A Tale of Two Companies

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Introductions
Introduction & Personal Background

BETH COLLING
Vice President and Chief Compliance Officer

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.

REBEKA SPIRES
Director Compliance & Ethics
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.
Surviving and Developing

OMG Phase

What happened?
How did we get here?

Key Events

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Timeline of Integration of ICP

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

The Right Stuff

What can be done now?
We have to do what, how fast?
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
- 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
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
Business Partners: Due Diligence Process

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.)
- Payments to third party (Fees of services, advance payments, access fees, etc.)

Business Partner Integrity Requirements

- Qualifications and reputation
- Previous and potential for criminal offenses
- Compliance with relevant laws
- Financial stability
- Commitment to ethical business practices
- Management team and governance structure
- Experience in similar projects
- Financial due diligence

Creation of risk management plan and ongoing review of third party agreements

Centralized database developed to track due diligence materials for all business partners

Approval needed for relevant anti-corruption compliance provisions included in third party agreements

Requirements for changes / renewals / terminations to third party agreements

Infinity and Beyond
Global Risk Assessments

- 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>
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<td>Employee understanding and communication</td>
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<td>Regulatory requirements and standards of conduct</td>
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<td>Strategic and operational analysis of corporate systems</td>
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<td>Project management, performance and accountability</td>
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<td>Business partners</td>
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<td>Business excellence</td>
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Continuous Improvements

- Awareness Programs
- Increase Employee Ownership
- Preventing Fatigue

Internal Programs
Keep Content Fresh

Three Take-Aways

Thank you

For questions or more information -
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