provides the public a guarantee on the efforts and results of member companies in implementing the Code of Labour Practices it is in their interest to protect their image when they can.

FWF staff can be bribed in order to cover up lack of efforts and results in implementing good labour conditions in their supply chain.

#### **4.2.5. Monitoring, reporting and evaluation**

There is a risk that evidence of corrupt activities is covered up for instance in the process of conducting audits. Auditors must be integer and the International Verification Coordinator, who checks the reports should be aware of the possibility of corruption. Audit team supervisors and members shall inform FWF of relevant communication between them and the audited factory for 18 months before and after the audit and shall not take on any work for this company, without prior consultation with FWF.

#### **4.3. Corruption risks in administration and support functions**

Administration and support functions represent major risk-areas for corruption. Clear routines including segregation of duties are essential to reduce the risk. Develop local routines based on the relevant documents and procedures and make sure they are followed. Below are listed some of the major risk areas.

##### **4.3.1. Finance**

- Making payments to service providers or others
  - Getting invoice/receipt for another amount than what is actually paid or supposed to be paid for
  - Falsifying or manipulating documents
- Ghost payments – payments for non-existing goods or services (the procedure in Terms of Reference for Service Providers must be followed)
- Deliberately delaying payments to service providers, and giving faster services to suppliers who provide gifts/incentives

Cash and bank

- Cash-holdings – theft. Unauthorised access to safes and bank-accounts
- Bribes to inform potential thieves/blackmailers about cash holdings in the office or during travels

##### **4.3.2. Administration**

- Risk of theft/misuse/private use
- Access control to offices/stocks
- Use of telephones (including mobile and satellite phones)
- Follow up of easily sellable equipment
- Stationeries
- General office equipment
- Computers and related items such as printer-ink and toner
- Stamps

##### **4.3.3. Personnel and Human Relations**

- Human resources

- Payments
  - Loans or advances that are not paid back;
  - Staff members paid a higher salary level than supposed.
- Recruitment
  - Employment of people who are related or have close social ties, including clan or ethnic group – not based on qualifications;
  - Bribe to get into interview or to get the job. Potential staff can demand a kickback when offering a job (fee or percentage of the salary);
  - Strict rules by the local authorities that must be followed – bribing to get around it.
- Persons receiving a high salary might have to pay bribes or involve themselves in other sorts of corruption to get the job.
- A high salary normally reflects a higher degree of trust and responsibility, that makes it easier to access potential/possible corrupt situations.
- Persons receiving a too low salary might have to be corrupt to survive.
- FWF salary level must be clear and easily available so that all staff members know which salary they should expect. The salaries should be on an average level of the international organisations operating in the area.

## 5. How to handle potential corruption cases involving FWF

Whether there is only a suspicion or if there is clear proof that a corruption incident has occurred, the situation must be handled properly. The focus must be on minimizing the (potential) negative consequences by identifying what has happened and deal with the situation immediately in a professional manner. However, FWF must learn from the incident, and ensure that the lessons learned are spread throughout the organisation to make FWF better able to avoid and handle future corruption cases.

### 5.1. Security considerations

FWF has zero-tolerance against corruption, but you should not put your life or the lives of others in danger due to strict adherence to FWFs guidelines and regulations for anti corruption.

The security issue must always be considered when a potential corruption case is discovered. Investigating or reporting a potential corruption case might create security implications for those involved. This includes the security of:

- Whistle blowers (including suspected whistle blowers)
- Those investigating the corruption issue
- Those being corrupt

Many of those involved in corruption are well-connected persons. When action is taken against their acts, they may protect themselves or take revenge by hurting individuals or FWF as an organisation in various ways. To reduce the security risk for the individual FWF staff members and service providers, it is important to highlight the fact that the case is handled by FWF as an organisation, not by a certain individual.

There could be a considerable corruption related pressure against staff members from family, friends and their surroundings in general which might have security implications.

### 5.2. Always report when suspecting possible corruption

Always react, but be careful not to overreact when suspecting corruption. All FWF staff members must report to the FWF director when becoming aware of potential corruption taking place in the organisation. FWF service providers need to report to the International Verification Coordinator when becoming aware of potential corruption. It is of outmost importance that the FWF director is reacting against and taking seriously all potential corruption cases of which they are made aware. At the same time, the reaction must be proportionate to the dimensions of the situation.

If a staff member suspects that FWF or someone acting on FWF's behalf is involved in corruption, the director of FWF must be notified immediately. Communicating suspicion of corruption should be done in a discrete and safe manner.

In cases where the FWF director is suspected to be involved in corruption, the FWF board member, concerned with HR, should be notified directly.

Staff members being pressured in corruption related issues should immediately notify the FWF director directly. This could include pressure from family, clan/ethnic group, friends and (potential) suppliers. The FWF director will take necessary action to protect the staff member from further pressure e.g. through, either temporarily or permanent, changing the staff members tasks.



### 5.3. Investigation

FWF must demonstrate efficiency and willingness to clarify exactly what has happened in a potential corruption case. The FWF director is responsible for immediately securing all relevant evidence when being made aware of a possible illegal act. Evidence could include information such as vouchers, contracts and written reports. The FWF director or the delegated personnel should carry out an initial enquiry.

The initiation of an investigation will normally be handled by the FWF director based on the findings of the initial enquiry. An investigation team should normally be established. The role of the investigation team is to interrogate and take statements from persons that might be involved or have relevant information about the possible corruption case. The investigation team should normally have an external leader and in some serious cases no staff members should be part of the investigation team. The investigators must be qualified for the task to ensure that the investigations findings are credible and valid. The composition of the investigation team must be coordinated by the FWF director. When investigating, it is important to treat all staff members equal and fair. Investigators should never make any promises or attempt to “purchase” information. It is FWF policy that the police should be involved in the investigation of all corruption cases. The timing of the police involvement must be considered from case to case, but the general rule is that they should be involved as early as possible.

To prevent the staff member from influencing the investigation or witnesses and to ensure the safety and security of those involved in the investigation process, the suspected staff member should normally be kept away from the office while investigating. The staff member could be assigned other tasks or given a leave. In serious cases, it should be considered suspending the staff member during the investigation.

The corruption charges and/or investigation could involve powerful people in production countries, and these persons can pose a threat to the staff member, if such an investigation is known. The initial investigation of a corruption charge should be kept at a need to know basis, normally within the organisation until there is clear suspicion of a possible illegal act.

The local auditor can be tasked to make a special audit and/or investigate the potential corruption to support the work of the investigation team. If the ordinary auditor for some reason is not to be used, (could be the case if the corruption has gone on for a long time without being discovered or the auditor for some reason is suspected to be involved in the case) an independent auditor must be used. An auditor from another country is often the best choice to ensure total independence when investigating a corruption issue. Experience shows that auditors from the same region as those involved might be very vague when reporting their findings.

If the investigation team receive suggestions for improvements in guidelines, policies or routines, they should give, as part of their work, recommendations on how to avoid similar cases/issues in the future.

All accusation of corruption must be treated with care. False accusations could be used as a political tool, to damage the reputation of the organisation, a single person or a group of persons. All allegations should be investigated, but not necessarily openly. Even the perception of corruption, or false accusations of corruption, can cause the same negative effects as real corruption. Great care must be taken not to allow any false perception of corruption to arise in connection with FWF's work.

Some countries have traditions for using different forms of “witch-craft” to find out the truth in criminal cases. FWF does not allow the use of any such methods.

### 5.4. Reaction against staff members or service providers involved in corruption

If an investigation finds that a staff member or a service provider is or has been involved in corruption, it must have an impact on the individuals' contract with FWF. There should always be a reaction

against staff members and service providers involved in corruption. The reaction must be adapted to the local conditions and the degree of seriousness of the identified corruption case. Normally any involvement in corruption should lead to at least one of the following reactions:

- Dismissal
- Warning (in writing)
- Relocation (to another position when involved in minor or less serious corruption cases)

Dismissing corrupt staff members or terminate the contract with service providers may backfire against FWF and create a security risk for the organisation in general and for the staff involved in the firing process in special. The FWF director should always handle the dismissal process and it should be made clear that it is FWF as an organisation that is dismissing the staff member, not an independent manager.

The case, depending on the current situation in the specific country, should normally be reported to the local authorities and/or police. By bringing the case forward to the local authorities, FWF shows transparency, and signals that corruption is not acceptable in the organisation and is dealt with accordingly.

It should be considered to state the reason for the dismissal on the letter of recommendation issued to the dismissed staff member. Further, it should be considered to notify other organisations in the area about FWF staff members being dismissed due to serious corruption. This to make them aware of the history behind the dismissal of the staff member, in case that he/she is applying for a job in their organisation at a later stage.

If there is proven theft, misuse of fund and so on, the staff member should be requested to pay back an equivalent amount.

### **5.5. Information strategy**

The FWF director is normally responsible for the internal communication in such cases. The Marketing and Communication manager should be informed at the earliest possible stage. Whether all staff should be informed depends on the case. The FWF director will make this decision.

The FWF director is normally responsible of notifying the donors about the corruption case. Relevant donors and partners in the country where corruption have taken place should be informed when found appropriate by the FWF director. FWF's policy is to be very open with the donors about such incidents, in order to maintain and even build trust. They understand that some such incidents will occur in our type of organisation, even if we do our utmost to avoid it.

No information should be given the Dutch, local or international press without permission from the FWF director.

- FWF is a transparent organisation with an open attitude towards media
- Promotion of our anti-corruption initiatives should be a by-product of all information
- It is crucial to inform the Marketing and Communication manager at an early stage, independently on whether FWF is to go public on the corruption case or not.
- The Marketing and Communication manager shall immediately develop a media strategy, in order to be prepared to answer any questions
- Whether, and at which point, FWF shall inform the media, must be decided upon in each individual case.

- Tell the whole truth when dealing with the press. This builds trust and might even help us influencing how the case is presented. The press will normally find out the whole story anyway and a string of new discoveries connected with “half-lies” is very bad for our reputation.

## **Annex: Practical hints in bribery situations**

This advisory is aimed at all staff, and intended to raise awareness of anti corruption work, at the same time as it can be used as a guidance in the field.

Corruption can threaten the security of the organisation and its operations. This is obvious in the case of theft or fraud, two kinds of corruption. It is just as true, though sometimes less obvious, in the case of other kinds of corruption, such as bribery.

Many experienced humanitarians have found it possible to work for years in countries that have serious corruption, without ever paying a bribe. There are respectful and courteous ways of doing this. Consider the following, if appropriate to your personality. To the context and the culture:

- In answer to the question: “Have you got a little present for me”? answer, “Yes – a smile” – and smile genuinely as you do so.
- Good humour, the time to talk for a minute or two and have a joke together – this is sufficient to persuade a soldier at a checkpoint not to insist on a bribe. Often he is bored, and is grateful to be treated as a human being.
- Explain why you are not able to pay the bribe. Have various simple phrases that do not sound like an accusation of corruption – for example: “My head office doesn’t allow me to pay any fee that isn’t official.”
- If a soldier is insistent, say that you are not able to pay the bribe, but that you are willing to speak to his commander. (The soldier will often not want his commander involved.)
- Be prepared to wait. Patience cures many problems, while impatience often increases the pressure to pay a bribe. At a check when you have reached an impasse, be prepared to wait an hour or two, while you keep negotiating politely, if it is important to you to get through. Otherwise, consider turning back, and trying again another day.
- In the meantime, you could inform the higher military or police authorities of the problem that you faced, and get them to do sometime about it.
- The patience principle also applies to bureaucratic processes, such as NGO registration with the government authorities. In some countries, this can take a year or more, leading to a temptation to try to hurry the process up.
- Remain courteous, respectful and – if possible – friendly. Some officials who normally insist on a bribe seem flattered and pleased when treated kindly, and waive the bribe as a result.
- Ensure that all your paperwork and documents are in order, and that you have copies of them with you at all times, so that if an official challenges you, the document is there to show. This may mean always having bulky folder with you – a small price to pay to avoid the hassle that you might otherwise face.
- Keep some picture postcards with you, and give one of them as a “present” of minimal value.
- Some people like to keep a packet of cigarettes on them – even if they themselves do not smoke – so that they can offer one (or two or five!) to the soldier at the checkpoint.
- Ensure you or your driver knows the traffic rules and respects them. Otherwise, it is an open invitation to a police officer or traffic warden to threaten dire penalties – unless you offer a bribe.

- Make sure that you and your colleagues respect the laws scrupulously, so that you are less likely to be accused of wrongdoing and therefore put in the power of law enforcement officials.

It will always be of crucial importance to consider the rules and regulations of the organisation, but never put your life or others in danger due to strict adherence to FWF's guidelines and regulations for anti corruption!