“Strategies for Navigating Ethical Risk when Working with Third Parties in High Risk Countries”

Presented by

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Agenda

- GE Power overview
- GE Spirit & Letter Compliance Policy

1) Risks in Working with Third Parties in High Risk Countries
2) Third Party Risk Assessment Strategies
3) Contractual Compliance Risk Mitigations
4) Risk Mitigation & Monitoring Controls During Project Execution
GE Power

GE Power is a world energy leader providing equipment, solutions and services across the energy value chain from generation to consumption. Operating in more than 180 countries, our technology produces a third of the world’s electricity, equips 90% of power transmission utilities worldwide, and our software manages more than 40% of the world’s energy.

ge.com/power
GE’s Spirit & Letter Compliance Policies

THE SPIRIT
A Simple Code Of Conduct
Helps Us To Do The “Right Thing”

01 Be honest, fair and trustworthy.

02 Obey applicable laws and regulations.

03 Be the Voice of Integrity and promptly report any concerns you have about compliance with law, GE policy or this Code.

04 Simple compliance is more effective compliance. Effective compliance is a competitive advantage. Work to run the company in as competitive a way as possible – with speed, accountability and compliance.

THE LETTER
Easy Rules To Remember
Our Guide To “Doing Things Right”

- Acceptable Use of GE Information Resources
- Anti-Money Laundering
- Competition Law
- Conflicts of Interest
- Controllership
- Cyber Security & Privacy
- Environment, Health & Safety
- Fair Employment Practices
- Improper Payments
- Insider Trading & Stock Tipping
- Intellectual Property
- International Trade Compliance
- Securing GE Operations Globally
- Supplier Relationships
- Working With Governments

The full policy document is available at [ge.com/sustainability/integrity](http://ge.com/sustainability/integrity)
1) Risks in Working with Third Parties in High Risk Countries
Types of compliance risks

**Process & Legal**
- Registration & Permitting
- Statutory & Regulatory Filings

**Financial**
- Tax Filings
- Accounting Standards

**Corrupt Practices**
- Bribery & Fraud
- Money Laundering

**Cybersecurity & Privacy**
- Intellectual property
- Data management

**Quality**
- Global & local standards
- Materials & workmanship

**Environment**
- Resource management
- Impact reduction

**Health & Safety**
- Workplace Safety
- Human Rights

**Reputational**
- Social Responsibility
- Public Image
Pressures contributing to compliance risk

- Globalization
- "Making The Numbers"
- "Gray Areas"
- Complexity of Laws
- Competition
- Cultural Differences
- Customer Demands
- Government Regulations

Risks are mitigated by a strong Compliance Culture & Program
• Doing business in high risk countries around the world requires constant compliance vigilance and focus

• Mitigate risks through compliance culture, policies & program

• Prevent, Detect, Respond

• Monitor & Remediate

• Reduce exposure wherever possible
Potential new power project structures

Potential level of compliance, execution & other risk

OEM Sub-to-Prime

End Customer (Govt Utility)

PPA

Private Owner / Developer

EPC

OEM (Equipment supply only)

OEM Sub-to-Prime

End Customer (Govt Utility)

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Private Owner / Developer

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OEM (Equipment supply only)

OEM in Consortium

End Customer (Govt Utility)

PPA

Private Owner / Developer

EPC

OEM

Consortium could be “Closed” or “Open”:
• Closed: OEM acts as turn-key EPC, project liability remains with OEM
• Open: OEM & EPC are Joint & Severally liable for the project

OEM in Consortium + Equity

End Customer (Govt Utility)

PPA

Private Owner / Developer + OEM Equity

EPC

OEM

Definitions:
OEM – Original Equipment Manufacturer
EPC – Engineering, Procurement, Construction
PPA – Power Purchase Agreement
Compliance risks across the project life-cycle

**Pre-Contract**
- Lobbying
- EPC & Partner selection
- Commercial third-party behavior
- Pre-tender communications
- Influencing specifications
- By-passing public procurement rules
- Sole-sourcing
- Customer imposed
- Competitor info
- Misuse of confidential info

**Delivery**
- Permitting
- Import/Export
- Scope changes
- Variation orders
- Budget changes
- Customer disputes
- EHS
- Labor issues
- Human rights
- Security
- Certifications
- Acceptance testing
- Payment disputes

**Risks vary with project models:** Sub-to-Prime, Consortium – Closed/Open, Self Implement

**Project Financing:** EFS or Govt Funds (MDBs, State-Owned Banks) ... Additional Enforcement / Debarment Risks
Our expectation from Third Parties

We don’t expect our partners to have a compliance program as robust as GE’s.

We **do require** our partners to be 100% aligned with our **values of integrity** and **compliance with all applicable laws and regulations**.
2) Third Party Risk Assessment Strategies
## Strategies to evaluate Third Party risk

| Review | Review your the third party risk landscape across your business ... rationalize and consolidate active versus non-active on your databases |
| Segment | Segment your third parties based upon low, medium and high risk taking into: |
|         | • Work scope & regulatory exposure ... Agents, Sales Consultants, Distributors, Consortium partners, Customs brokers |
|         | • Country risk |
|         | • Third party reputational risks |
|         | • Commercial / Legal / Human Rights risks |
| Ensure | Ensure that your onboarding and due diligence process is robust to identify information in-country and also in local language |
| Develop | Develop enhanced compliance requirements for higher risk third party relationships |
| Track | Ensure that you are able to track due diligence completion for your third parties, especially your higher risk third relationships ... a clear governance and documentation structure is needed |
Third Party due diligence cycle

**Identification**
- Classification
- Basic Info Gathering

**Monitoring**
- Recurrent Screening
- Execution & Compliance Reviews
- Audits
- On-going Training

**Basic Screening**
- Company Registration
- Ownership & Leadership
  - Watchlists
  - Negative News

**Implement Risk Mitigations**
- Contractual
- Execution Controls & Monitoring
- Baseline Training

**Enhanced Screening**
- Third Party specialist reports
- On the ground risk assessment
- Local legal proceedings review
- Face to face meetings

**Qualification**
- Execution Capabilities
  - Financial
  - Quality
- Health, Safety & Environment
Third Party compliance discussion

Format:
- Preferred face-to-face, with video teleconference as alternative
- Multi-hour deep dive review and conversation for mutual sharing of compliance policies and programs, and for both sides to ask clarifying questions and set clear expectations
- Mutual exchange of policy and process documentation as substantiation of compliance discussion points
- Establish the relationship and plan for future compliance exchanges and training events

Requested Attendance:
- GM / CEO
- Legal General Counsel / Chief Compliance Officer / Chief Audit Executive
- CFO
- Director of Operations / Execution
- Director of Proposals / Business Development
- Director of Procurement / Sourcing

Focus Areas:
- Governance Structure & Reporting
- Legal & Compliance leadership structure
- Ethics & Compliance policies & processes
- Policies and processes regarding working with Governments (Public Tenders, Import/Export, Permitting)
- Internal Audit structure & processes
- Employee compliance hotline process for reporting concerns
- Employee compliance training program
- Subcontractor & Vendor selection process
- Payments policy/process, including Petty Cash policy
- Health, Safety, Environment & Human Rights
- Discuss any red flags identified during the due diligence process
3) Contractual Compliance Risk Mitigations
Examples of contractual clauses to include

Potential Compliance Language to be included in high risk contracts, providing the following mitigations:

• Inclusion of full OEM Integrity Guide / Code of Ethics Policies
• Anti-corruption / Bribery / AML clause
• Prohibited Parties clause
• Working with Governments clause
• Local Laws & Regulations clause
• Third Party Screening, Written Consent & Removal clause
• Environmental, Health & Safety clause
• Human Rights clause
• Audit Rights
• Record retention
• Compliance breach notification
• Compliance breach step-in rights
• Compliance breach termination rights
• Compliance breach liability indemnification

Approach
Standard or enhanced mitigation language to be selected based on compliance risk profile.
## Examples of Third Party risks & mitigants

<table>
<thead>
<tr>
<th>RISK</th>
<th>CONSIDERATIONS</th>
<th>POTENTIAL MITIGANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>➔ Negative news / corruption allegations</td>
<td>❖ Nature / level of allegations - Age of news and relevancy</td>
<td>❑ Review by higher tier approver region; outside counsel opinion; enhanced due diligence;</td>
</tr>
<tr>
<td></td>
<td>❖ Reputation items - Ultimate shareholders / beneficial owners; nominated / recommended suppliers</td>
<td>❑ Rep &amp; Warranty; enhanced compliance language; audit rights; walkaway or termination of activity</td>
</tr>
<tr>
<td>➔ Human Rights</td>
<td>❖ Classify the type of issue at hand</td>
<td>❑ Human rights clause &amp; audit; co-employment review</td>
</tr>
<tr>
<td>➔ AML</td>
<td>❖ Source of funds for transaction; add ownership to ensure it adds up to 100%</td>
<td>❑ Voluntary disclosure of tax filings; on- and offshore minimization;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>❑ Request formal notarized letter re final beneficiary owners and nominees</td>
</tr>
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4) Risk Mitigation & Monitoring Controls During Project Execution
GE’s Channel Compliance Center

✓ Online platform to deliver compliance training at on-boarding
✓ Clear **video** summary of **all GE Spirit & Letter policies**
✓ Available in English, Arabic, French, Chinese, Russian, Spanish, Portuguese
✓ **Certificate** awarded for completion
✓ **PDF copy** of GE’s Spirit & Letter policies available

https://gechannelcompliance.com
Sample of potential project execution controls

• Consortium Management Committee
• On-Site GE Project Compliance Champion
• Compliance Project Site Visits
• Quality Control Manager
• Environmental, Health and Safety Leader Oversight
• Payment Review
• Subcontractor Bidding and Approval
• Approval of Third Party ASP's
“Open Reporting” at GE

An environment where every employee feels **empowered to raise concerns** and has the confidence that **those concerns will be addressed without retaliation**.

- All GE employees, customers, suppliers and partners have access to GE’s Open Reporting channels and can raise concerns at any time.
- GE implements a strict **Confidentiality & No Retaliation** policy to protect anyone who raises a concern.

Open Reporting is vital to supporting a culture of integrity and compliance
Project Site Compliance Champion

1) Serves as the primary point of contact between the Chief Compliance Officer and the Project Site for compliance matters

2) Serves as referral point for the Employee Compliance Hotline reporting for all Project Site members ... able to direct all concerns to Chief Compliance Officer

3) Ensuring compliance posters & reference materials are posted in the Project Office

4) Sharing brief compliance messages and reminders with all Project Site Leaders

Employee with “eyes & ears” on the ground, serving as the Compliance focal point
Summary

- Establish a strong culture of integrity and compliance, supported by rigorous policies & controls.
- Require your Third Parties to be aligned with your values of integrity and to comply with all applicable laws & regulations.
- Create oversight & monitoring mechanisms to identify compliance concerns with Third Parties quickly & effectively.
Thank You

Questions?