

B/S/H/

SAP Fraud Management at Bosch and Siemens Home Appliances Group

Compliance Week Europe

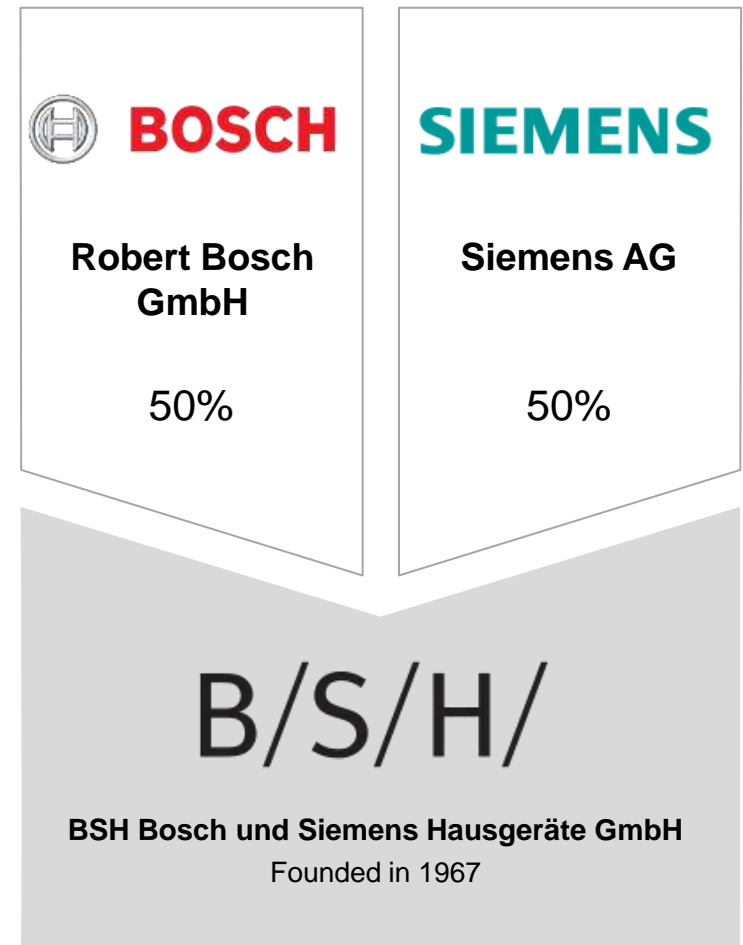
October 14th 2014

Alfred Spencer III



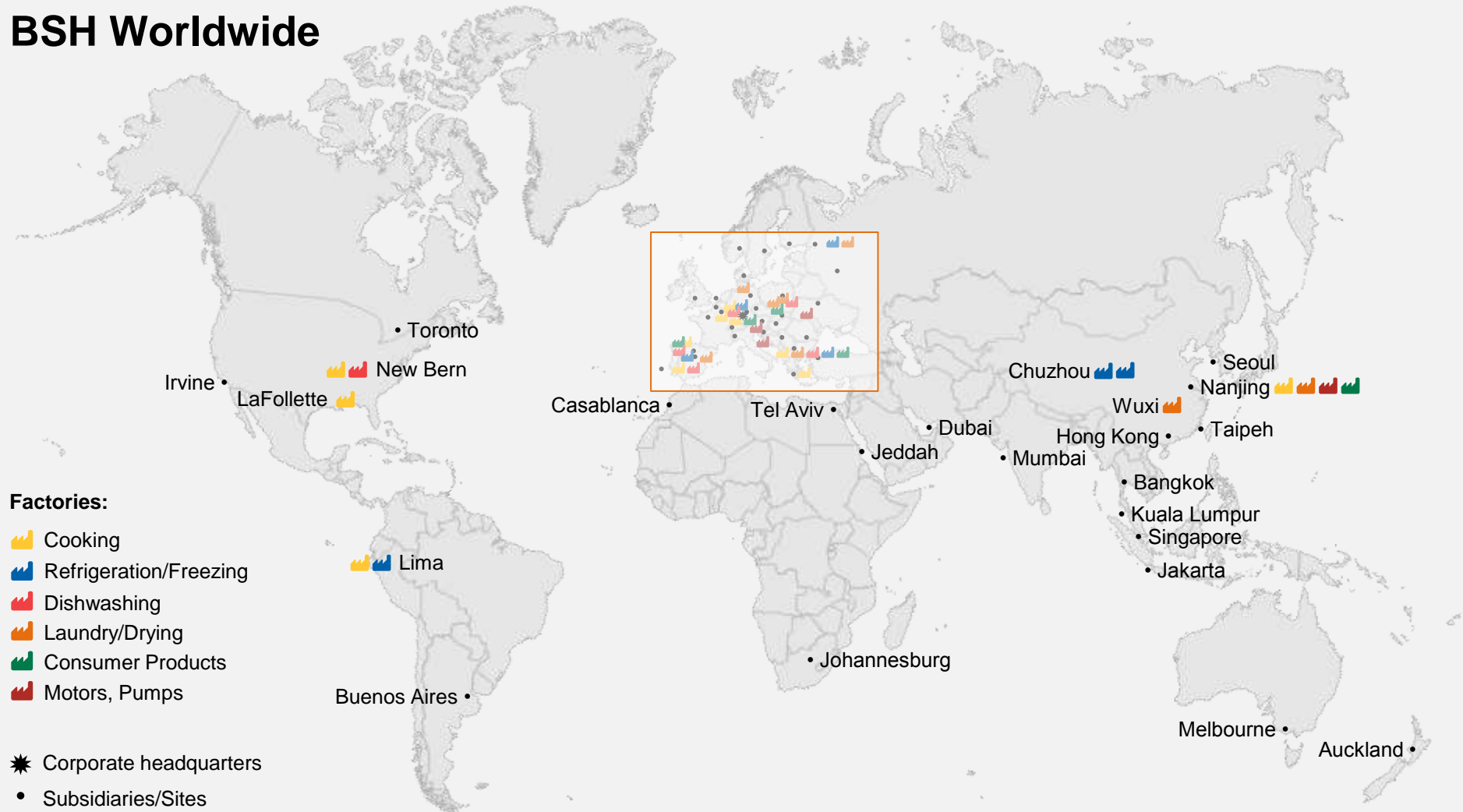
BSH at a Glance

- Founded in 1967 as a joint venture between Siemens AG and Robert Bosch GmbH
- Market leader in Europe, No. 3 in the world
- Sales revenue: 10.5 billion Euros
- Product portfolio: all modern home appliances
- Employees worldwide: approximately 50,000



as of 31st of December 2013

BSH Worldwide

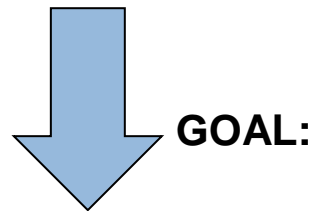


Initial Situation

- **The Board of Management is bound to take measures** (i.e. internal rules and standards, processes and checks) **to prevent economic offences** within the company on a group-wide level
- **Legal norms in Germany:** i.e. section 130 of the Administrative Offence Act (**OWiG**), **prevention of Money Laundering Act, Foreign Trade and Payments Act, EC Embargo Act**
- **BSH is global player** with subsidiaries in more than 40 countries, might lead to legal risks
- **Given the complexity of our business**, there is the **need to identify and handle high-risk transactions** to comply with international laws and regulations

Initial Situation

- **Manual screenings** have been conducted, which **don't allow BSH to cover 100% of all payment transactions**
- **International laws** and regulations **require to implement 'adequate procedures'** to identify and mitigate risks



- **Ensuring the identification, checking and governance of high-risk transactions** within BSH group according to **regulations to minimize risks in the areas of taxes, anti-money laundering, anti-corruption and export control**

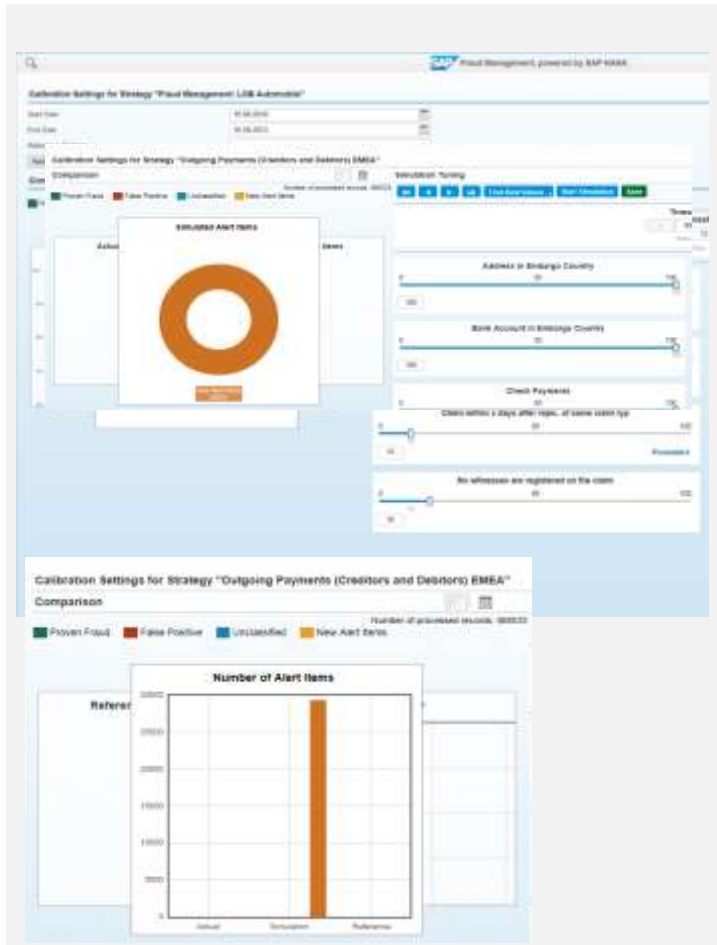
Process Overview



Basic requirements

- **Integration into payment process** without slowing it down **and preventing fraudulent transactions** by blocking single payments (for outgoing payments only)
- **Fast screening** of all incoming and outgoing payments
- **Automatic workflow** regarding the integration of different users / functions as well as the use of different data sources
- Statistical process monitoring solution for controlling of performance
- Multi-language UI and questionnaires available

HRT-Tool – Screening of Payments



- **Real-time screening of outgoing payments:** Screening will be implemented in the standard payment run process and conducted **in real-time**
- **Ex-post screening of incoming payments:** Daily screening run of all incoming payments
- **Earlier detection** to reduce financial losses and other damages related to fraud
- Highly automated fraud detection, **reducing manual work** and errors

HRT-Tool – Blocking of Payments



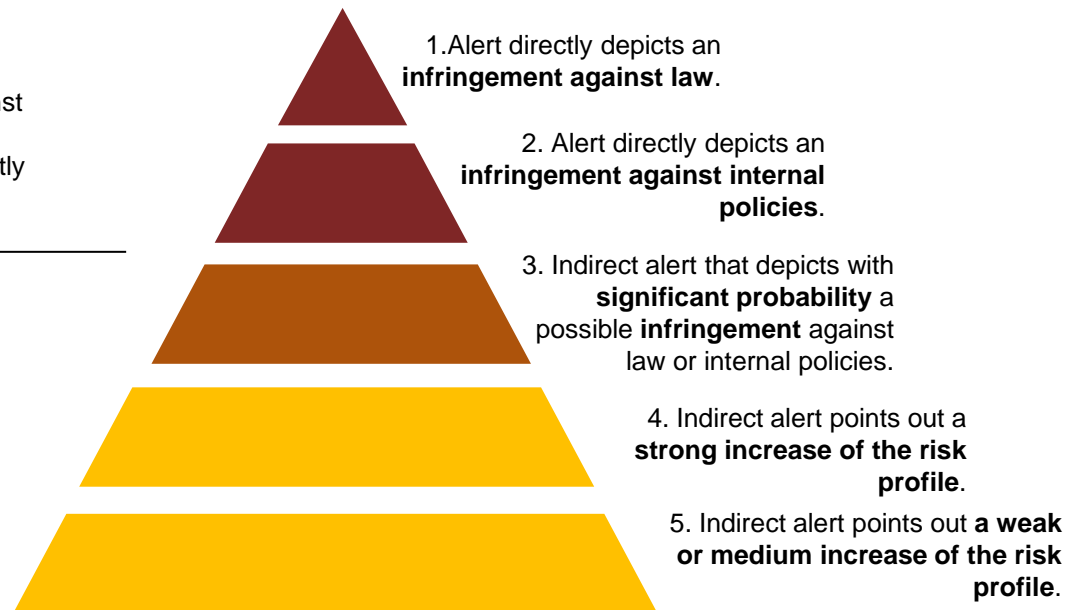
- **Blocking of specific outgoing payments:** Certain transactions with a high probability of fraud and/or which are violating existing laws or internal guidelines will be automatically blocked during detection
- **Automated release of approved payments:** After workflow processing and approval payment blocks will be automatically released without any manual work

1. Direct alerts

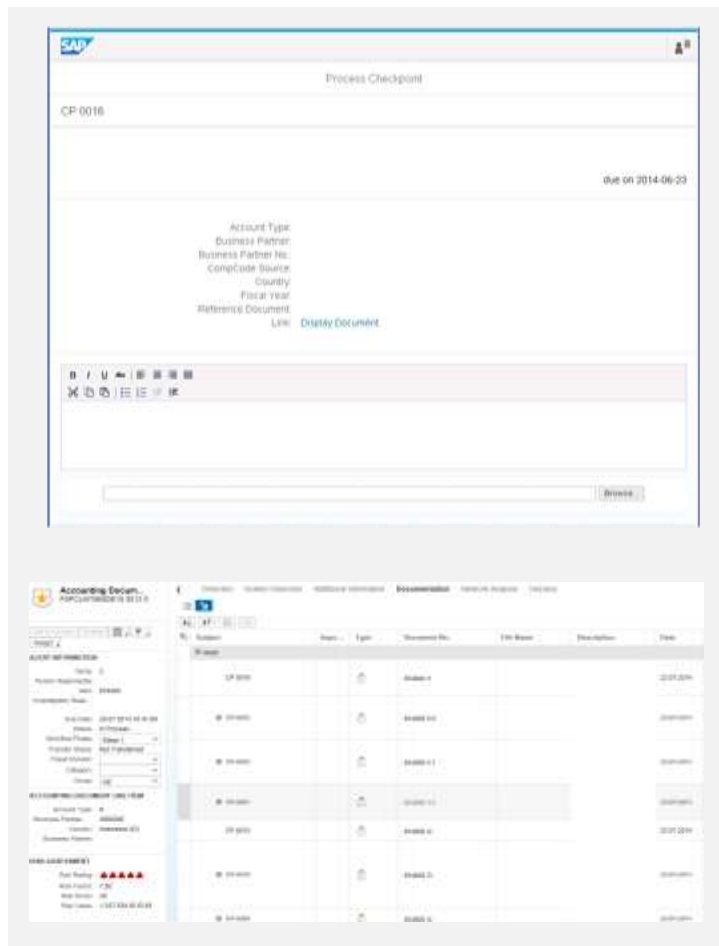
These are alerts that directly depict infringements against law or internal policies. Alerts that are assigned to this group, are of high importance to BSH, as they are directly able to prevent against possible infringements.

2. Indirect alerts

These are alerts that are assigned to a higher risk profile, considering Compliance infringements. Alerts that are assigned to this group, do not directly depict possible Compliance infringements.

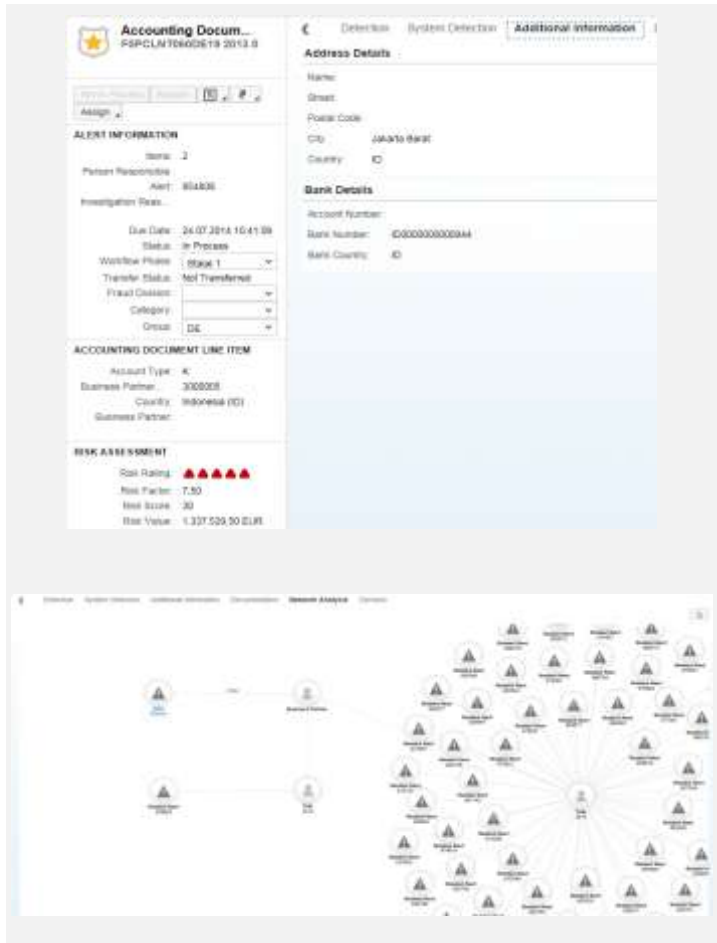


HRT-Tool – Collection of Supporting Information



- **Automated collection of supporting documents:** As far as available, internal documents will automatically be collected and centrally stored (i.e. sales order, invoice, etc.)
- **Manual upload and comment functionality:** For specific explanations or confirmations, manual uploads and/or comments will be required
- **Workflow functionalities:** extended functionalities to forward, share and collaborate to provide additional information with other users

HRT-Tool – Risk Assessment



- **The investigator centrally sees all information** regarding the transaction and the additionally provided documents **and can quickly come to a conclusion**
- **Network analysis:** the specific transaction is being linked to previous transactions with the business partner and/or related 3rd parties (i.e. alternative payee)
- **Reduced business disruption:** faster fraud processing avoids blocking transactions longer than needed
- **Faster treatment of fraud cases and comprehensive documentation**

Key Benefits – 100% Coverage

- For German BSH-entities, **we will reach a 100%** coverage of all payment transactions

- **For all German entities** (the **biggest with an annual turnover of about 5,500 Mio. €** in 2013) the following number of payment transactions were conducted:
 - **Outgoing payments:** about **950k** single payments

 - **Incoming payments:** about **900k** single payments

- Previously, only selected transactions could be screened manually, reaching **only a low percentage of coverage**

Key Benefits – Process Automation and Optimization

- In comparison to the previous manual process, the following **major improvements** will be made:
 - **Automated data collection** of certain supporting documents **leads to**
 - **Reduced processing time** for a potential fraud cause and especially the investigation
 - **Network analysis** shows previously unknown connections
 - **Workflow** functionality **and central documentation** allows **safe** internal and external **documentation**