CONDUCTING ESSENTIAL THIRD PARTY DUE DILIGENCE IN THE MIDDLE EAST

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ONE HOUR OF YOUR TIME.....

• The importance of a robust third party due diligence program in the Middle East
• Strategies for educating, engaging and enrolling key stakeholder buy-in
• Efficiently structure your third party due diligence program
• Tried & tested methods to overcome practical obstacles in identifying third party compliance risk
• Mitigating common, region specific red flags
• Conducting cost-effective, commercially relevant third party reviews
**THE THEORY**

- **Why** should any company based in the Middle East spend its hard earned Dirhams on conducting third party due diligence?
- **What** is risk-based third party due diligence?

**WHAT IS RISK-BASED THIRD PARTY DUE DILIGENCE?**

&

**WHY DO IT?**

The **What:**

- Individual **third parties are categorized** in terms of their vulnerability/exposure to potential corruption

The **Why:**

- Allows an organization to **focus** due diligence **resources** on third parties which may pose a greater risk to the business
- **Cost-effective**
- **Sustainable**
• Corruption and Bribery are deemed criminal in every corner of the globe including the UAE:

2. United States Foreign Corrupt Practices Act 1977 – “Take All Necessary Precautions To Ensure They Have Formed A Business Relationship With Reputable, Qualified Partners and Representatives”.
4. United Arab Emirates Articles 234 to 239 of the Penal Code (Federal Law 3) 1987
5. Federal Decree-Law No. 11 of 2008 (also known as the ‘Federal Human Resources Law’)

STAKEHOLDER BUY-IN

• How to facilitate internal stakeholder buy-in for your third party due diligence program?

1. Relate e.g. commercial benefits, positive business differentiator

2. Educate

3. Demonstrate
**RISK-BASED THIRD PARTY DUE DILIGENCE PROGRAM STRUCTURE**

**Risk Assess & Organize third parties universe into five distinct risk ranked 'buckets':**

- **Out of Scope**
  - e.g. Customers
  - • Low
  - • Medium
  - • High
  - • e.g. Joint Venture Partner/ Customs Agents/ Sales Agents

**RISK BASED THIRD PARTY APPROVAL CHAIN**

- **Low** – Relationship Owner & Line Manager
- **Medium** – Relationship Owner & Line Manager & Compliance Officer
- **High** – Relationship Owner & Line Manager & Compliance Officer & Management
Ongoing Monitoring

What is Ongoing Monitoring?

How Often should you conduct ongoing monitoring?

Is it really necessary?
AUDITING THIRD PARTY DUE DILIGENCE PROGRAM EFFECTIVENESS

Utilizing *Spot-checks*
Identifying a meaningful batch of third parties to sample

HOW TO MITIGATE/REMedIATE THIRD PARTY RELATED RISKS

- Contract Clauses
- Third Party *Audit Rights*
- *Training*
- Third Party Compliance Program Investment