


## GLOBAL SUPPLY CHAIN COMPLIANCE: DUE DILIGENCE, INTEGRITY CHALLENGES, AND ALIGNMENT WITH FCPA AND ESG STANDARDS

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### ABSTRACT

Global supply chains are increasingly exposed to legal, ethical, and reputational risks that arise from complex networks of suppliers operating across jurisdictions with varying levels of regulatory enforcement. Effective compliance programs require systematic due diligence on international suppliers to mitigate risks of corruption, fraud, and human rights violations. Companies face particular integrity challenges when operating in countries with high corruption risk, where weak enforcement and cultural variations complicate transparency. Aligning compliance efforts with international frameworks such as the U.S. Foreign Corrupt Practices Act (FCPA) and Environmental, Social, and Governance (ESG) standards strengthens organizational resilience, promotes ethical sourcing, and enhances investor and stakeholder trust. This paper analyzes the role of due diligence mechanisms, examines the ethical dilemmas of operating in high-risk markets, and evaluates the intersection of anti-corruption and sustainability frameworks in shaping modern supply chain governance.

**Keywords:** Global supply chains. Compliance. Due diligence. Corruption risk. FCPA. ESG. Governance. Transparency.

## INTRODUCTION

Global supply chains connect multinational corporations with a diverse range of suppliers, often spread across multiple legal and regulatory environments. This complexity exposes firms to significant compliance risks, particularly regarding corruption, environmental misconduct, and social responsibility. To address these challenges, organizations increasingly rely on robust due diligence processes to evaluate the integrity, sustainability, and legal compliance of their suppliers. Due diligence extends beyond financial assessments, encompassing supplier ownership structures, past legal infractions, environmental performance, and labor practices. Comprehensive risk assessments supported by third-party audits, data analytics, and on-the-ground verification enable corporations to identify red flags before they escalate into regulatory or reputational crises (Sønderskov & Potoski, 2019).

Integrity risks intensify when companies operate in or source from countries with high levels of corruption. According to Transparency International, procurement and supply chain activities remain among the most vulnerable corporate functions to bribery and fraud. In such environments, local practices, informal payments, and weak institutional oversight may conflict with the compliance standards of multinational firms. Companies face a dual challenge: remaining competitive in high-risk markets while upholding global codes of conduct and anti-bribery frameworks. Failure to adequately manage these risks has led to high-profile enforcement cases under the FCPA, where multinational firms have faced significant fines for indirect bribes paid through third-party intermediaries and suppliers (Koenig & Jackson, 2016).

The FCPA remains a cornerstone in regulating supply chain compliance for U.S.-listed firms, prohibiting not only direct bribery but also indirect corrupt practices facilitated through suppliers and subcontractors. Its extraterritorial reach obliges firms to extend compliance controls throughout their global networks, regardless of local practices or legal leniency. Parallel to anti-bribery laws, ESG frameworks expand the scope of compliance by requiring corporations to monitor environmental and social risks, including greenhouse gas emissions, forced labor, and human rights violations. Investors and regulators increasingly expect firms to integrate ESG criteria into supplier selection, ongoing monitoring, and reporting practices, effectively merging financial compliance with sustainability imperatives (Klein, Pope & Wendel, 2019).

The integration of ESG and FCPA compliance frameworks highlights the convergence of ethical, legal, and economic considerations in supply chain governance. On the one hand, regulatory enforcement mechanisms such as the FCPA impose punitive consequences for

non-compliance, incentivizing firms to adopt rigorous internal controls. On the other hand, ESG standards foster positive incentives by linking compliance to reputational benefits, investor confidence, and long-term value creation. Together, these frameworks promote transparency and accountability while reinforcing a culture of ethical business conduct that transcends jurisdictional boundaries. Firms that effectively align due diligence practices with both FCPA and ESG standards are better positioned to mitigate risks, navigate complex global markets, and enhance their legitimacy with stakeholders (Sartor, Orzes & Nassimbeni, 2019).

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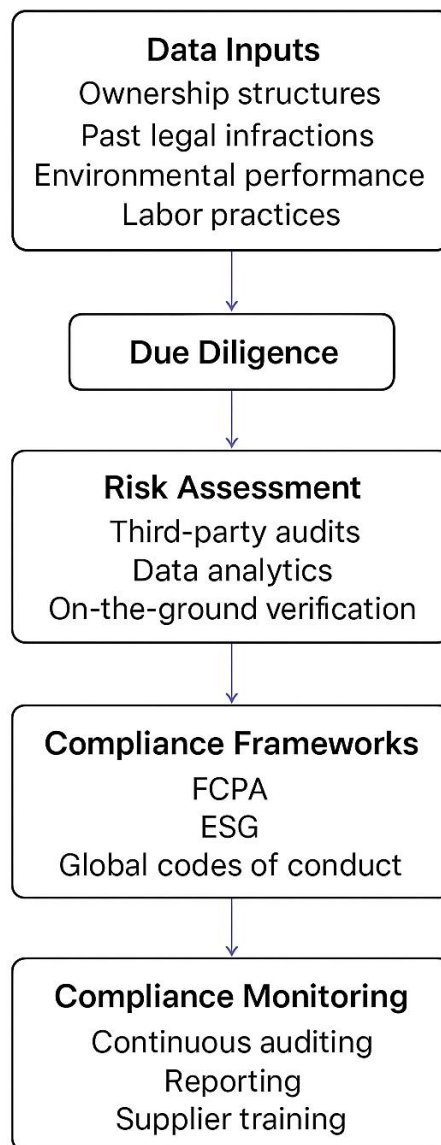
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Moving forward, compliance in global supply chains requires balancing strict regulatory alignment with adaptive strategies that recognize local contexts. Companies must develop multi-layered due diligence systems, integrate digital tools for supplier risk mapping, and invest in supplier training programs to raise awareness of compliance expectations. Collaboration across industries and partnerships with non-governmental organizations can also strengthen collective pressure for transparency and ethical behavior in high-risk regions. Ultimately, embedding compliance into the DNA of supply chain operations not only prevents legal infractions but also supports sustainable and responsible globalization.

The flowchart illustrates the structured process of ensuring compliance in global supply chains. It begins with data inputs such as ownership structures, past legal infractions, environmental performance, and labor practices, which provide the foundation for due diligence activities. This is followed by risk assessment, incorporating third-party audits, data analytics, and on-the-ground verification to identify potential red flags. The results are aligned with compliance frameworks like the FCPA, ESG standards, and global codes of conduct, ensuring both legal and ethical obligations are met. Finally, compliance monitoring involves continuous auditing, transparent reporting, and supplier training, reinforcing accountability and sustainability across the supply chain.

## Figure 1

### *Due Diligence and Compliance Frameworks in Global Supply Chains*



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