Supply chain compliance and integrity
Fraud Investigation and Dispute Services
Increasingly, brands are under pressure from various stakeholders to conduct their business responsibly. Media exposés of brands on labour and human rights issues, environmental degradation, deaths by fire and building collapse have led to legal sanctions and consumer boycotts. Brands have come under public scrutiny and supply chain compliance and integrity has become a serious business concern.

Monitoring supplier code of conduct (COC) compliance to mitigate risks and build an ethical and sustainable supply chain

Need for an integrated approach

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<th>Ethical trade</th>
<th>Code of conduct</th>
<th>Supply chain monitoring</th>
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While conducting business when economic objectives are aligned with social and environmental considerations ethical trade occurs.

For those trading internationally ethical trade is no more a matter of choice but a necessity. It is imperative for them to build and sustain a positive image of being a responsible business.

Ethical trade includes both 'ethical sourcing' and 'ethical production'.

The guiding principles of ethical trade are set out in the supplier code of conduct (COC), which generally includes management systems, legal, labor and human rights, health and safety, and environmental and ethical factors. The COC clearly sets out the brands expectations from its suppliers on ethical trade and reinforces its commitment to high ethical standards.

Ensuring integrity within the supply chain helps brands in mitigating risks. It is imperative that brands adopt a COC for their supply chain as a part of their business strategy and partner with their suppliers to implement and comply with it.

Supply chains are complex and difficult to map. There is sub-contracting and home based work which are not easy to monitor.

Supply chain monitoring helps in assessing suppliers compliance with the COC, identifying supply chain risks and taking necessary corrective action.

It helps brands in knowing their supply chain. As the possibility of undisclosed production at the sub-contractor and homeworker level is high, thereby exposing the brand to risk.
Unethical practices like:
- Non-compliance with COC
- Circumvention of law
- Undisclosed production
- Leakages in supply chain

May result in:
- Legal sanctions
- Social sanctions
- Financial loss
- Loss of reputation

Ensure that the COC is understood by all the parties involved in the supply chain.

Demonstrate to your internal and external stakeholders that you are a responsible business.

Communicate to all the parties in the supply chain that implementation of COC is an integral part of doing business.

Set the right standards of integrity and ethical behavior to mitigate risks arising due to non-compliance with supply chain COC.

Monitor and strengthen COC compliance within the supply chain.

To achieve sustainable compliance
Experience of our team members*

<table>
<thead>
<tr>
<th>Client</th>
<th>Solution</th>
<th>What we did</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>World’s leading crop science company</td>
<td>Child labor monitoring</td>
<td>Child labor monitoring at the company’s contracted cotton farms in India</td>
<td>Risk of child labor mitigated</td>
</tr>
<tr>
<td>A large international retailer of home furnishing products</td>
<td>Monitoring COC</td>
<td>1000+ sites visited in the Indian subcontinent to monitor child labor</td>
<td>Mitigated risk of child labor and COC non-compliance</td>
</tr>
<tr>
<td>Leading European garment retailer</td>
<td>Monitoring COC</td>
<td>400+ sites visited in India, including suppliers, sub-contractors and home worker facilities</td>
<td>Helped to prioritize and mitigate identified risks and map undisclosed production</td>
</tr>
<tr>
<td>A large international retailer of home furnishing products</td>
<td>Review of reviewers</td>
<td>Assisted compliance team in reviewing compliance in the Indian subcontinent</td>
<td>Provided assistance on understanding local legal and cultural requirements, and language-related support</td>
</tr>
<tr>
<td>European and Indian garment retailers</td>
<td>Compliance related support</td>
<td>Developed customized COC-compliance handbooks for learning and development</td>
<td>Compiled ready referral for reviewers and manufacturers</td>
</tr>
<tr>
<td>A large international retailer of home furnishing products</td>
<td>Compliance studies</td>
<td>Conducted specific studies on child labour and undisclosed production, migrant labour, contract labour and living wages</td>
<td>Helped in understanding the root causes of non-compliances and taking appropriate remedial measures</td>
</tr>
<tr>
<td>International European home furnishing and garment retailers</td>
<td>Supply chain mapping</td>
<td>Assisted in mapping supply chain</td>
<td>Minimized risk of undisclosed production in supply chain</td>
</tr>
<tr>
<td>International European home furnishing and garment retailer</td>
<td>Investigation</td>
<td>Investigations on supply chain-related compliance and integrity issues</td>
<td>Ascertained financial and reputational risks related to supply chain</td>
</tr>
<tr>
<td>An American garment retailer</td>
<td>Investigation</td>
<td>Investigation pertaining to leakages of branded finished goods from 3P manufacturing units</td>
<td>Helped to protect brand image</td>
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</table>

*This also includes the experience team members acquired before joining EY.

Our Team

- Dedicated team with experience in supply chain compliance and integrity
- Multi-disciplinary and multi-lingual team of Social Science Professionals, Certified Fraud Examiners, CIs, CAs, CISA, Engineers, MBAs, Computer Forensic Professionals and Lawyers

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Our solutions

<table>
<thead>
<tr>
<th>Your needs</th>
<th>Our response</th>
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<tbody>
<tr>
<td>COC compliance support</td>
<td>Assisting in COC content development and roll out. Conducting trainings and workshops on capacity building. Rolling out a handbook on COC compliance. Undertaking shadow reviews with internal auditors to train them how to conduct COC reviews</td>
</tr>
<tr>
<td>Compliance related studies</td>
<td>Focussed studies on compliance aspects to understand root causes and recommend remedial measures to attain sustainable compliance</td>
</tr>
<tr>
<td>Supply chain mapping</td>
<td>Mapping the supply chain to include manufacturing facilities. The mapping is essential to know and check the extent of your supply chain to ensure there is no undisclosed production</td>
</tr>
<tr>
<td>COC compliance monitoring at supplier, sub-contractor and home based workers locations</td>
<td>Announced and unannounced visits at manufacturing facilities to monitor COC compliance by interviewing management, process owners, contractors and workers and undertaking physical tour of facility and reviewing documents to assess compliance with COC</td>
</tr>
<tr>
<td>Review of reviewers</td>
<td>Independent reviews or assistance provided to the central compliance monitoring group to ascertain actual levels of compliance at vendor locations</td>
</tr>
<tr>
<td>Investigation</td>
<td>Investigation of allegations pertaining to unethical practices in the supply chain, undisclosed production, leakages, counterfeit, etc.</td>
</tr>
</tbody>
</table>

These solutions can help you mitigate supply chain risks by establishing controls and processes for sustainable compliance with COC. Visibility of compliance is likely to result in the following:

- Increase your sales and market share.
- Strengthen your brand position, image and clout.
- Increase your ability to attract, motivate and retain employees.
- Reduce your operating costs.
- Increase your appeal for investors and customers.
About Ernst & Young's Fraud Investigation & Dispute Services

Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from efforts to achieve your company's potential. Better management of fraud risk and compliance exposure is a critical business priority — no matter the industry sector. Our more than 1,000 fraud investigation and dispute professionals around the world bring the analytical and technical skills needed to quickly and effectively conduct financial investigations, quantify economic damages and gather and analyze electronic evidence. Working closely with you and your legal advisors, we assemble the right multidisciplinary and culturally aligned team, and bring an objective approach and fresh perspective to these sensitive and contentious situations — wherever you are in the world. And because we understand that, to achieve your potential, you need a tailored service as much as consistent methodologies, we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide. It's how Ernst & Young makes a difference.

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