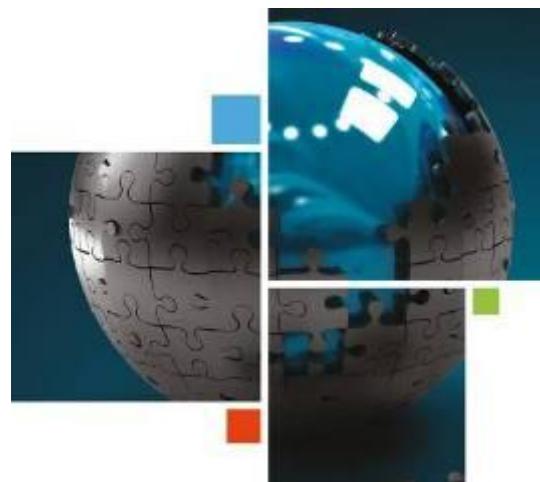


# Contractor Screening & Due Diligence – best practices, local challenges

| April 2015

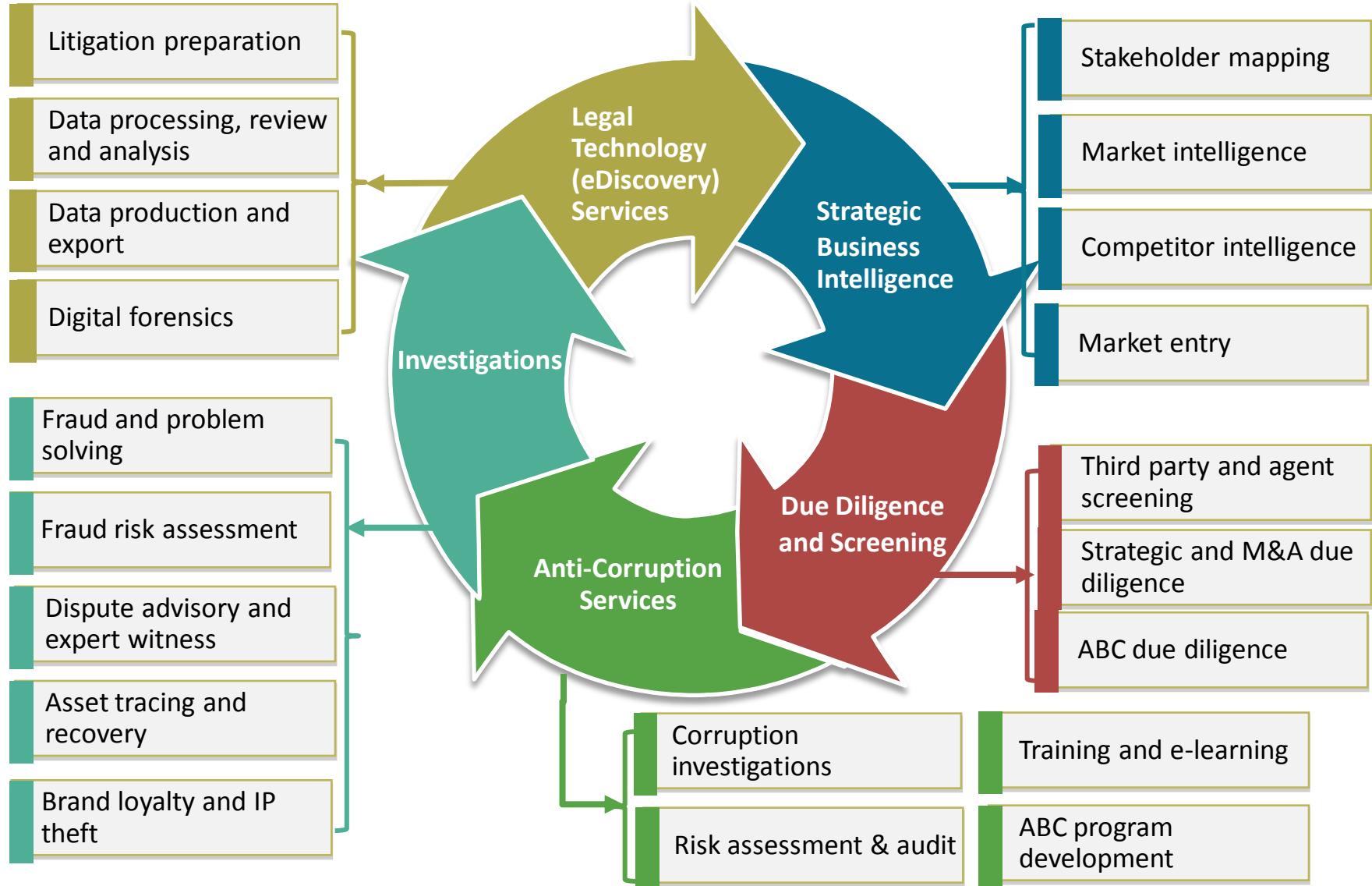


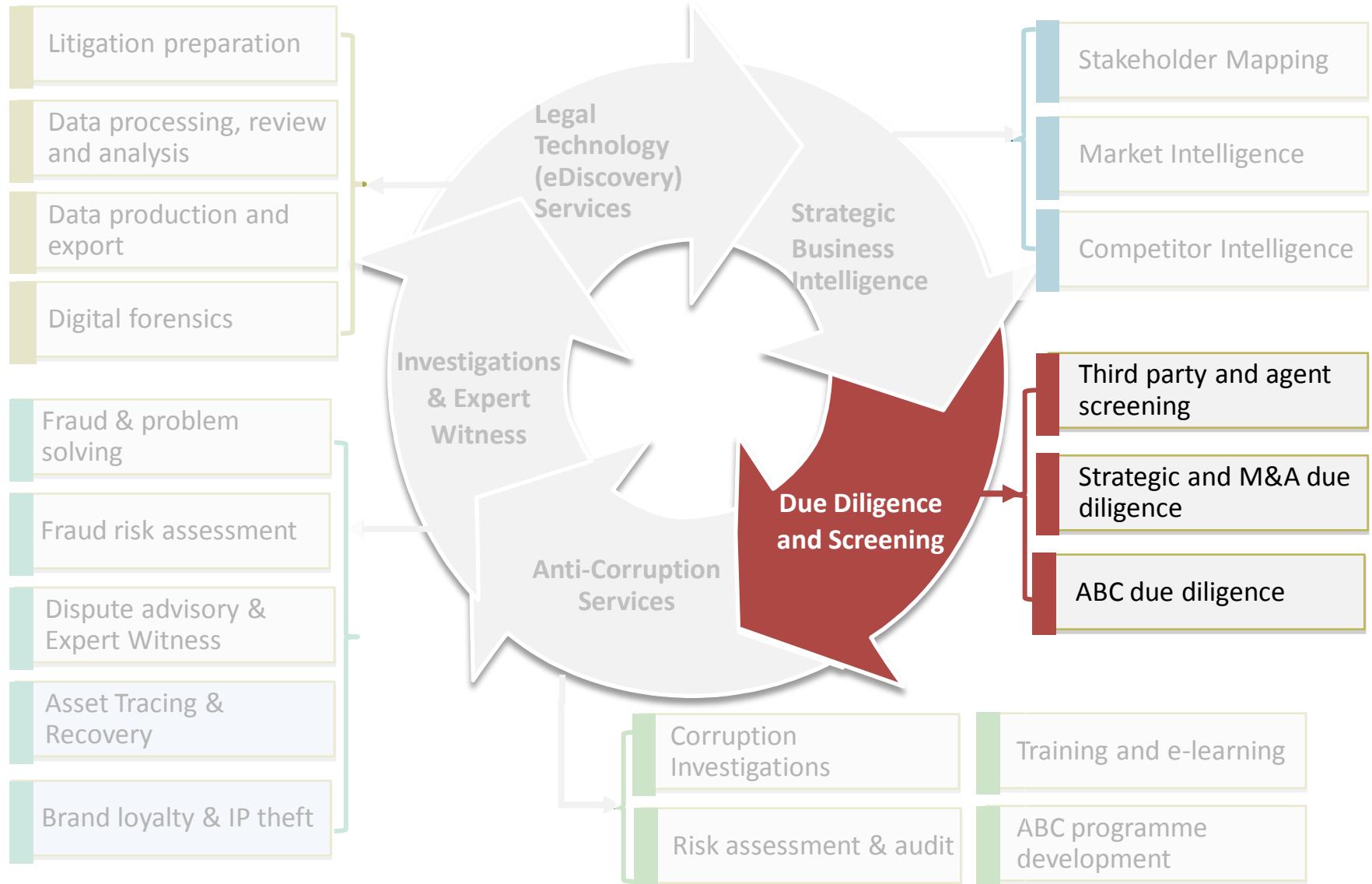
## Control Risks

Our investigations practice – the Compliance, Investigations, Intelligence and Technology (CIIT) team – was formally established in 1990 in London. The practice has since grown to over 200 experienced investigative consultants, who operate from our global network of offices. They draw on experience acquired in various roles, including law enforcement, forensic accountancy, journalism, financial services, law, business, the IT industry, anti-money laundering and financial regulation.

Over the past 12 months, we have delivered more than 4,000 investigative assignments in nearly 100 jurisdictions.







## 1 Third party and agent screening

We screen and audit partners before a transaction or on an ongoing basis:

- Reduce the risk of dealing with corrupt agents, vendors and suppliers
- Screen large volumes cost-effectively
- Satisfy regulatory requirements
- Avoid damaging financial penalties

## Due Diligence and Screening

## 2 Strategic and M&A due diligence

We provide investment support by:

- Identifying or disqualifying potential investment, merger and/or acquisition targets in terms of their reputational and operational risks
- We investigate, confirm and evaluate the integrity of individuals and entities, providing commercial, cultural & political context to help our clients make informed commercial decisions

## 3 ABC due diligence

Besides assessing key business relationships for integrity risk, we are also expert in identifying (and presenting for legal counsels) **allegations or instances of bribe solicitation or payment**.

- The FCPA & UK Bribery Act
- A company's internal control system
- Any other legal requirements



## ■ Recommended approach – initial screening

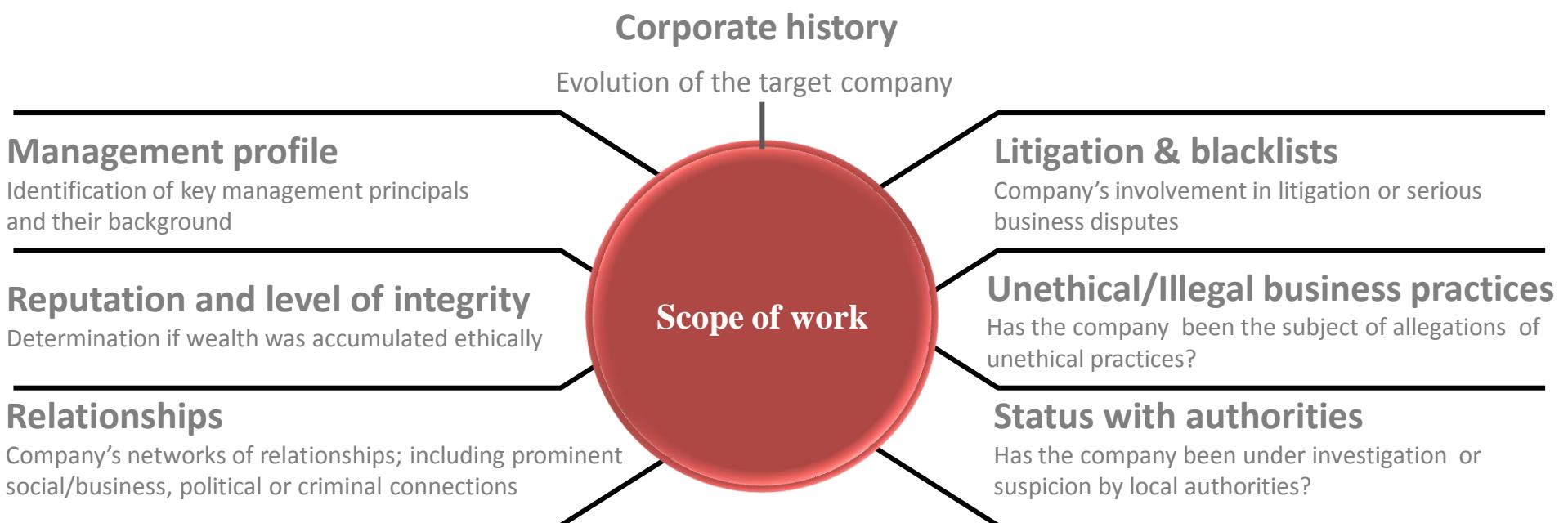
1. Agent disclosure form
2. Provision by agent of corporate management and ownership information
3. Confirmation of that information by Control Risks and identification of any “red flags” and hidden beneficial owners
  - Media research in relevant local business language
  - Retrieval of corporate filings (electronically or manually)
  - Source enquiries

Where the risk is uncertain we can take a ***phased approach***:

We can start with media research and public record retrieval. If red flags identified or questions left outstanding (e.g. beneficial ownership not identifiable), **CLIENT** can upgrade to enquiries to be commissioned within a reasonable period.

## ■ Recommended approach – re-screening

1. Provision by agent of information pertaining to changes in management or ownership structure as and when these occur
  
2. Media search to confirm or identify any undisclosed changes in management or ownership, and to identify any significant issues or concern
  
3. Source enquiries recommended where:
  - ✓ **CLIENT** has a close relationship with the agent
  - ✓ there is a high volume of business
  - ✓ the agent operates in a high risk country
  
4. Screening for any additional key personnel since initial screening, level to be established depending on significance of change on the company's profile. If the change is in relation to junior or peripheral individuals, a full re-screening of the company would not be required.



## Methodology – source enquiries

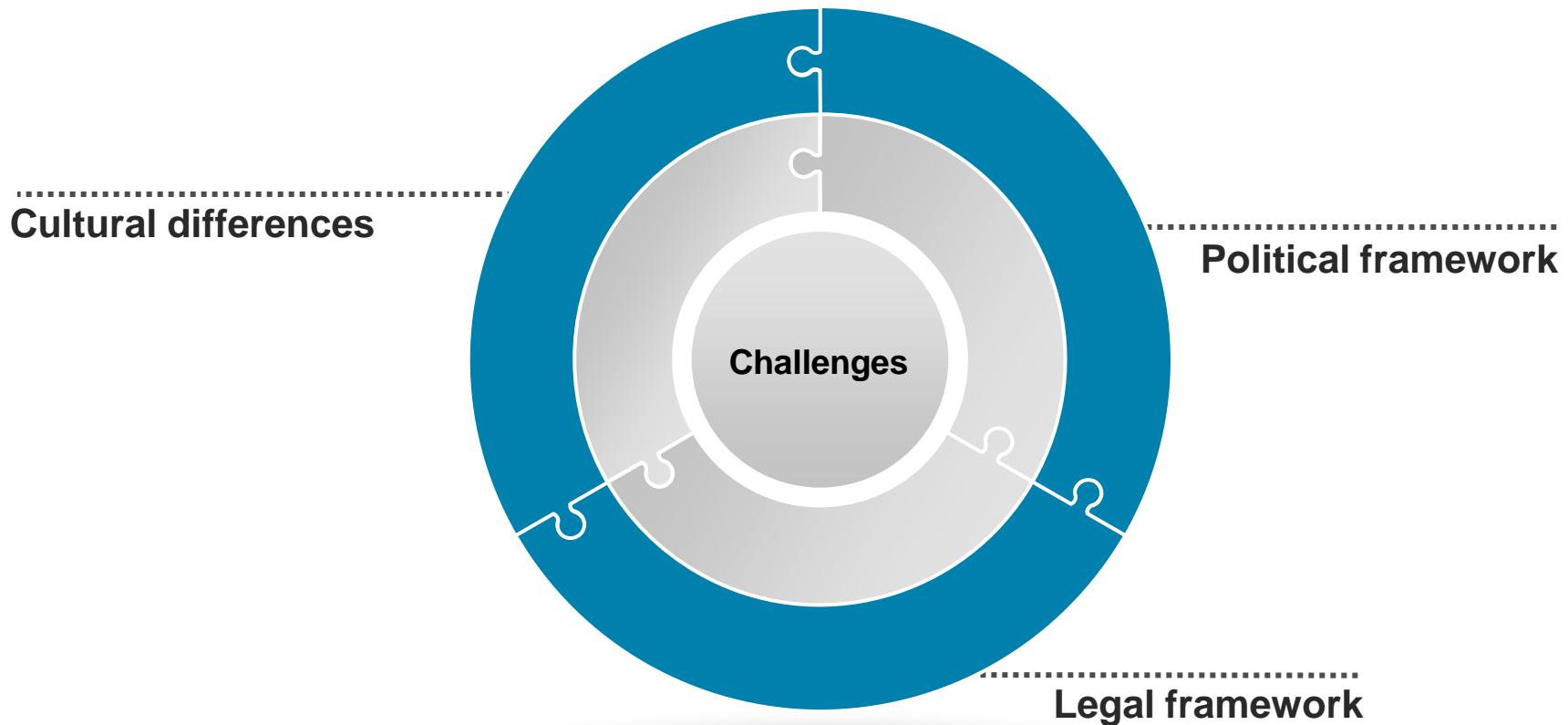
- Control Risks is equipped to conduct targeted, confidential enquiries with our well-established source network who are carefully vetted and which we have cultivated over our 30+ years' experience managing confidential due diligence.
- This network is maintained and refreshed through our regional offices, research trips and project-driven network development.
- Our network includes individuals from the media, financial and legal communities, individuals close to government and politicians, as well as from the security services, regulatory bodies and law enforcement.
- We seek information from several sources to corroborate and provide our own balanced assessment.
- We also use our significant in-house regional specialisations to assess the credibility of any information and allegations uncovered. We consider all findings in the prevailing business and political context of the investigation, highlighting implications for our client from a regulatory and reputational perspective.

## Supplier due diligence: risk-based benchmarking

- To allow **CLIENT** to prioritise more comprehensive due diligence on those entities deemed of greatest risk level, Control Risks can provide a “risk score” of each supplier on the basis of a combination of factors agreed with the client, e.g.
  - Control Risks’ own assessment of country integrity risk
  - Appearance on blacklists
  - Number of adverse media references (adjusted for country)
  - Nature of relationship

| Distributor | Country risk rating | Number of negative hits found against the distributor in an emerging markets database of news, corporate records and other publicly available material | Supplier risk rating |
|-------------|---------------------|--|----------------------|
| Supplier A  | Low                 | High   | Medium               |
| Supplier B  | Medium              | Low  | Low                  |
| Supplier C  | Medium              | High   | High                 |

## Local specifics



## Governance, Risk, Compliance

- Compliance linked to a GRC strategy
- Reactive management to proactive management
- Senior level sponsorship – Chief Ethics/Compliance Officer
- Risk-based approach
- Integration: from policy, to culture
- Internal maze: governance (board), Risk (CRO), Compliance (legal team)
- New data protection legislation