

# Building Anti-Corruption Programs, Start to Finish

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*Associate General Counsel - Compliance  
Regal-Beloit Corp.*



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## *Building Anti-Corruption Programs, Start to Finish*

### **Global mid-cap manufacturer (\$3B+)**

- Member of S&P Mid Cap 400 & Russell 2000
- Electric motors, mechanical and electrical motion controls and power generation products
- Operations in more than 20 countries
- 25,000 employees (+ representatives & distributors)
- Since founded in 1955, only 4 CEOs
- Grow through acquisition in Lean six sigma continuous improvement culture

### **Ethics & Compliance Office**

# *Building Anti-Corruption Programs, Start to Finish*

## **Anti-Corruption risk assessment**

- Global scope
- Partnered with Internal Audit

## **Compliance & citizenship review**

- Policy and process
- Inventory of third parties, business partners

# 3<sup>rd</sup> Party Due Diligence

## Best Practices in Establishing an Effective Anti-Corruption Program

***Randy Corley***

*EVP, Global Compliance Officer  
Edelman Inc.*



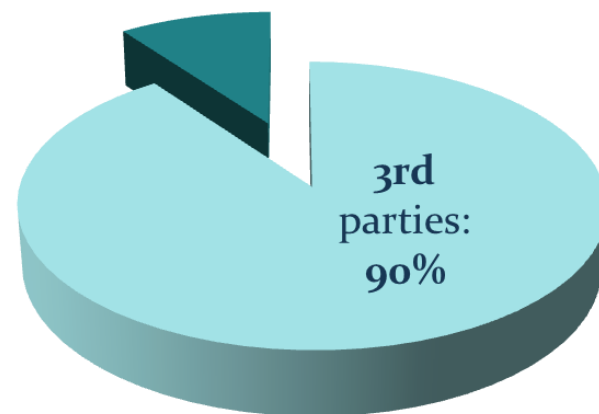
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# *3<sup>rd</sup> Party Due Diligence*

## **Why it's important...**

- What do you really know about your 3<sup>rd</sup> party business partners?
- We have less control over 3<sup>rd</sup> parties than employees

*More than 90% of  
FCPA cases involve  
3<sup>rd</sup> party conduct*



## ***3<sup>rd</sup> Party Due Diligence***

## Step 1: How Much is Enough?

- Initial screening process to establish scope
- Goal = realistic process

[illegible]

# ***3<sup>rd</sup> Party Due Diligence***

## **Step 2: How deep do we dig?**

### ***3<sup>rd</sup> Party Risk Assessment***

- Establishes:
  - Level of due diligence to be conducted
  - Level of authorization
- Owned by business unit

- Geographic location
- Government Involvement
- Initial Internet Search
- Compensation
- Scope of Goods/Services
- Skills/Qualifications
- Experience with 3<sup>rd</sup> Party
- Client Recommendation

# ***3<sup>rd</sup> Party Due Diligence***

## **Step 3: What do you need to know?**

### ***Key Elements of Due Diligence:***

- Data Collection
- Verification and Validation
- Evaluation of Warning Signs
- Scope of review depends on risk assessment (H-M-L)

- Qualifications
- Reference checks
- Licenses & registration
- Sanctioned parties
- Connections (PEP's)
- Identification / Selection
- Compensation
- Litigation & criminal investigations



# ***3<sup>rd</sup> Party Due Diligence***

## **Step 4: What did we learn?**

### ***Verification & Validation***

- Seek clarifying information
- Verification and Validation
- Independent review

### ***Evaluation***

- Checklist of warning signs
- Outline decision, rationale and mitigating factors



# ***3<sup>rd</sup> Party Due Diligence***

## **Step 5: Yes or No? And then what?**

### ***Approval***

- Level of approval depends on risk
- Documentation

### ***Post-Approval***

- Contract terms
- Annual certification
- Training
- Update due diligence



# *3<sup>rd</sup> Party Due Diligence*



## **OECD Good Practice Handbook on Anti-Corruption Programs**

Due diligence guidance prepared by a PACI working group  
(WEF's Partnership Against Corruption Initiative)

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***Kerry David***  
*Chief Compliance Officer*  
*The Shaw Group Inc.*



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# Corporate Profile

The Shaw Group Inc.® is a leading global provider of technology, engineering, procurement, construction, maintenance, fabrication, manufacturing, consulting, remediation, and facilities management services to clients in the energy, chemicals, environmental, infrastructure, and emergency response industries.

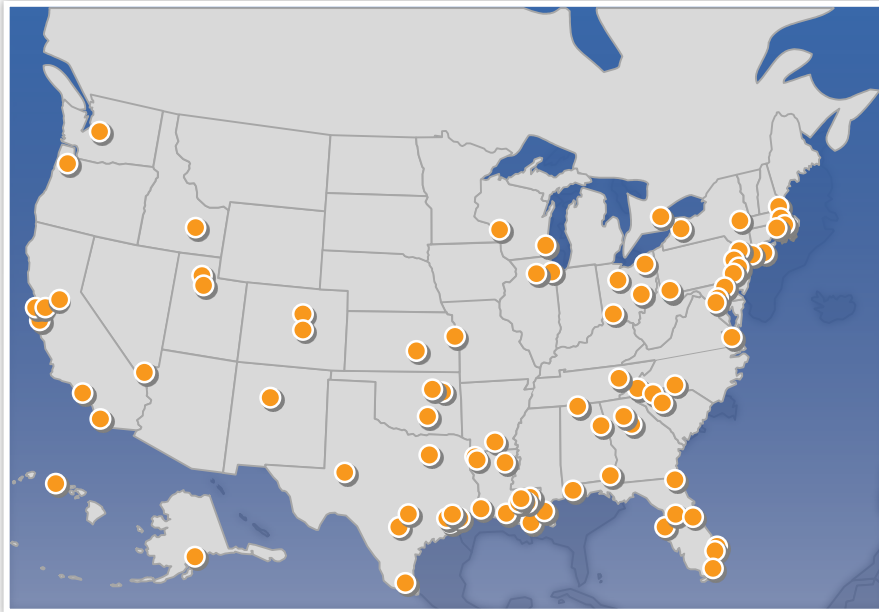
- **Headquarters:** Baton Rouge, LA
- **Stock Ticker:** NYSE: SHAW
- **Number of employees:** 27,000
- **FY 2011 Revenues:** \$5.9 billion
- **Backlog:** \$19.8 billion (as of 2/29/12)
- **Website:** [www.shawgrp.com](http://www.shawgrp.com)



**SHAW**  
**LISTED**  
**NYSE**

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# Worldwide Locations



131 U.S. Locations  
19 International Locations



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**Managing Gifts, Meals and Entertainment**

- Written Policy
- Approvals
- Documentation

# *Building Anti-Corruption Programs, Start to Finish*

## **What we do**

- Policy states that **pre-approval** is required for all meals, gifts and entertainment with foreign government officials
- Limited blanket pre-approval recently implemented
- Electronic forms submitted to request pre-approval or report those no longer needing pre-approval but which still require reporting
- Forms go into a Sharepoint Site which allows research and tracking
- All transactions are reported



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## Pre-Approvals Required

	<b>General Counsel</b>	<b>Chief Financial Officer</b>	<b>Chief Compliance Officer</b>
Gifts	X		X
Entertainment/Meals	X		X
Business Expenses for meetings	X	X	
Charitable Donations			X
Political Contributions			X
Facilitation Payments	X*	X*	

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**FCPA Policy Expenditure Transaction Report**

logged in as:  
kerry.david@shawgrp.com

file id:

Name of Employee Reporting:

Job Title:

Business Segment: Select...

Date of Expenditure:

Location of Expenditure:

Name of Foreign Government Entity Involved:

**Meal**

Was this meal related to an existing contract? ☐ Yes ☐ No

Amount spent per person:

Describe the business purpose of the meal:

**Gift**

Was a gift given? ☐ Yes ☐ No

If "yes", what was the value per person?

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FCPA Pre-Approval - All Documents

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Type	Name	Expenditure Date	Expenditure Location	Foreign Government	Existing Contract	Real Amount	Gift Given	Gift Amount	FCPA Preapproved	Case
Business Segment: Corp (2)										
<input checked="" type="checkbox"/>	Patricia MacDonald2011-11-18711_48_38	11/18/2011	Shanghai, China	PESCO	No	7,438	No			PAGE
<input checked="" type="checkbox"/>	Tish MacDonald2011-11-18711_48_31	11/17/2011	Shanghai, China	PESCO	No	15,55	No		In Progress	PAGE
Business Segment: EC (118)										
<input checked="" type="checkbox"/>	Allen David Streiber_408864 (completed by Pat Blanchard administrative ass)(2011-10-20714_13_33	10/20/2011	Shaw California, Baton Rouge, LA	Jordan Brothers Company & Albemarle (China)	Yes	7,35	No			<input checked="" type="checkbox"/> PAGE
<input checked="" type="checkbox"/>	Allen David Streiber_408864 (completed by Pat Blanchard administrative ass)(2011-10-24708_46_27	10/21/2011	Shaw California, Baton Rouge, LA	Jordan Brothers Company & Albemarle (China)	Yes	8,735	No			<input checked="" type="checkbox"/> PAGE
<input checked="" type="checkbox"/>	Allen David	10/22/2011	Shaw California, Baton Rouge, LA	Jordan Brothers Company & Albemarle (China)	Yes					

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