A Tale of Two Companies

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Introductions

Introduction & Personal Background

BETH COLLING
Vice President and Chief Compliance Officer
CDM Smith

CDM Smith is an employee-owned, full-service, engineering design and construction firm that was founded in 1947 in Boston, MA (USA) under the name Camp Dresser and McKee (CDM).

In 2011, CDM acquired Wilbur Smith Associates to expand its global footprint and become a leading global engineering firm.

CDM Smith provides integrated services in the following areas:
- Water
- Environment
- Transportation
- Energy
- Facilities

Provides work in Development Assistance areas.

CDM Smith employs approx. 5500 employees worldwide; approx. 1,500 employees work exclusively in foreign markets.

Introduction & Personal Background

REBEKA SPIRES
Director Compliance & Ethics

Louis Berger
Louis Berger

Louis Berger is a global professional services corporation that helps infrastructure and development clients solve their most complex challenges. We are a trusted partner to national, state and local government agencies; multilateral institutions; and commercial industry clients worldwide. By focusing on client needs to deliver quality, safe, financially successful projects with integrity, we are committed to deliver on our promise to provide Solutions for a better world.

Louis Berger has a long-standing presence in more than 50 nations, represented by the multidisciplinary expertise of 6,000 engineers, economists, scientists, managers and planners.

Agenda

A Tale of Two Companies—Experiencing the Best of Times and the Worst of Times through the Eyes of Two Organizations that Considered Themselves Ethical

• Hear how two compliance programs survived and developed during and after settlements with the U.S. Department of Justice, World Bank Group and similar regulatory/enforcement agencies.

• Understand the lessons learned through the real-life experiences of two seasoned compliance officers - lessons that can be implemented in any compliance program, regardless of the existence of external scrutiny.

• Take away three “key mindset” ideas to help your program build the framework necessary to effectively demonstrate solid operations and leadership commitment, if ever asked to do so by regulators, investigators or others.
How long have you been working in a compliance role?

Less than a year. Here to learn what the compliance role might look like.

One to three years. Anticipate my role could be expanding in the coming weeks.

Four to eight years. Yep, I got this.

You’re a pro! Here to see what new nugget of information you might take back to your team.
OMG Phase

What happened?
How did we get here?

Key Events

Louis Berger announces settlement with U.S. Department of Justice

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New Jersey company to pay $17.5 million fine to settle bribery charges

Louis Berger, a New Jersey engineering and construction company, has agreed to pay a $17.5 million fine to settle charges that it violated the U.S. Foreign Corrupt Practices Act.

Louis Berger, a global engineering and construction company, agreed to pay $17.5 million to settle charges that it violated the Foreign Corrupt Practices Act.

The company admitted to paying bribes to secure contracts in the Middle East and South America.

The settlement marks the latest in a string of cases involving companies accused of paying bribes to win contracts abroad.

The U.S. Department of Justice said Louis Berger paid bribes to secure contracts in the Middle East and South America.

The company said it had fired two employees in 2011 after learning of the bribes.

Louis Berger admitted to paying bribes in the Middle East and South America.

The settlement is the latest in a series of cases involving companies accused of paying bribes to win contracts abroad.

Louis Berger, a global engineering and construction company, has agreed to pay $17.5 million to settle charges that it violated the Foreign Corrupt Practices Act.

The company has agreed to pay the fine and to cooperate with U.S. authorities.

The U.S. Department of Justice said Louis Berger paid bribes to secure contracts in the Middle East and South America.

The company has admitted to paying bribes to win contracts in the Middle East and South America.
Timeline of Integration of ICP

- Code of Ethics implemented in U.S.
- Reporting hotline activated in U.S.
- WSA Acquisition
- Changes to executive management/core leadership
- Accounting irregularities detected in several foreign projects; mandatory training instituted
- External FCPA reviews (India, Vietnam, and Pakistan)
- Accounting irregularities detected in several foreign projects; mandatory training instituted
- Code of Ethics updated, ACP policy developed, search started for CCO
- First CCO hired and Compliance Dept. est.

Regulatory Results – June 2017

- Department of Justice issued a Declination with Disgorgement (disgorged profits of around $4 million)
- World Bank Group and CDM Smith entered into a Negotiated Resolution Agreement (NRA) that includes a conditional non-debarment. Conditions include the following:
  - Assessment of external Compliance expert who must certify that the Compliance program meets the requirements of the WBG’s Integrity Compliance Program.
  - In-depth audit of a World Bank project by external counsel
  - Interviews by the World Bank of key individuals
  - Asian Development Bank declined action
What can be done now?
We have to do what, how fast?

Where do you see your compliance program?

- It is just getting started. We have a code of conduct, but little else established.

- Compliance program has been around, but it is ignored at time for other big projects across the company. It would be nice to have more resources.

- The program isn’t that developed, but expect outside influences could change this status. (words like monitor, evaluation, and DPA are spoken softly in very small circles)

- You have lived through this, like Beth & Rebeka. You want to know if our experiences are similar.
Identified Risks

- Use of Consultants and Other Third Parties
  - Relatives hired
  - No vetting of Government Officials or such connections
- Lack of proper internal controls
  - Costs related to payments of Third Parties were not verified/some found to be excessive
  - Finance/Accounting did not recognize “red flags”
  - One person can hire sub, approve sub, and pay sub
  - Lack of segregation of duties
- Lack of proper Communication/Education/Training about Integrity Compliance
- Inconsistent way of handling allegations
- Lack of clear standards or standards not translated

Challenges/Benefits

- Local government officials don’t recognize changes required for ethical business practices
- Entities doing business with CDM Smith refuse to pay invoices unless “facilitation” payment received
- Local employees not properly instructed on the prohibited practices – failure to provide specific examples
- Studies show businesses with robust compliance program get higher Return on Investment (ROI)
- Creates a common Culture of Compliance
  - In the absence of Compliance, Culture takes over
  - Culture trumps Compliance
Mind the Gap

The Monitor’s Report says what?

Assessment results

- The amount of information provided by internal or external specialists will be overwhelming.
- The key is to try and pick through those “must do activities” and determine what can be done now, what can wait; what can drop.
# CDM Smith’s ICP – Key Elements

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<th>ICP Elements</th>
<th>Required Enhancements</th>
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| **Reporting and Investigations** | • Installed updated Whistleblower Reporting line "The Integrity Line"  
  • Employees encouraged to speak up and told it’s a duty  
  • New Investigations policy and protocol installed  
  • Case management system put in place |
| **Internal Controls**    | • Added International Controller to staff  
  • Implemented new policies related to payment of Third Parties, Business Courtesies and Contributions/Sponsorships  
  • Implemented IA process for monitoring |
| **Risk Assessments/Reviews** | • Annual assessments on both project and location basis  
  • Annual Certifications to review employees’ knowledge  
  • Audits from IA for financial and Compliance for adherence  
  • Hired head of Treasury with IA experience |
| **Training/Education**   | • Annual Compliance Training for all employees with timelines to complete  
  • Specialized compliance training for finance staff involved in processing / approving payments  
  • Compliance to be integrated into project onboarding activities ("PDM review")  
  • Dedicated in-house Compliance site provides articles, videos and other information |
| **Business Partners**    | • Extensive Due Diligence Process enacted, including FMV review of costs  
  • Screening reviews relatives or govt relations connection  
  • Policies developed to govern engagement and retention  
  • Additional payment controls put in place to monitor activity |

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# Louis Berger Code of Conduct Refresh

1. Sets “Tone at the Top”  
   What is expected of senior managers
2. Presents clear and easily understandable standards and values
3. Discusses Ethical Culture / Doing Right Thing is the Priority
4. Launches policies: Non-retaliation COI / Facilitation / Gifting/Anti-Corruption
5. Presents "real life" situations and simple to understand guidance on how to respond
6. Ensures that business activities are consistent with applicable laws, and client expectations
**Business Partners: Due Diligence Process**

**Business Partner Integrity Requirements**

Operations completes Business Partner Request Form

Compliance reviews the form and based on the information creates a risk ranking

Medium to high risk rankings require questionnaire

CCO determines need for additional steps (e.g., external business intelligence screenings, interviews, business references)

Creation of centralized database developed to track due diligence materials for all business partners

Requirements for changes / renewals / terminations to third party agreements

Relevant anti-corruption compliance provisions included third party agreements

Approvals needed

Risk-Based Due Diligence Review

Parties are classified as low, medium or high risk based on:

- Proposed location where work will be performed
- Interaction with government officials
- Any known affiliation with government officials
- Selection of third party (competitive bid, recommendation, etc.)
- Payment of third party (FMV of services; advance payments; success fees, etc.)

**Infinity and Beyond**
Global Risk Assessments

Risk Assessments conducted in regional centers and project offices:

- Risk assessments conducted with assistance from Compliance Consultant and Third Party Consultant
- Involved in-country interviews and sample transaction testing
- Ongoing plan for additional testing of other international locations

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<tr>
<th>Risk Areas Assessed</th>
<th>Management tone, culture, reporting and investigation</th>
<th>Charitable and political contributions</th>
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<td>Employee understanding</td>
<td>Regulatory requirements and resolution of disputes</td>
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<td>Dealings with government officials</td>
<td>Payments and use of company resources</td>
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<td>Project awards</td>
<td>Use and management of cash</td>
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<td>Business partners</td>
<td>Payroll</td>
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<td>Business courtesies</td>
<td>Books and records</td>
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Continuous Improvements

- Awareness Programs
- Increase Employee Ownership
- Preventing Fatigue
Internal Programs

Keep Content Fresh

Global Anti-Corruption Policy
Quick Reference Guide

Policy & Quick Reference Guide Summary

Policy Context
Background

Application

Policy Details

Policy Thematic

Policy Applicability

PROHIBITION ON BRIEY

The following are prohibited under the Policy:

1. The payment of cash or other forms of consideration in order to influence the conduct of any party, such as a government official, public official, representative, or employee, with respect to an action or decision of such party or government official.

2. The provision of financial or other valuable consideration to any party, such as a government official, public official, representative, or employee, with respect to an action or decision of such party or government official.

3. The receipt of any financial or other valuable consideration from any party, such as a government official, public official, representative, or employee, with respect to an action or decision of such party or government official.

4. The solicitation of any financial or other valuable consideration from any party, such as a government official, public official, representative, or employee, with respect to an action or decision of such party or government official.

The policy applies to all employees of the organization, and all contractors, consultants, and agents working on behalf of the organization.
Three Take-Aways

Thank you

For questions or more information -

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