

# The Importance of Supply Chain Compliance

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Compliance & Ethics Conference  
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*“The supply chain is where risk becomes most probable and most damaging. If there is a disaster looking for a place to happen, the supply chain seems an obvious candidate.”*

Robert Malone, Forbes  
Nov. 15, 2006

# Supply Chain Compliance Issues:



**Human Trafficking**  
**Child Labor**  
**Worker Health & Safety**  
**Environment**  
**Conflict Minerals**  
**Trade Agreements**  
**Trade Sanctions**  
**Corruption**



## Human Trafficking & Child Labor

- **Tariff Act of 1930** (19 USC § 1307) – Prohibits importing goods made with forced labor or indentured child labor.
- **Trade Facilitation & Trade Enforcement Act of 2015** - Eliminated the Tariff Act's "consumptive demand" exception.
- **19 C.F.R. 12.42** – Authorizes CBP to detain and prevent importation of goods reasonably believed to fall within Tariff Act prohibitions.

# Human Trafficking & Child Labor

- **Executive Order 13126** (1999) – Prohibits government procurement of goods made with forced labor or indentured child labor.
  - Requires contractors to certify good faith efforts to determine whether forced or child labor was used for certain products.
- **Executive Order 13627** (2012) – Required FAR amendments (effective 2015), strengthening prohibitions against trafficking in federal contractor supply chains.
  - Contractors with OUS work over \$500K must certify they have implemented anti-trafficking compliance programs.

# Human Trafficking & Child Labor

- **18 U.S.C. § § 1581-1597**– Establishes civil and criminal penalties for human trafficking, forced labor, and sex trafficking.
  - Up to 20 years in prison (or life in cases of kidnapping, sex abuse or death).
- **18 U.S.C. § 1593A** – “Whoever knowingly benefits, financially or by receiving anything of value, from participation in a venture which has engaged in any act in violation of section 1581(a), 1592, or 1595(a), knowing ***or in reckless disregard*** of the fact that the venture has engaged in such violation, shall be fined under this title or imprisoned in the same manner as a completed violation of such section.”

FOR IMMEDIATE RELEASE

Thursday, February 25, 2016

## Brothers Sentenced To 20 Years For Running Violent Human Trafficking Enterprise

PHILADELPHIA – Mykhaylo Botsvyniuk, 38, and Yaroslav Churuk, 48, both of Ukraine, were each sentenced today to 20 years in prison for their roles in a human trafficking enterprise. The brothers were convicted at trial, on February 24, 2015, of conspiracy to violate RICO, in relation to several predicate offenses in furtherance of the conspiracy, including: a) peonage; b) involuntary servitude; c) extortion and attempted extortion; d) and several immigration offenses, including bringing aliens into the United States at a place other than a designated port of entry, encouraging or inducing illegal entry of aliens, transporting aliens, and harboring illegal aliens for purposes of financial gain. At the 2015 trial, the government presented the testimony of seven victims of trafficking and several family member victims from Ukraine who received extortionate threats of physical harm from other members of and associates of the enterprise.

## Worker Health & Safety

- **OHSAS 18001**(1999) – International standard for occupational health and safety management systems.
- **ISO 45001** – New international standard; scheduled to replace OHSAS 18001 in March 2018.
- **Procurement Labor Statutes** (Davis-Bacon, Contract Work Hours & Safety Standards Act, Walsh-Healy Public Contracts Act, etc.): Establish a web of labor protections applicable to contractors, subcontractors and suppliers on government contracts.

FOR IMMEDIATE RELEASE

Tuesday, August 26, 2014

### **Court Orders Circle C Construction, Llc To Pay \$762,894 For Violating The False Claims Act**

NASHVILLE, Tenn. August 26, 2014 ? U.S. District Judge Kevin H. Sharp ordered Circle C Construction, LLC to pay \$762,894.54 to the United States for False Claims Act violations connected with a construction contract at Fort Campbell military base, announced David Rivera, U.S. Attorney for the Middle District of Tennessee. Circle C is a construction contractor based in Kentucky.

The United States originally intervened in the lawsuit against Circle C in 2007. U.S. District Court Judge William J. Haynes entered summary judgment on both liability and damages for the United States in 2010. Following an appeal, the Sixth Circuit Court of Appeals in 2012 upheld Judge Haynes' liability decision, finding that Circle C had submitted false payroll certifications to Fort Campbell that falsely claimed that Circle C was paying the required prevailing wages, under the Davis-Bacon Act, to workers on Circle C's construction contract at Fort Campbell, when Circle C was not actually paying those wages to the workers of its electrical subcontractor, Phase Tech. The Court of Appeals reversed Judge Haynes' original damages award in the case and remanded the case for a new trial on damages.

## Environment

- **Toxic Substances Control Act of 1976** (15 U.S.C. § 2601): Prohibits importing, processing, or manufacturing certain chemicals (e.g., PCBs, lead, mercury).
- **EU REACH Regulations** (EC 1907/2006): Require EU manufacturers to register the chemicals in their products and demonstrate safety.
  - Does not apply directly to U.S. companies, but importers for U.S. manufacturers must register.
- **EU RoHS Regulations** (Directive 2002/95/EC): Impose restrictions on hazardous substances found in electronic products and components.

# Conflict Minerals

- **Dodd-Frank Act of 2010** (15 U.S.C. § 78m(p)):
  - Requires publicly-traded companies to audit their supply chains and report the country of origin of any tantalum, tin, tungsten or gold.
- **17 C.F.R. 240.13p-1** and **17 C.F.R. 249b.400**: Implement the Dodd-Frank conflict minerals reporting requirements. State that:
  - If minerals are from the DRC or an adjoining country, due diligence on source and chain of custody of the minerals is required.
  - That a company is not “DRC conflict-free” must be reported to the SEC and published on the company’s website.

## United States Court of Appeals FOR THE DISTRICT OF COLUMBIA CIRCUIT

Decided August 18, 2015

No. 13-5252

NATIONAL ASSOCIATION OF MANUFACTURERS, ET AL.,  
APPELLANTS

v.

SECURITIES AND EXCHANGE COMMISSION, ET AL.,  
APPELLEES

# Trade Agreements

- **Tariff Act of 1930** (19 USC § 1304) – Requires imports to be marked with their country of origin.
- **Trade Agreements Act of 1979** (19 U.S.C. § § 2501–2581) – Requires country of origin disclosures on U.S. government contracts, and significantly limits purchasing from “non-designated” countries.
- **Buy American Act of 1933** (41 U.S.C. § § 8301-8305) – Requires country of origin disclosures on U.S. government contracts, and establishes a purchasing preference for products mined or manufactured with components sourced here.

Department of Justice  
Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, August 19, 2014

## Samsung Electronics America Agrees to Pay \$2.3 Million to Resolve False Claims Act Allegations

Samsung Electronics America Inc. (Samsung) has agreed to pay \$2.3 million to resolve allegations that it caused the submission of false claims for products sold on General Service Administration (GSA) Multiple Award Schedule (MAS) contracts in violation of the Trade Agreements Act of 1979 (TAA), the Justice Department announced today. Samsung is an electronics distributor and marketer headquartered in Ridgefield Park, New Jersey.

“The Department of Justice is committed to protecting public funds and guarding against abuse of federal procurement programs,” said Assistant Attorney General Stuart F. Delery for the Justice Department’s Civil Division. “This settlement upholds important trade priorities by ensuring that the United States only uses its buying power to purchase from countries that trade fairly with us.”

# Trade Sanctions

- **Office of Foreign Assets Control (OFAC) Regulations (31 C.F.R. 500, et seq.)** - Prohibit or restrict U.S. companies from doing business with:
  - Embargoed nations, nationals of embargoed nations, or listed persons in economically sanctioned territories (e.g., Cuba, Iran, Syria, Ukraine); or
  - Specially designated nationals & blocked persons (e.g., drug cartels, terrorists, other international criminal organizations, and banks and agencies of embargoed countries).

# Corruption

- **Foreign Corrupt Practices Act of 1977** (15 U.S.C. § 78dd-1, et seq.):
  - Prohibits direct or indirect corrupt payments of anything of value to foreign officials to obtain or retain any improper business advantage.
  - Requires “issuers” to keep accurate books and records and maintain effective systems of internal accounting controls.
  - Creates liability for knowing (or willfully blind) payments through third party distributors, suppliers, consultants or agents.



FOR IMMEDIATE RELEASE

Thursday, November 4, 2010

## **Oil Services Companies and a Freight Forwarding Company Agree to Resolve Foreign Bribery Investigations and to Pay More Than \$156 Million in Criminal Penalties**

### **SEC and Companies Agree to Civil Disgorgement and Penalties of Approximately \$80 Million**

WASHINGTON – A global freight forwarding company, as well as five oil and gas service companies and subsidiaries, have all agreed to resolve investigations of Foreign Corrupt Practices Act (FCPA) violations, the Department of Justice and U.S. Securities and Exchange Commission (SEC) announced today. The companies have agreed to pay a total of \$156,565,000 in criminal penalties. Also today, the SEC announced its settlements with these companies, which involve civil disgorgement, interest and penalties totaling approximately \$80 million. The matters stem from an investigation that focused on allegations of foreign bribery in the oil field services industry.

In documents filed in U.S. District Court for the Southern District of Texas, Panalpina World Transport (Holding) Ltd., a global freight forwarding and logistics services firm based in Basel, Switzerland, and its U.S.-based subsidiary, Panalpina Inc., admitted that the companies, through subsidiaries and affiliates (collectively "Panalpina"), engaged in a scheme to pay bribes to numerous foreign officials on behalf of many of its customers in the oil and gas industry. They did so in order to circumvent local rules and regulations relating to the import of goods and materials into numerous foreign jurisdictions. Panalpina admitted that between 2002 and 2007, it paid thousands of bribes totaling at least \$27 million to foreign officials in at least seven countries, including Angola, Azerbaijan, Brazil, Kazakhstan, Nigeria, Russia and Turkmenistan. Also today, Panalpina's customers, including Shell Nigeria Exploration and Production Company Ltd. (SNEPCO), Transocean Inc. and Tidewater Marine International Inc., admitted that the companies approved of or condoned the payment of bribes on their behalf in Nigeria and falsely recorded the bribe payments made on their behalf as legitimate business expenses in their corporate books, records and accounts.

# Resources

## About This Site

### Background

The Sustainable Supply Chains website, produced by the UN Global Compact office in collaboration with CSR Europe, was launched at the 2010 UN Global Compact Leaders Summit as a resource for businesses seeking information about supply chain sustainability.

In recent years, there has been a proliferation of initiatives, codes, standards, resources and tools designed to help businesses develop more sustainable supply chain management strategies and practices. While businesses now has access to increasingly more guidance on improving the sustainability of their supply chains, the diversity and amount of information available has also raised the barrier of entry in terms of the time and effort needed to research and understand this information.

The Sustainable Supply Chains website aims to streamline this process by helping business practitioners search and find information related to key sustainability issues - human rights, labour, environment and anti-corruption – as well as guidance on embedding such issues into their supply chains. At the same time, the website enables organizations, networks, companies and others to share information about their sustainable supply chain initiatives, resources, and activities.

### Search This Site

Enter keywords [Go](#)

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#### By Issue

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- [Anti-Corruption](#)
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### Forced labour, modern slavery and human trafficking

What is forced labour, modern slavery and human trafficking

- [Statistics](#)
- [Sectors and topics](#)
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- [News](#)
- [Events](#)
- [Publications](#)
- [Videos](#)

[ILO home](#) > [Topics](#) > [Forced labour, modern slavery and human trafficking](#) > [Statistics](#)

## Statistics on forced labour, modern slavery and human trafficking

### Global Estimates of Modern Slavery



#### Forced Labour and Forced Marriage

The 2016 Global Estimates of Modern Slavery focus on two main issues: forced labour and forced marriage. The estimate of forced labour comprises forced labour in the private economy, forced sexual exploitation of adults and commercial sexual exploitation of children, and state-imposed forced labour. It is the result of a collaborative effort between the International Labour Organization (ILO) and the Walk Free Foundation, in partnership with the International Organization for Migration (IOM). They benefited from inputs provided by other UN agencies, in particular the Office of the High Commissioner for Human Rights (OHCHR).

- [Full Report](#)
- [Executive Summary](#)
- [FAQs](#)

### Guidelines on forced labour statistics

- [Guidelines](#)
- [Hard to see, harder to count](#)
- [A survey guidelines to estimate forced labour of adults and children](#)

### National forced labour surveys

- [Employment practices and working conditions in](#)



## Bureau Of International Labor Affairs

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### International Child Labor & Forced Labor Reports

ILAB publishes three reports on international child labor and forced labor that serve as valuable resources for research, advocacy, government action and corporate responsibility. These reports are The Department of Labor's Findings on the Worst Forms of Child Labor; the List of Goods Produced by Child Labor or Forced Labor; and the List of Products Produced by Forced or Indentured Child Labor. Each of these reports has a distinct mandate, focus and set of implications, but taken collectively, they document the current situation of child labor, forced labor and forced child labor around the world.

[Findings on the Worst Forms of Child Labor](#)

[List of Goods Produced by Child Labor or Forced Labor](#)

[Executive Order 13126 List of Products](#)

[Findings on the Worst Forms of Child Labor Report 2016 Cover](#)

[List of Goods Produced by Child Labor or Forced Labor report](#)

[Executive Order 13126 List of Products report cover](#)



[DOL HOME](#) / [TOPICS](#) / [WAGES](#)

### Government Contracts

- [DOL Web Pages on This Topic](#)
- [Laws & Regulations on This Topic](#)

Prevailing wage requirements of various laws applicable to government contracts are enforced by the Wage & Hour Division.

The Davis-Bacon and Related Acts (DBRA) require payment of prevailing wages to laborers and mechanics employed on federal and federally-assisted construction projects.

The McNamara-O'Hara Service Contract Act requires payment of prevailing wage rates and fringe benefits to service employees employed on contracts to provide services to the federal government.

The Contract Work Hours and Safety Standards Act (CWHSSA) requires contractors and subcontractors on federal contracts to pay laborers and mechanics at least one and one-half times their basic rate of pay for all hours worked over 40 in a workweek. This Act also prohibits unsanitary, hazardous, or dangerous working conditions in the construction industry on federal and federally financed and assisted projects.

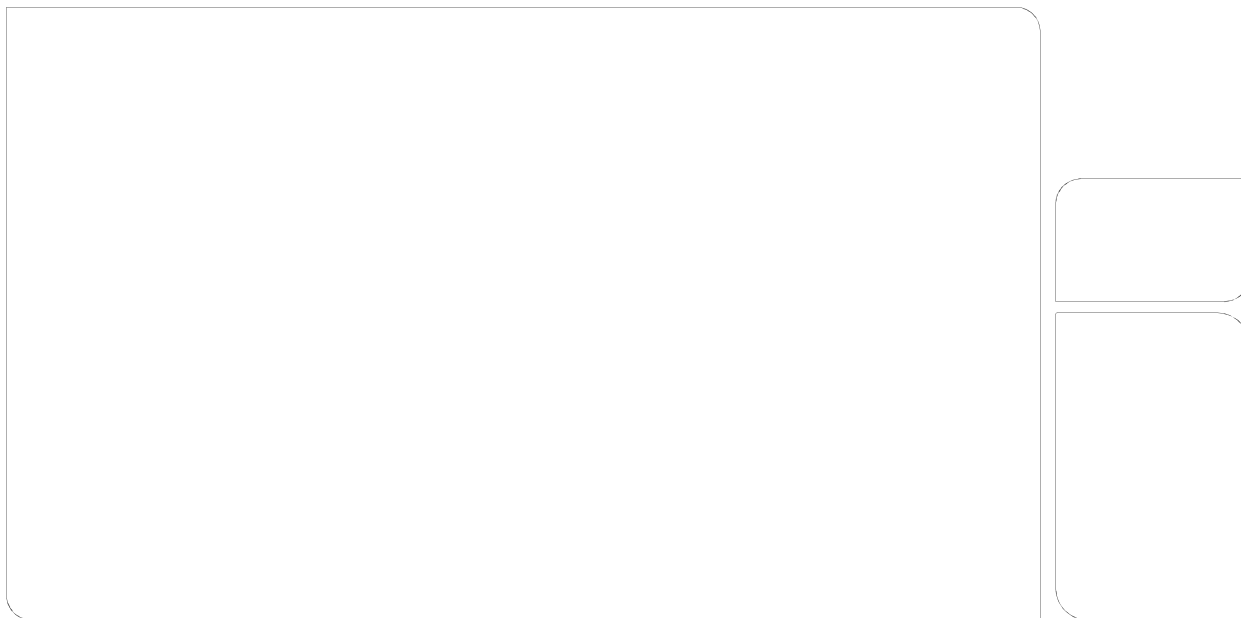
The Copeland Anti-Kickback Act prohibits a contractor or subcontractor from inducing an employee to give up any part of his/her compensation to which he/she is entitled under his/her contract of employment. The Act's implementing regulations requires a contractor and subcontractor to submit a weekly statement of the wages paid each employee performing covered work during the preceding payroll period.

The Walsh-Healey Public Contracts Act requires payment of minimum wage rates and overtime pay on federal contracts to manufacture or furnish materials, supplies, or equipment.

#### Subtopics

- [Back Pay](#)
- [Commissions](#)
- [Educational Level & Pay](#)
- [Garnishment](#)
- [Government Contracts](#)
- [Hazard Pay](#)
- [Holiday Pay](#)
- [Industrial Homework/Piecework](#)
- [Last Paycheck](#)
- [Merit Pay](#)
- [Minimum Wage](#)
- [Overtime Pay](#)
- [Recordkeeping & Reporting](#)
- [Severance Pay](#)
- [Subminimum Wage](#)
- [Tips](#)

Presented by  
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## Cargill's Palm Oil Supply Chain

### OPERATING A GLOBAL PALM SUPPLY CHAIN

Cargill operates a global palm oil supply chain with physical assets in the form of plantations, mills and refineries. As a trader of major commodities around the globe, our key activity in the palm oil supply chain is through trading markets where we source from third party mill suppliers. We also purchase sustainable palm oil indirectly from independent smallholder farmers.

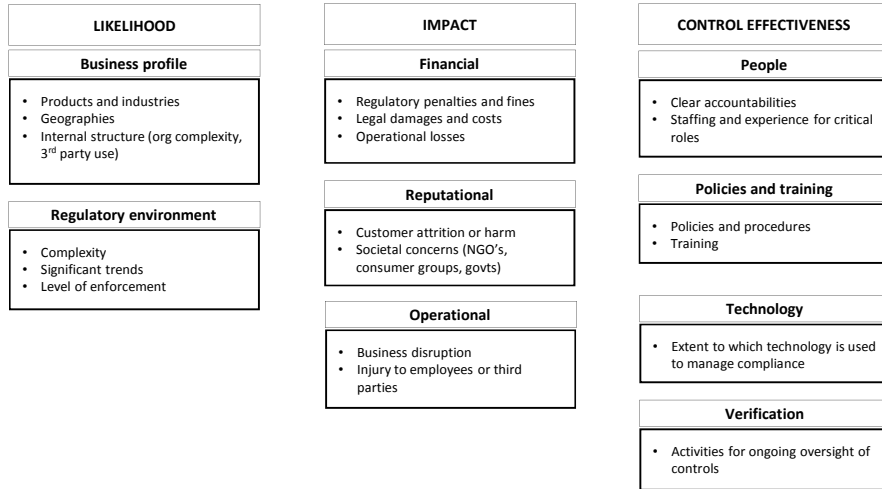


## Mitigating Supply Chain Compliance Risks

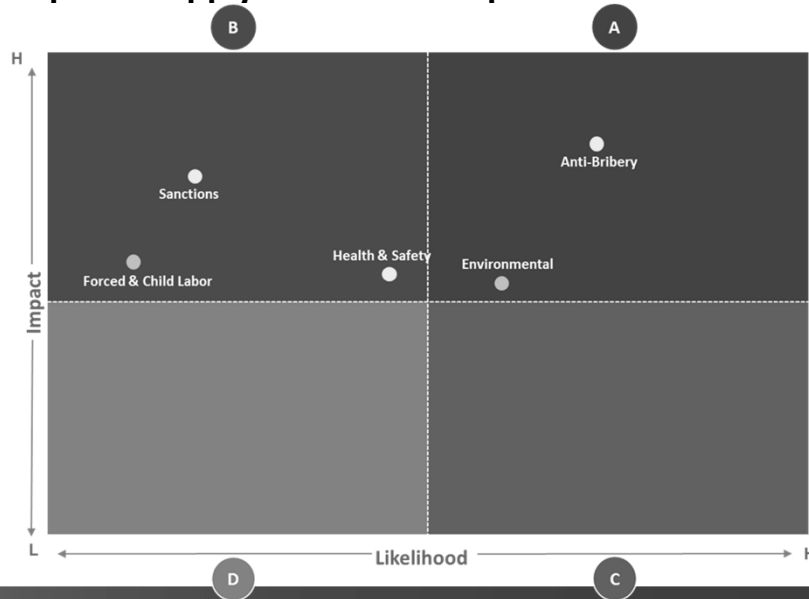
-   
**Prevent**  
Reduce the risk of misconduct
-   
**Detect**  
Increase likelihood of identifying misconduct
-   
**Respond**  
Manage the responsible handling of misconduct



## Assessing Supply Chain Risks



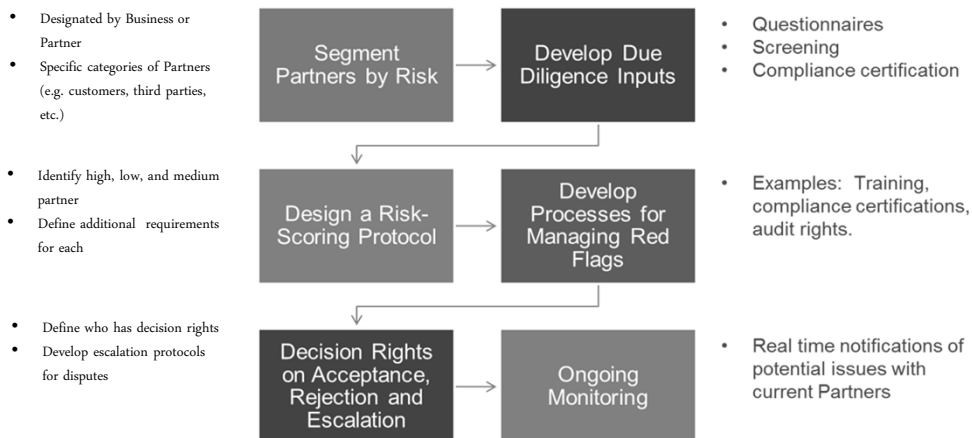
## Example of Supply Chain Risk Map



## Mitigating Supply Chain Compliance Risks



## Supply Chain Due Diligence



## Mitigating Supply Chain Compliance Risks

  
**Prevent**  
Reduce the risk of misconduct

  
**Detect**  
Increase likelihood of identifying misconduct

  
**Respond**  
Manage the responsible handling of misconduct



## Supply Chain Policies and Procedures

Global Ethics & Compliance

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### About the Supplier Code

Cargill's purpose is to nourish the world in a safe, responsible, and sustainable way. We understand that supply chains that support the global food system must be sustainable—balancing the needs of today with the needs of future generations. We can achieve our purpose only by working closely with our Supplier Partners. Our Supplier Code of Conduct explains how we expect farmers, producers, manufacturers, and others to work with us to fulfill that purpose—ethically and in compliance with applicable laws.

#### What is a supplier code of conduct?

A. A supplier code of code outlines basic expectations and requirements for businesses providing goods and services. They generally cover topics like legal compliance, keeping accurate records, anti-bribery, fair competition, human rights, labor issues, and environmental and worker safety concerns.

#### Supplier Code 2-Page Brochure

- Arabic
- Chinese
- Dutch
- English
- French
- German
- Hungarian
- Indonesian
- Italian
- Japanese
- Korean



## Mitigating Supply Chain Compliance Risks

  
**Prevent**  
Reduce the risk of misconduct

  
**Detect**  
Increase likelihood of identifying misconduct

  
**Respond**  
Manage the responsible handling of misconduct



**Fredrikson**  
& BYRON, P.A.

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## Detecting Supply Chain Compliance Risks Anti-Bribery Example

Internal Audit  
Rating

Enterprise	Group	Business	Internal Risk Factors										Country Risk Factors		Audit Risk Factors		Compliance & Monitoring Risk Score	Total Risk Score
			1	2	5	6	7	8	10	11	13	14	15	16	17	18		
			Third Party Intermediaries	Gifts and Entertainment	Deals with State-Owned Companies	Political Donations	Cash Payments and Petty Cash	SM/FOUOL Matters	Customs	Internal Investigations	Internal Risk Score	Transparency International Corruption Index	Exports to or Generates Sales in another High Risk Geography	Country Risk Score	Last Audit	Audit Rating		
			20%	10%	10%	5%	10%	5%	5%	10%	100%	70%	30%	100%	20%	40%	100%	100%
Cargill Widgets Enterprise			2.5	1.5	1.0	2.5	1.5	1.0	2.0	1.0	1.0	2.5	2.5	2.6	2.6	2.1	2.6	2.2
Globe Group	Globe Group		3	3	3	3	1	1	3	1	2.2	3	2	2.7	2	2	2.4	2.4
	Heavy Coast		3	3	1	3	3	1	3	1	2.2	3	2	2.7	2	2	2.4	2.4
	Brazil		3	1	1	2	1	1	3	1	1.7	3	2	3	2	2	2.6	2.4
	India		3	1	3	3	1	1	3	1	2.1	3	3	3	3	1	2.2	2.5
	China		3	1	3	1	1	1	3	3	2	3	3	3	3	3	3.0	2.6
	Singapore		1	1	1	1	1	1	1	1	1.1	2	3	2.3	3	3	3.0	1.9
	Indonesia		3	1	1	3	3	1	3	1	1.9	3	3	3	2	1	2	2.4
		Japan	1	1	1	1	1	1	2	1	1.2	1	1	1	2	3	3.0	1.4

Use of Third Parties

Country Corruption  
Risk

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## Mitigating Supply Chain Compliance Risks



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