

Under Pressure

As global cases of COVID-19 continue to rise, there is an unprecedented strain on businesses around the world

Leo Martin, MD OF GOODCORPORATION

Coping with a protracted pandemic that places a third of the global population under some form of lockdown would test even the most robust business continuity plan.

Some countries are beginning to ease restrictions, others are extending their lockdowns in response to a second wave of infections. With a vaccine some way off, and global cases of COVID-19 continuing to rise, the current economic uncertainty looks set to continue, placing unprecedented pressure on businesses around the world.

Few, if any, will be unaffected by the situation. While crisis management and compliance may not be natural bedfellows, ethics and compliance teams have a vital role to play in ensuring that risks are mitigated and organisations properly protected. The business response to COVID-19 is under considerable scrutiny; getting this right could have a long-term impact on reputation and sustainability.

The big picture is one that is hard for the



teams to influence. Many organisations have been forced to reduce the size of their operations or cease trading altogether. In the UK alone, more than 70% of companies have furloughed staff and unemployment figures are set to rise around the globe.

Companies hit by the pandemic need to decide how to fund the costs of business survival. Already we have seen allegations of unfairness in the media, as lowly paid workers are furloughed while managers, star employees, partners and shareholders protect their own incomes. We have also seen examples of managers taking pay cuts in order to try to help the company and protect cashflow.

The teams should be trying to ensure that such decisions are made transparently and against fair criteria. It is all too easy for companies to target the weakest group of stakeholders. These choices are far from straight forward and decisions are often being made under extreme time pressure, however, these top five tips should be kept in mind:

- push to be involved in the decision making
- ensure that criteria are agreed by all and applied fairly to everyone within each target group
- ensure that those most able to pay take the biggest burden of financing the costs of an organisation's survival
- give particular thought to hardship cases and those least able to survive with reduced or zero income
- only take government funding where the company is properly entitled to do so.

Changing Working Practices

In a few short weeks, working practices have changed beyond all recognition. Those whose desk-based jobs can continue have adjusted to remote working; workplaces that remain open are implementing social distancing measures to keep staff, and in some cases consumers, safely protected.

This scenario raises a complex web of compliance and governance issues that need to be carefully managed.

Clearly the immediate priority is health and safety, so steps should be taken to ensure that new working practices have been clearly communicated and the guidance followed. How to manage

sickness, employees that show signs of having the virus and how to deploy virus testing are already contentious issues for workplaces that have remained open. Ethics and compliance officers should be involved in these debates, because they cut across HR, health and safety as well as data privacy and fairness.

The application of government schemes to keep people in work or to allow them to take sabbaticals/furlough needs careful scrutiny. The temptation in some companies will be to blur the lines between working and not-working, to claim that someone was furloughed before they actually were. These create serious fraud and reputational risks and compliance teams should be supporting the business to ensure that these schemes are used properly and no form of fraud takes place.

Risk-mapping

For large global organisations, the inequality and uncertainty of the impact of the virus is already causing real headaches. Risk-mapping exercises to understand the different country impacts and the variety of risks that are arising should be undertaken. The risks of fraud are probably the most significant, but there may also be increased risks in relation to financial crime, corruption and possibly human rights as companies fight for survival and try to adapt to rapidly changing circumstances.

Poor decisions are often made under extreme pressure, so identifying where pressure-points might occur in already high-risk situations and locations will help mitigate potential problems. Taking a proactive approach to identifying these risks will enable teams to put the correct strategies in place to help protect organisations as they navigate their way forward. Local compliance teams should be given additional support and resources where possible with these risk-mapping processes.

Human Rights

COVID-19 has placed the plight of many workers under the spotlight. The damaging impacts of unsafe working conditions, the vulnerability of migrant workers and the precarious nature of the gig economy have all been highlighted. In addition, the domino effect of cancelled orders in complex global supply chains is leaving many of the world's most vulnerable workers without any form of safety

net or income support.

The response from large organisations has been varied and some of the decisions being made may be beyond the control of the ethics and compliance teams. However, they must use their risk-mapping and expertise to identify possible areas of human rights risk and ensure that the most vulnerable in the supply-chain are treated as fairly as possible. Companies in the supply-chain should be encouraged to avoid mass redundancy of workers and to use government schemes available in each market wherever possible.

Some organisations have taken steps to maintain or improve payment times to vulnerable suppliers to assist with cash flow while others have refrained from cancelling large orders to protect the livelihoods of vulnerable workers in their supply chains. However, this may not be a realistic option in some businesses.

Those with large and complex supply chains, where the plight of workers may be precarious, should take steps to reinforce any contractual agreements or commitments to pay and treat workers properly and to protect health and safety. At the very least, ethics and compliance professionals should be considering making contact with the highest risk suppliers to ask the question about how they are coping and to understand how they are managing workers' conditions.

Fraud and Corruption

From an anti-fraud and corruption perspective, those with well-embedded preventative systems and procedures will be best placed to mitigate the risk of corrupt and fraudulent payments being made somewhere in their operation. From our data however, we know that the elements of an effective programme that many businesses still struggle to get right are the very ones that would ensure they were most properly protected during the pandemic; namely good risk assessment and thorough third-party due diligence.

While the pandemic will clearly present an existential threat to a large number of organisations, making corrupt payments or fraudulently claiming from a government scheme to ensure short-term survival may prove costly further down the line; COVID-19 will not provide any form of defence if facing an investigation in the months or years to come.

Few businesses, if any, are prepared for such a globally disrupting event as the COVID-19 pandemic.

We also know that governments worldwide are urgently putting loan schemes in place and making rapid procurement decisions to help combat the impact of the virus. Compliance teams need to be alert to the risks that this presents. Governments reducing usual procurement controls or ignoring competitive tender rules present a risk primarily for the public sector. But companies could face scrutiny further down the line if they are found to have circumvented the proper procedures by taking part in a non-conformant government process. Any derogation from the normal process needs to be confirmed in writing by the government body and all interactions need to be properly recorded.

Speak Up

In the current situation, many new risks are emerging. It is therefore important that the speak-up or alert systems that the company has in place are reinforced. Sending out a reminder to the whole company would be a good idea and using this communication to highlight some of these new risks that are emerging. This is the time to encourage employees to raise concerns and to make sure that they are properly investigated.

Conclusion

Few businesses, if any, are prepared for such a globally disrupting event as the COVID-19 pandemic.

Inevitably, as we are already seeing, there will be winners and many losers. In addition to the tough decisions around financial resilience and viability, ensuring that businesses make the right call on ethical, legal compliance and governance issues will be critical.

Ethics and compliance teams have a vital role to play and should ensure they remain visible and at the forefront in order to protect their organisations from some of the existential risks posed by the virus. [n](#)