

April 24, 2013

**Ralph Lauren Corruption Enforcement Action Allegedly Involving Inappropriate Payments to Argentine Customs Officials Demonstrates the Benefits of Effective Controls**

A recent U.S. corruption-related criminal law enforcement action makes clear the importance of maintaining strong compliance controls that meet global market expectations. As more and more business has cross-border components, businesses everywhere should adopt effective compliance programs to distinguish themselves from the competition and increase the likelihood that profitable deals close successfully rather than fail during negotiations.

On April 22, 2013, the U.S. Department of Justice (“DoJ”) and the U.S. Securities and Exchange Commission (“SEC”) announced non-prosecution agreements with famed clothing designer Ralph Lauren Corp. (“RLC”). It was alleged that, from 2005 to 2009, RLC’s wholly-owned Argentine subsidiary Ralph Lauren Argentina paid about \$568,000 to a customs broker who, in turn, paid bribes to Argentine customs officials. The bribes, ranging in value from US\$400 to US\$14,000, helped Ralph Lauren Argentina avoid customs requirements. The customs broker presented fake invoices, and Ralph Lauren Argentina allegedly recorded the payments falsely so that they would appear to be legitimate “loading and delivery expenses.”

RLC discovered the misconduct following employee reports made in 2010, soon after RLC implemented a new corporate anti-corruption policy. RLC conducted an internal investigation and self-disclosed the misconduct to U.S. law enforcement authorities within two weeks of its discovery.

RLC agreed to pay a total of about US\$1.6 million in fines and penalties, and to make substantial improvements to its compliance program. The U.S. authorities emphasized that RLC received substantial benefits due to its quick response and full cooperation. Notably, the RLC settlement represents the first time the SEC has ever utilized a non-prosecution agreement. Elements of RLC’s cooperation included.

- Timely self-disclosure
- Voluntarily making employees available for interviews (including overseas witnesses)
- Providing English language translations of documents to U.S. authorities
- Making voluntary document disclosures
- Conducting a worldwide risk assessment
- Making multiple presentations to the DoJ on the status of its internal investigation and its risk assessment

Per DoJ, RLC did not maintain an anti-corruption program when the bribes occurred, and provided no anti-corruption training or oversight to Ralph Lauren Argentina employees. Its settlement agreement requires it to make extensive improvements to its anti-corruption program, including:

- Conducting extensive anti-corruption training for its employees worldwide
- Enhancing its existing anti-corruption policy
- Implementing an enhanced policy governing gifts
- Enhancing its due diligence protocols for third-party agents
- Terminating culpable employees and third-party agents
- Instituting a whistleblower hotline
- Hiring a designated corporate compliance attorney

This list represents a good example of the types of corruption-related compliance controls required to effect good business in a global environment. More and more, strong compliance controls are a global market expectation. Proactive implementation of such controls facilitates the ability to conduct global business.

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