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PREVENTING AND COMBATING
CORRUPTION IN SMES

BUSINESS
PARTNER RISKS

Transparency International Switzerland («Transparency Switzerland») is the Swiss chapter of Transparency International, the world's leading non-governmental organisation dedicated to fighting corruption. Transparency Switzerland is committed to preventing and combating corruption and money laundering in Switzerland and in Swiss companies' business relationships with actors in other countries. Transparency Switzerland engages in awareness-raising and advocacy work, produces reports and develops tools, encourages exchange among specific interest groups, works together with other institutions and takes stances on current events.

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Contents

Challenges and opportunities	1
Key points in brief	2
The legal framework	3
Implementation within the company	5
From formal decision to practical implementation	5
Setting down measures in writing	5
Assessing the risks associated with the business relationship	6
Assessing the business partner's integrity	8
Anti-corruption agreement with partner	10
Other implementation measures	10
Appendix	12
Examples of wording used in practice	12
Further information	14

Challenges and opportunities

Successful companies rarely operate alone. Only by working together with the right business partners can the optimum division of labour be achieved: entrusting services such as distribution, shipping or customer acquisition to partners frees a company up to focus on its core strengths. Working in partnership with third parties can unlock a wide range of opportunities, particularly for SMEs. And it may even prove essential, especially when it comes to accessing new and distant markets: having reliable partners with suitable local contacts and first-hand local knowledge can give the company a decisive competitive advantage.

But business partnerships also involve risks. A company fundamentally committed to acting with integrity may unwittingly find itself embroiled in acts of corruption through its association with third parties. Many Swiss companies report that they are frequently asked to pay bribes when doing business abroad. Companies who conduct their business with the help of local distribution partners, agents or other intermediaries are particularly affected. Therefore, prudent SMEs not wishing to commit acts of corruption must take steps to prevent third parties from doing so in their name.

Preventing corruption in connection with business partners may initially seem a daunting task – understandably so, given that companies are unable to exercise full control over a third party's actions. However, even small companies with limited resources and no specific expertise in this area can master this challenge. This guide is intended to provide guidance in doing so.

The suggestions in this guide are based on the best practices identified by Transparency Switzerland and other national chapters of Transparency International in working together with companies. Recommendations issued by international business associations, specifically the International Chamber of Commerce ICC and the World Economic Forum WEF, have also been taken into account along with the certifiable ISO 37001 standard on anti-bribery management systems.

This guide complements Transparency Switzerland's comprehensive guide «Preventing and Combating Corruption: Guidance for Swiss SMEs» and the associated self-evaluation checklist, as well as the two guides dedicated to whistleblowing systems and to dealing with gifts and invitations. All of these publications are available for download at www.transparency.ch. While the self-evaluation checklist, as well as the manuals on whistleblowing systems and on dealing with gifts and invitations are only available in German and French, the comprehensive guide «Preventing and Combating Corruption: Guidance for Swiss SMEs» is also available in English.

Key points in brief

- Careful management of corruption risks in business relationships, based on clear rules, boosts a company's integrity and reputation. It also protects the company against criminal charges and financial losses.
- Taking suitable precautions is an efficient and effective way for SMEs to avoid problems of this kind. To achieve this in a resource-effective manner, the process should be tailored to the level of risk associated with the business partner relationship in question (risk-based approach).
- A careful analysis of the corruption risks is an essential prerequisite in any risk-based approach to managing them. Therefore, companies must begin by scrutinising the context and nature of the business partner relationship in order to identify the potential for exposure to acts of corruption and determine the appropriate risk level.
- Conducting due diligence by assessing the partner's integrity is the core element of the next step in the process. This means building up a picture of the partner in order to identify potential indications of corruption risks. The higher the risk posed by the context and nature of the business relationship, the broader and deeper the integrity due diligence should be.
- Lastly, the business partner should be contractually required to comply with anti-corruption measures. The content and scope of these provisions will be determined by the specific corruption risks associated with the business partner relationship.

The legal framework

Corruption is now largely prohibited under criminal law. Individuals as well as companies and other organisations (e.g. associations) may be liable to prosecution.

Corruption offences – Various forms of corruption are prohibited under criminal law, in particular bribery, granting of advantages and, under certain circumstances, facilitation payments and nepotism. Further details of these offences can be found in our publication «Preventing and Combating Corruption: Guidance for Swiss SMEs».

Corporate criminal liability – Not only natural persons, but also companies may be penalised under criminal law (Art. 102 Swiss Criminal Code), particularly if they have failed to take all reasonable organisational measures required to prevent serious offences, such as corruption and money laundering, from being committed in the course of their business activities. In other words, the company in question does not stand accused of having committed the offence, but of having failed to take adequate measures to prevent it.

When is the company criminally liable for the actions of third parties? – The company can be held criminally liable as soon as a third party carries out activities on the company's behalf that are associated with the company's business operations. This applies, for example, to subsidiaries and branches, or when parts of the business (such as bookkeeping or IT) are outsourced to third parties. However, it can also extend to the activities of intermediaries, agents and consultants, except where the latter merely provide advice to the company itself and do not represent it externally. In all these cases, the company must take reasonable steps to prevent serious crimes such as corruption and money laundering from being committed by third parties. These measures are described in detail below.

Legislation in other countries – In addition to the Swiss rules, SMEs operating on an international scale must respect regulations that apply elsewhere, particularly in those countries in which they do business. However, companies may also be required to comply with the laws of other jurisdictions in which they do not operate. US and UK anti-corruption legislation in particular has a very wide scope: for example, the US rules apply whenever a US server is used or a payment is transacted in US dollars. Under the UK Bribery Act, a foreign company is liable to criminal prosecution for any breaches of the Act by its agents or distribution partners – no matter where in the world they take place.

Practical example – A Swiss company in the mechanical engineering sector works with local intermediaries in various countries that are vulnerable to corruption. Acts of corruption are committed, which the company itself fails to identify because it has not carried out integrity due diligence of its intermediaries. Given these shortcomings in the organisation's efforts to prevent corruption, the Swiss prosecution authorities can order the company to pay a fine and compensation.

Possible measures: Ensure a viable anti-corruption system is put in place, including clearly defined, risk-based integrity due diligence procedures in relation to (current and future) local intermediaries; require partners to abide by the SME's anti-corruption policy or to sign an anti-corruption agreement; provide training to the employees responsible for partner relationships and regularly raise partners' awareness of anti-corruption measures.

Moving beyond mere respect for the legal framework

– Sound and prudent business conduct requires a company to do more than simply comply with the provisions of criminal law. Instead, the company should extend its anti-corruption safeguards to all its business partners and not just those that could trigger criminal liability. This is recommended on reputational grounds alone. If one of its business partners becomes involved in corrupt activities, the company runs the risk of being associated with this in the public mind and in the eyes of its clients and other business partners.

Practical example – In a Latin American country, an external sales agent of a Swiss SME uses his fees to bribe local public officials. He does so without the company's knowledge. Because these payments are transacted in US dollars, there is a risk that the US authorities could show an interest and even take action against the Swiss company as the supposed originator.

Possible measures: Define appropriate procedures for selecting and monitoring business partners, especially sales intermediaries and other agents; keep comprehensive written documentation of the implementation steps; contractually require partners to refrain from engaging in corrupt practices.

Implementation within the company

From formal decision to practical implementation

A formal decision by the top management to adopt anti-corruption policies and measures is invariably the starting point for effective corruption prevention in any company (see our guide «Preventing and Combating Corruption: Guidance for Swiss SMEs»). This decision should also extend to the corruption risks specifically associated with business partner relationships. The aim is to create a management system that enables the company to conduct the due diligence necessary to identify and avoid or mitigate these risks.

The key elements of an effective prevention of corruption in business partner relationships are:

- rules set down in writing (e.g. in the form of a code of conduct or policies);
- a risk assessment of the context and nature of the business relationship;
- a risk-based assessment of the business partner's integrity based on the above (i.e. a «due diligence assessment» in the narrower sense);
- a contractual undertaking by the business partner to refrain from acts of corruption;
- other implementation measures.

Each of these elements is described in greater detail on the following pages. Although best practice recommendations exist, such as those of the ISO 37001 standard and those issued by the International Chamber of Commerce ICC, there is no one-size-fits-all solution. Instead, each company should choose an approach tailored to its own particular situation.

To ensure that each step in the process is well-defined and makes sense, the company must first gain an overview of its existing partnerships and the potential corruption risks these entail. If the company has major expansion plans, it should also consider in-

cluding prospective future partnerships in this inventory. Once the current and main prospective partners have been identified, the company can draw up suitable rules (criteria, procedures, responsibilities, etc.) for the next steps in the process.

In doing so, companies should be open to making any changes to these rules that may become necessary. Practical experience has shown that the very first risk and business partner assessments conducted often require a certain degree of fine-tuning. As a general rule, companies should periodically review the effectiveness of their established procedures and make adjustments where needed.

Setting down measures in writing

It is important that all the measures are set down in writing and made binding, and that their implementation is well documented. This facilitates internal communication and, should problems arise, is vital in providing evidence to the authorities that the company has taken all necessary and reasonable organisational measures to prevent corruption.

Small enterprises with only a very low risk of corruption can incorporate the measures into their general code of ethics by making explicit reference to their business partners there (see the examples of wordings from business practice in the appendix to this guide). However, they are generally advised to address the issue in greater detail, for example, as part of a specific anti-corruption policy or by drawing up special guidelines on business partner relationships.

Depending on the company's size and exposure to risk, it may be worth including other points in these documents, such as the precise steps involved in conducting a risk assessment and integrity due diligence of business partners along with the allocation of responsibilities for each step. This is also where the correct way of handling suspicious circumstances should be defined. Companies are recommended to round out their policies with practical examples and other tools. This will make it easier for employees to put them into practice.

Assessing the risks associated with the business relationship

The primary aim in conducting a business partner risk assessment is to analyse the company's potential exposure to acts of corruption emanating from the context and nature of the relationship. It is an essential step that must be taken before risk-based integrity due diligence of the partner can be conducted (see next section).

Risk factors and indicators – Before analysing the risks associated with the context and nature of the business partner relationship, the company must first determine the relevant risk factors and indicators. The following examples and indicator questions may prove helpful.

- **Country risk:** Does the business relationship involve a country that is subject to international sanctions or which is included on the international anti-money laundering body FATF's list of countries that fail to adhere to the recognised anti-money laundering standards? Can it be classified as a country with a high risk of corruption (see e.g. the Transparency International "Corruption Perceptions Index") or as a financial secrecy jurisdiction (see e.g. the Tax Justice Network's "Financial Secrecy Index")?
- **Sector risk:** Does the business relationship take place in a sector that must be considered particularly vulnerable to corruption (e.g. commodities extraction and trading, construction, transport and storage, financial services, pharmaceuticals and healthcare)?

Contacts with public officials: Will the business partner have dealings with public officials or even with high-ranking government representatives (for example, by participating in public tenders)? Is

Practical Example – A small Swiss SME specialising in the production of innovative components, which it distributes globally via partner companies, sets out guidelines in its code of ethics that include zero tolerance of corruption. A section devoted to business partner relationships emphasises that business partners (especially agents, resellers and consultants) are expected to comply with the principles set out in the code or to adopt equivalent principles of their own.

The SME's procedures for selecting and approving business partnerships are the subject of an internal policy, which also stipulates where responsibility for the various steps lies, sets out the risk assessment criteria and defines the procedure for assessing partners' integrity.

Key partners with which the company regularly does business are contractually obliged to adhere to a code of conduct specifically designed for business partners, containing a very clear and comprehensive set of anti-corruption rules. The company reserves the right to terminate the business relationship if a partner fails to follow these conduct guidelines.

there a danger that facilitation payments may be demanded in connection with concessions, utilities supply (water, electricity, etc.), customs and border formalities, or to 'speed up' transport services?

- **Critical services:** Is the business partner authorised as an agent to represent the company, or even to act in its name? Can it use agents itself in the context of the business partner relationship? Does it perform an executive activity or exercise a function belonging to the company's core area of business?
- **Order volume:** Does the business relationship involve a large order volume and/or a large amount of money? Is the business partnership long term and/or exclusive, and would it be difficult for the company to extract itself from the relationship?

Classification by risk level – Once the risk factors and respective indicators have been established, the company can assign each business partner relationship to a certain risk level (e.g. 'high', 'medium' or 'low'). It may be useful to use a risk matrix (see info box below). This type of matrix enables multiple risk

categories to be taken into consideration simultaneously and thus helps arrive at a systematic overall assessment. The aim is for the company to be able to clearly allocate each business relationship to a risk level.

In concrete terms, this means that any business relationship which falls within a 'high risk' field anywhere in the matrix should be assigned a 'high' risk rating. Conversely, a business partner relationship should be considered an overall 'low risk' only if it occupies low-risk fields in all areas of the matrix. In all other cases, it should be classed in the 'medium risk' level.

Here are two examples:

- Partner A: If a low-value mandate involves a country with a high degree of corruption but is in a comparatively 'harmless' sector, the business relationship should be placed in the high corruption risk category if the partner will come into contact with the local government or act in an intermediary capacity. Otherwise, the risk can be deemed moderate.
- Partner B: A mandate in a country with a low degree of corruption can be viewed as a relationship with a low corruption risk if the nature of the ser-

vices to be provided makes it highly unlikely that any acts of corruption will be committed (no interaction with government representatives or public officials, and no acting as agent), the mandate value is low and the sector is deemed unproblematic. If the order involves a country with a high degree of corruption, it must be categorised as a medium-risk relationship.

Second-pair-of-eyes principle – It is clear that there is no one-size-fits-all formula when it comes to determining the corruption risk in partner relationships. This makes the second-pair-of-eyes principle all the more important. In many companies, responsibility for conducting the risk assessment lies with the employees responsible for the third-party relationship. However, it makes sense to also include others (individuals within the company and, where possible, independent specialists and local experts) in the consultation and ask for their input. Having a second, independent set of eyes helps ensure objectivity.

In each case, the decision classifying what level of corruption risk a business partner relationship poses must be well founded and clearly documented.

Info: Beispiel einer Risikomatrix			
In diesem Beispiel werden Länderkontexte mit hohem und tiefem Korruptionsrisiko unterschieden und dann die weiteren Risikofaktoren unterschiedlich bewertet. In der jeweiligen Unternehmenspraxis können andere Kategorien und Bewertungen dem Kontext angemessener sein.			
Risikokategorie und -indikator		Land	
		Land mit hohem Korruptionsgrad	Land mit tiefem Korruptionsgrad
Branche	Hohes Korruptionsrisiko	Hoch	Hoch
	Geringes Risiko	Mittel Partner A	Tief Partner B
Behörden	Behördenkontakt	Hoch Partner A	Hoch
	Kein Behördenkontakt	Mittel	Tief Partner B
Volumen	Hohes Auftragsvolumen	Hoch	Mittel
	Geringes Volumen	Mittel Partner A	Tief Partner B
Auftrag	Kritisch (z.B. Agenten)	Hoch Partner A	Hoch
	Wenig kritisch	Mittel	Tief Partner B

Assessing the business partner's integrity

The actual risk-based assessment of the partner's integrity (also known as a 'due diligence assessment') is the cornerstone of the careful management of corruption risks in business partner relationships. It essentially involves gathering further, more detailed information on the partner.

The level of scrutiny involved will depend on the outcome of the preceding risk assessment. In other words: for business relationships in contexts (countries, sectors, etc.) associated with a high risk of acts of corruption, partners should be subject to in-depth scrutiny. But the company can think about omitting some of the steps in the process altogether where business partner relationships are categorised as low risk. However, the decision to skip any steps should be well-founded and documented; where possible, it should be authorised by a member of the top management who is not directly involved in the business partner relationship. For business partnerships in medium-risk contexts, it is generally sufficient to follow the standard partner due diligence assessment procedure.

In practice, a great deal of the background information required to assess the partner's level of integrity can be obtained directly from the partner using a due-diligence questionnaire. However, if the business partner operates in a high-risk environment, companies are especially recommended to carry out further investigations of their own (for example, through internet searches and by talking to references) or even to engage professional external providers to conduct research.

Key elements – At the very least, the following areas should be covered:

- Partner's officers and directors, owners or shareholders (with an ownership share of more than 5%) and ultimate beneficial owners;
- Partner's financial reports, compensation structure proposed by partner for the business arrangement, and unusual transactions;

- Partner's expertise and suitability to perform the contract;
- Partner's business references and reputation;
- Partner's general approach to ethics and compliance.

Red flags – Once collected, the information should be tested for 'red flags', i.e. warning signs, in each risk area. Red flags refer to circumstances suggesting a strong risk of corruption. These risks should be properly identified and mitigated through adequate safeguards (see info box on the next page).

Next steps – The next stage in the due diligence process is to evaluate the results of the assessments that have been carried out. This can be done in one of two ways:

- If no red flags have been identified, the company can go ahead with or continue the business relationship in a normal manner. Ideally, the decision to move forward should be authorised by someone who has nothing to gain from the business relationship and can therefore be considered impartial.
- If red flags have been identified, further steps must be taken. This means addressing and resolving any questionable issues, or at the very least mitigating the risks (see the following measures).

Measures in response to red flags – If warning signs are identified during the integrity due diligence, this does not necessarily mean that the company cannot enter into or continue a business relationship with the partner in question. However, all anomalies must be looked into and appropriate steps taken to mitigate the risk(s) where necessary.

Directly contacting the partner to request more information may be all that is required. Sometimes, this information is all it takes to allay the concerns that have been identified. Nevertheless, the information provided by the partner should be sufficiently substantiated and its correctness verified by the company, preferably by a management member who is not directly involved in the awarding of the contract.

Info: Potential integrity due diligence red flags	
Ownership/control of the partner	<ul style="list-style-type: none"> • It is not possible to determine the ownership structure of the partner company or it is not known who has control over the partner (e.g. because official registration documents are missing). • The partner company is a (semi-) government-controlled entity, i.e. a government agency owns more than 50% of the company.
Partner's financial reports / Compensation structure of the arrangement / Unusual transactions	<ul style="list-style-type: none"> • The financial reports are not sufficiently detailed and have not been prepared by a reputable auditor. • The financial reports contain figures that appear unusual or contradictory (e.g. lots of 'consultancy fees' or excessive expenses). • The total amount to be paid for services or goods seems unreasonably high. • Compensation is based on performance ('success fees'), and high commissions and bonuses, for example, are being demanded. • The business partner is asking for political or charitable donations to be made. • The partner requests unusual transactions (e.g. during preliminary negotiations or on the due diligence questionnaire), such as: <ul style="list-style-type: none"> – payments through bank accounts in a country that is not the country where the work is to be performed or in which the partner is domiciled; – payments to anonymous (numbered) bank accounts; – payments to bank accounts held in the names of private individuals; – payments to other third parties for work performed by the partner; – payments to multiple accounts, with upfront payments, split into small amounts, in cash or similar (and not by cheque or transfer).
Partner's expertise and suitability to perform the contract	<ul style="list-style-type: none"> • The partner does not have the necessary human resources or sufficient experience in the relevant sector, country or type of services to be performed. • There is no adequate business justification for engaging with the partner. • No competitive cost estimate has been presented for the work to be done. • The process by which the partner was selected was not transparent. • Another business partner or a government official, for example, has called for the engagement with this particular partner.
Business references / Partner's reputation / Anti-corruption history	<ul style="list-style-type: none"> • The partner is reluctant to provide business references, or the response from the references presents a basis for concern. • The extent of the partner's online presence is not commensurate with its size and the services it provides, or there are negative media reports regarding the partner's financial viability. • Internet research reveals suggestions of unethical, corrupt or otherwise criminal activities. • The partner has been the subject of regulatory action or legal proceedings as a result of alleged breaches of anti-corruption laws. • The partner is on a list of (inter)national sanctions or on the World Bank Listing of "Ineligible Firms and Individuals".
Partner's general approach to ethics and compliance	<ul style="list-style-type: none"> • The partner wishes to work with a vague or without a contract. • The partner is hesitant to certify its anti-corruption compliance. • The partner proves uncooperative when it comes to providing information. • The partner does not have an appropriate ethics and compliance programme of its own or structures capable of handling corruption risks (including policies, verification mechanisms and training).

Practical Example – A well-known Swiss SME in the consumer goods sector is seeking to gain access to the market in an Eastern European country rated by the Transparency International Corruption Perceptions Index as having a medium level of corruption. The company has received offers from two retail chains interested in distributing its products.

An in-depth business partner assessment has shown that a major shareholder in one of the chains is also an adviser to a member of the government. Although this chain's offer is slightly more attractive, the company decides to do business with the other partner, whose integrity due diligence did not reveal any red flags. This decision will pay off in the long-term as it saves the SME from involvement in a dubious business relationship and the costs this could entail.

However, in certain cases it will be necessary for the company to agree on improvement measures with the partner in a risk management plan that sets out clear interim objectives, deadlines and the evidence to be provided. For example, the company may require the partner to:

- bring the company's anti-corruption policy to the attention of all its employees in a suitable form;
- enable all its employees to take part in training designed to enhance their understanding of anti-corruption laws, ethics and compliance;

- issue and implement similar policies of its own;
- develop these policies together with a recognised anti-corruption organisation and/or have them certified by an independent body;
- put in place an effective system for preventing corruption in its own business partner relationships.

It is important here that the company makes sure to sufficiently monitor the implementation of the agreed measures.

In cases where the suspicions are so serious that they cannot be mitigated by adopting the above or similar measures, or where concerns remain, the partnership should not be entered into or continued.

Anti-corruption agreement with partner

Risk-based due diligence is an indispensable tool when it comes to selecting partners with a satisfactory level of integrity. But it does not provide complete protection against acts of corruption by those partners. The company should therefore require all its partners to make a binding commitment to strict anti-corruption behaviour. It can do this by contractually requiring them to adopt the company's own anti-corruption programme (such as its code of ethics and anti-corruption policy), in whole or in part, and to comply with it. Alternatively, it can include specific anti-corruption clauses directly in the cooperation agreement (see info box below).

Info: Elements of an anti-corruption agreement

Where business partner relationships are deemed high risk, the company should conclude a binding anti-corruption agreement with the partner. In practice, such agreements usually include the following elements:

- a reference to the company's general code of ethics or conduct and/or to a specific anti-corruption policy;
- a specific definition and prohibition of corruption and other unethical behaviour that will not be tolerated;
- moving beyond corruption in the narrower sense: rules on handling conflicts of interest, gifts and invitations, travel expenses, donations and sponsorships, lobbying and whistleblowing;
- rights to information, duty to provide information and, if appropriate, audit provisions;
- exclusion-of-liability clauses;
- right to take disciplinary sanctions in the event of a breach of the agreement (suspension or termination of partnership).

Other implementation measures

Retrospective integrity due diligence – In many cases, companies only conduct integrity due diligence when entering into a new business partner relationship. However, (risk-based) assessments should generally also be applied to existing business partnerships.

Periodic re-evaluation – The assessment of corruption risks should be repeated periodically for each business partnership. We recommend:

- regularly asking the partner (e.g. once a year) to sign the company's code of ethics or anti-corruption policy;
- getting the partner to fill out a due diligence questionnaire (at similar or slightly longer intervals);
- regularly conducting full (risk-based) integrity due diligence of long-standing business partnerships (e.g. once every three to four years).

It also makes sense for the company to oblige its partners to immediately report any material changes to their ownership or control structure that occur in the interval between such periodic assessments. This will give the company the opportunity to conduct further research directly on receiving the news, if need be.

Communication and training – Measures for the careful management of corruption risks in business partner relationships only work if the competent employees are sufficiently familiar with them.

This requires the company to take a proactive approach to communicating them. Regular training helps ensure that employees are sufficiently aware of the issues, and that they know and understand the relevant code of conduct. Employees should also be given regular, credible assurances that they need not fear any disadvantages if they decide not to place orders that would have required the involvement of a corrupt partner.

Appendix

Examples of wording used in practice

Measures to prevent corruption in business partner relationships must be clearly defined and set down in writing if they are to be effective. The following real-world examples show how companies make reference to their business partners in their codes of ethics and anti-corruption policies, and how they formulate certain elements of their contracts with partners.

These are examples of wordings that can be used where there is merely a low risk of corruption. For medium and high levels of risk, more detailed formulations are required. Examples of in-house procedural rules on conducting risk assessments and integrity due diligence are *not* included.

... in company documents

Principle – "We condemn corruption in all its forms and strictly adhere to our zero-tolerance approach. We expect the same of our business partners. Compliance with this Code of Conduct and with our anti-corruption policy designed specifically for business partners forms an integral part of any agreement signed."

Selecting business partners – "We are only as strong as our relationships with suppliers, contractors and consultants. We exercise responsibility by carefully selecting our business partners. We therefore have rigorous, detailed procedures in place for assessing partners, issuing contracts, managing the relationship and making payments. In this way, we ensure that our partners also live up to the highest standards in preventing and combating corruption."

Approval and compensation – "Agreements with new business partners must be approved by our senior management. Compensation (including commissions and consultancy fees) will be paid to business partners only on the basis of a written agreement and on presentation of an invoice. The compensation must be commensurate with the service provided and paid by means of bank transfer. All payments must be recorded and documented in full, in accordance with the applicable accounting standards. Other than the compensation agreed in writing, no additional payments may be made to intermediaries."

Duty to report suspicious circumstances – "If a supplier, intermediary, consultant or other business partner is suspected of having unduly influenced decision-makers, our senior management must be informed immediately. They may call in an outside corruption expert if need be. We will not enter into agreements with questionable partners and will terminate existing relationships if necessary."

... in contracts with business partners

Principle – "The business partner undertakes not to tolerate any form of bribery and corruption, and not to become involved in such, neither directly nor indirectly. It will refrain from giving or promising to give gratuities to government officials or private sector partners for the purpose of influencing official actions or obtaining an undue advantage. This also means refusing to accept or grant facilitation payments."

Applicable laws – "The business partner will comply with local, national and international laws. Irrespective of these, it will respect the following principles: The granting of personal advantages to public officials and private decision-makers is not permitted under any circumstances. In business transactions, the partner may not offer, grant, demand or accept gifts, payments, invitations, services or other monetary benefits with the intention of unduly influencing a business relationship."

Indirect responsibility – "Where the partner itself works with other business partners within the scope of the business arrangement, it will ensure that they also comply with the present agreement."

Right to audit and mitigation – "The business partner agrees to participate in our due diligence assessment process at regular intervals; to this end, it will provide us with complete and truthful information at its own expense in a timely manner and take any corrective measures that may be necessary."

Right to take disciplinary sanctions in the event of any breaches – "This policy is part of the business arrangement. Any infringement of this policy will be considered a substantial breach of contract, entitling us to unilaterally suspend or terminate the contractual relationship with immediate effect without this giving rise to any claims for damages."

Further information

- Transparency Switzerland, *Preventing and Combating Corruption – Guidance for Swiss SMEs*, www.transparency.ch (> News & Publikationen > Ratgeber & Leitfäden).
- Transparency Switzerland, *Korruptionsprävention und -bekämpfung in KMU: Checkliste zur Selbstevaluation* (self-evaluation checklist for SMEs, de and fr), www.transparency.ch (> News & Publikationen > Ratgeber & Leitfäden).
- Transparency Switzerland, *Korruptionsprävention und -bekämpfung in KMU: Umgang mit Whistleblowing* (how to manage whistleblowing, de and fr), www.transparency.ch (> News & Publikationen > Ratgeber & Leitfäden).
- Transparency Switzerland, *Korruptionsprävention und -bekämpfung in KMU: Geschenke und Einladungen* (gifts and invitations, de and fr), www.transparency.ch (> News & Publikationen > Ratgeber & Leitfäden).
- Transparency International Deutschland e.V., *Führungsgrundsätze für kleine und mittlere Unternehmen zur Bekämpfung von Korruption* (anti-bribery and corruption management policy for SMEs, de only); especially section 3.4.2, www.transparency.de (> Publikationen).
- Transparency International France, *Dispositif anticorruption de la loi Sapin 2 – Guide pratique pour la mise en oeuvre des mesures anticorruption imposées par la loi aux entreprises* (anti-corruption provisions of the Sapin II Act – a practical guide to implementing the anti-corruption measures required of companies by law, fr only); especially section II.4, www.transparency-france.org (> Publications).
- Transparency International UK, *Managing Third Party Risk: Only as strong as your weakest link*, www.transparency.org.uk (> Publications).
- International Chamber of Commerce (ICC), *ICC Anti-corruption Third Party Due Diligence: A Guide for Small- and Medium-sized Enterprises*, <https://iccwbo.org> (> Find a document).
- ISO Standard 37001 – Anti-bribery management systems (especially sections 8.2, 8.5, 8.6 and appendix A.41 and A.10.3 on due diligence in respect of business partners), www.iso.org/standard/65034.html.
- World Economic Forum (WEF) Partnering Against Corruption Initiative (PACI), *Good Practice Guidelines on Conducting Third-Party Due Diligence*, www.weforum.org (> Reports).

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