

MetricStream

GRC

SUMMIT 2017

November 6 - 7, 2017

L O N D O N



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Risk Management derived from third party relations

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Presenter Details



Gonzalo Targhetta
Chief Risk Officer
OHL Group

Index

- I. Introduction
- II. Inside the DD process



I – Introduction

1. Introduction - Initial questions

What is 3rd party Due Diligence?

Preventive analysis relating to the analysis of the **risks** deriving from the relationship with third parties



Due Diligence Benefits

Available analysis and reports



(avoid duplication)



Available analysis and reports

(Facilitates decision-making.)

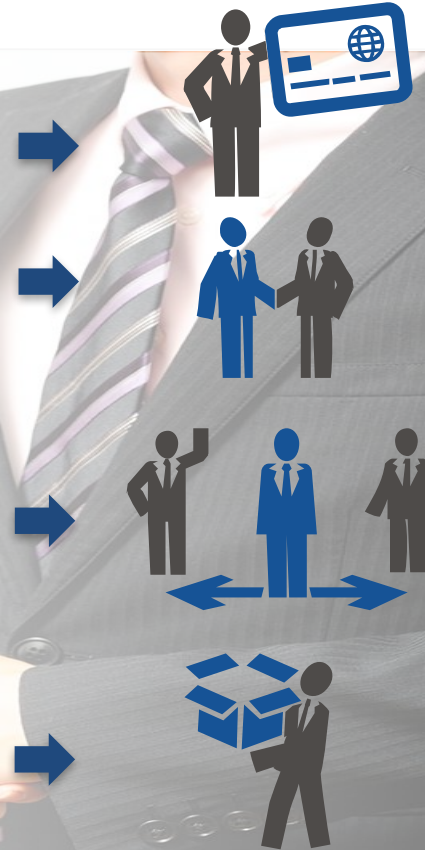


Provides evidence to investigation in proportion to the risk

1. Introduction - Initial questions

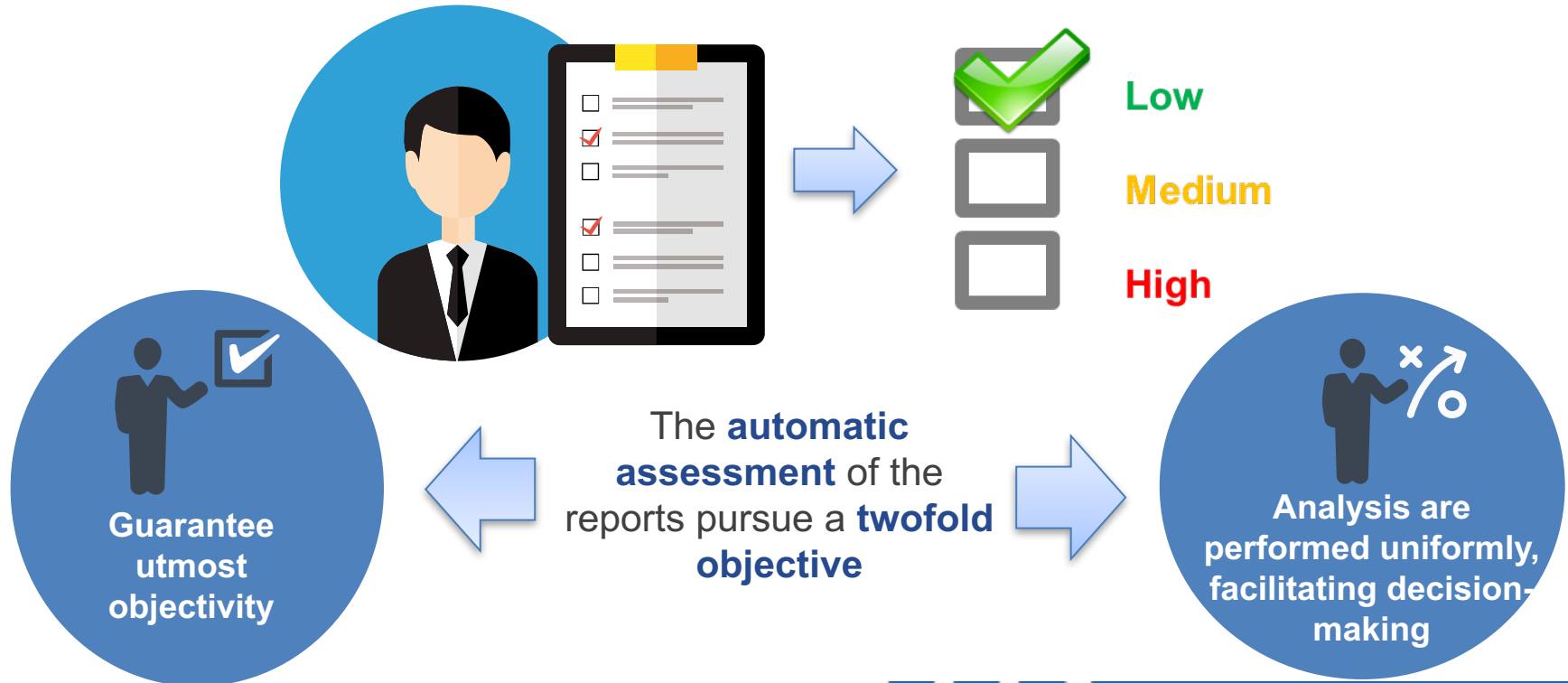
- **When and to whom is it applied?**

- **Clients:** during the project identification process and prior to preparing any offers.
- **Partners:** prior to signing any preliminary agreement.
- **Agents or other intermediaries:** prior to formalizing
 - Contractual relationship
 - Provision of the service.
- **Critical Suppliers/subcontractors:** prior to formalizing
 - Contractual relationship
 - Provision of the service.



1. Introduction - Features of the Due Diligence tools

The Third Party Due Diligence process is accompanied by **analysis tools** that assign a specific **risk level** to each area.



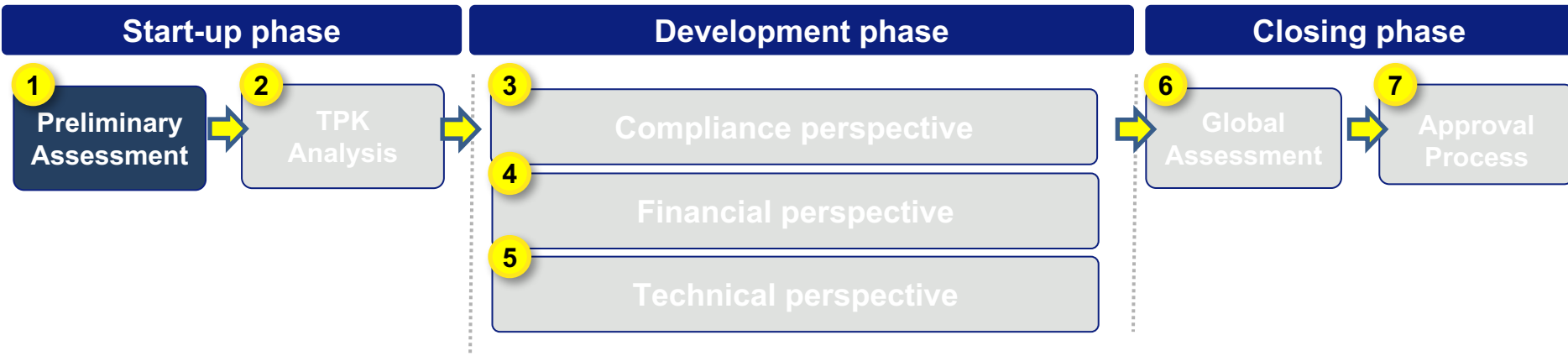
1. Due Diligence process / Support Systems





II – Inside the DD process

2. Process / Support Systems



2. Process / Support Systems

1 Preliminary assessment

Remuneration scheme for the third party:

At prices higher than market prices.
Success fee (as total or the main part of the compensation)
Unknown / None of the above.

Payment method to the third party:

Payment to multiple accounts
Payment to an account with a name that is different from that of the third party
Payment to accounts in tax havens
Payment of large amounts of cash
Unknown / None of the above.

Personal relationship up to the second degree of consanguinity.

- With relationship (familiar or social) with senior officials of PAS
- With relationship (familiar or social) with medium-level officials of PAS
- Unknown

If the result of the Compliance perspective is "Level 1 External Report + Questionnaire", please specify below if it is desired to focus the research on certain managers of the 3rd party (a maximum of 3 names can be included).

Illustrative

Compliance perspective

Based on risk factors established by international legislation (e.g. UK Bribery Act, etc)

Financial Performance perspective

Based on potential economic damage for OHL

Technical Performance perspective

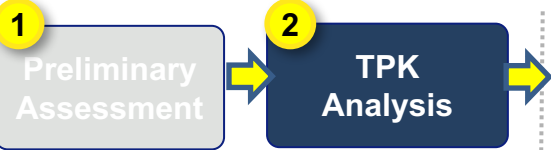
Outcome

Determines, for each third party, which perspectives, if any, are to be analyzed

2. Process / Support Systems



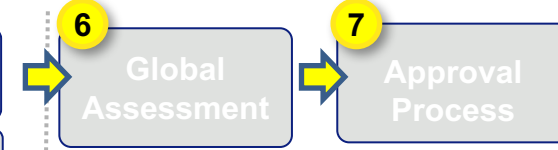
Start-up phase



Development phase



Closing phase



2. Process / Support Systems

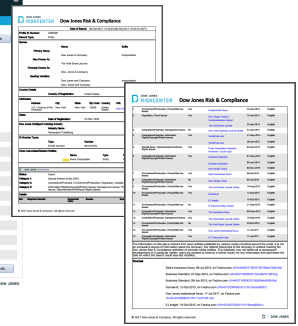
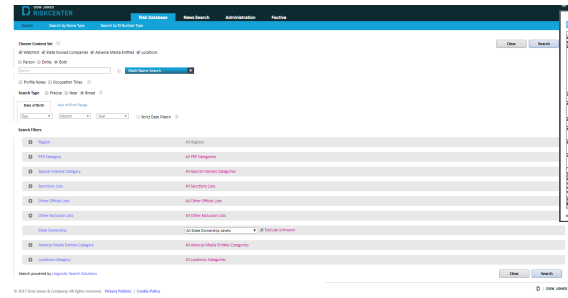


2 Previous Study - TPK

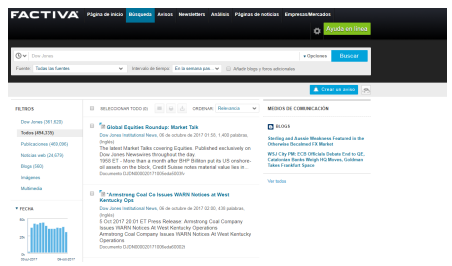
Illustrative

TPK

Sanctions list search



News Search



Comments

- The role of the TPK team is to provide support to all other roles by researching information in accordance to their needs, in particular:

2. Process / Support Systems

Previous Study - TPK



GUARDIAN

- My Tasks
- Due Diligence analysis
- Search
- Administration

Due diligence of third parties / My Tasks / Prior analysis

Prior analysis



Forum Risk - GT - Example - Partner (except financial partners). (OHL CONSTRUCTION / Czech Republic)

Information

Project information

Work team

Tax Identification Number:

XXX

Fiscal Address:

Castellana - Torre de Cristal

Division:

OHL CONSTRUCTION

Head of Company:

N/A

Business Group:

N/A

Provider Type:

No aplica

Country of development of the business relationship:

Spain

Launch: 9/25/2017

Deadline: 10/9/2017

Management of associated files

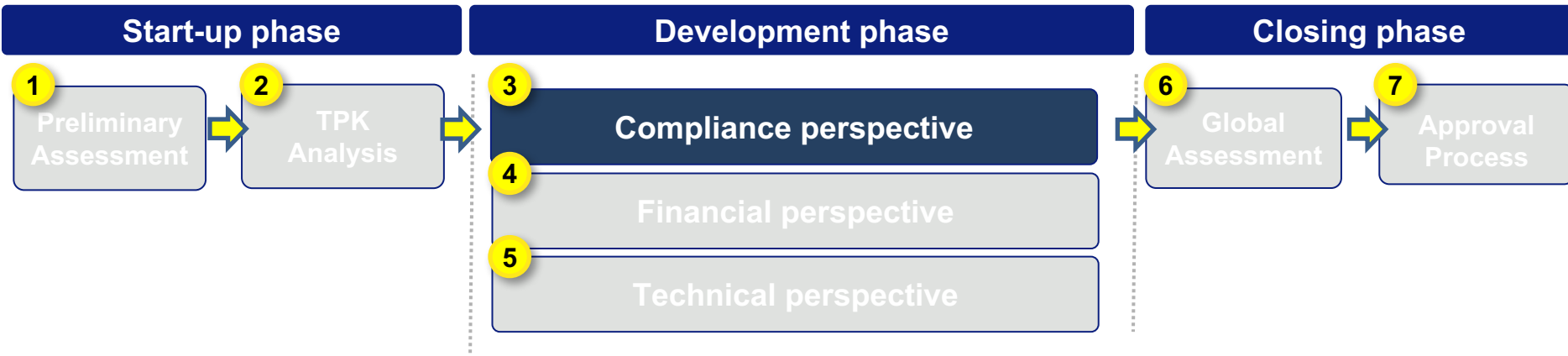
- Sanctions lists
- Financial News
- Technical performance News
- Additional Documentation



Analysis to be carried out

- Compliance Analysis
- Analysis of financial performance
- Technical performance analysis
- A.PBC/FT

2. Process / Support Systems



2. Process / Support Systems

Compliance perspective



3 Compliance perspective – Assessment tool

Illustrative

Seriousness of the record

- Charges without initiated judicial inquiry
- Serious allegations against the third party
- Charges or directors / managers/shareholders under investigation.
- Charges against directors/managers or

Measures

- Evidence of sufficient corrective measures
- Agreement with the country's Government where the sanction took place and express communication where the Government confirms that the company can tender and work in the country
- None of the above / Unknown



2. Process / Support Systems

Compliance perspective



Start-up phase

Development phase

Closing phase

OHL | **GUARDIAN** | My Tasks | Due Diligence analysis | Search | Administration

Due diligence of third parties / Due Diligence Searcher

Due Diligence Searcher

Tax Id Number:

Country Relationship Business:

Name of the Third Party:

Division:

Country Origin:

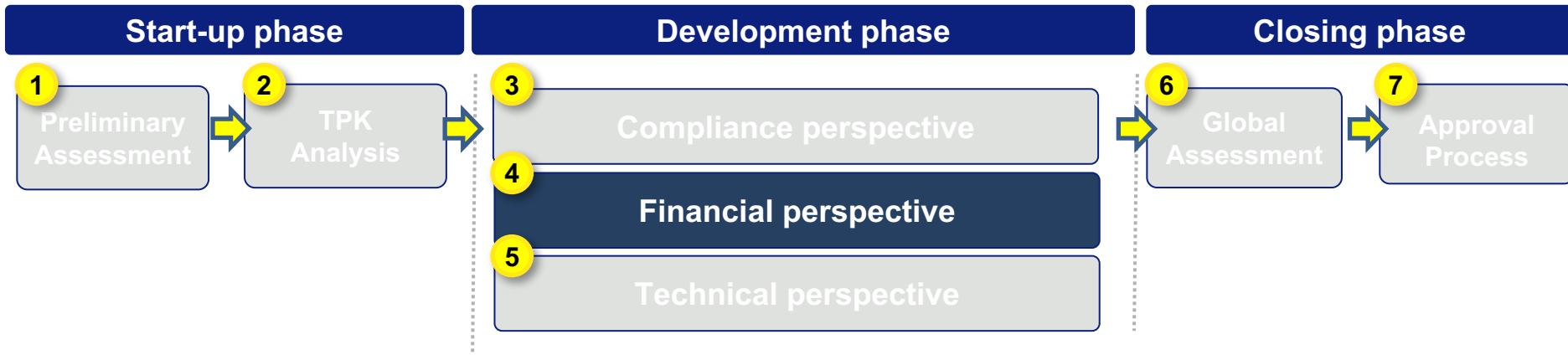
Type:

Search results

Name of the Third Party	Type	Country Relationship Business	Division	CA	F.P.A	T.P.A	PBC/FT Result	G.E.	Auth.	
Example - Forum Gonzalo Targhetta	Partner (except financial partners)	Spain	OHL CONSTRUCTION	●	☹	☹	n/a	☹	☹	



2. Process / Support Systems



2. Process / Support Systems

4 Financial performance management

Ratio	Analyses
<u>Sales evolution (CAGR, %):</u>	Compound Annual Growth Rate of the turnover for the last 3 years.
<u>Operating Cash Flow:</u>	valuation of the capacity to generate cash. It is an important indicator of a company's liquidity.
<u>Operating Cash Flow evolution (CAGR, %):</u>	Compound Annual Growth rate of the Cash Flow for the last 2-3 years (depending on the availability of the CFS).
<u>Debt Ratio:</u>	quantity of debt that a company has to finance its assets, in relation with the capital that has been contributed by its shareholders.
<u>Short Term debt / Total debt:</u>	quality of the debt by calculating the portion of the debt that must be paid in the short term.

2. Process / Support Systems

4 Financial performance management



Illustrative

Financial performance: Indirect sources of information

Indirect sources of information evaluation

Financial incidents

Indicate if any financial incidents (e.g. payment delays...) from the 3rd party is known
If yes, please specify how many

Please, fill in the following fields about the 5 most relevant registers (if there are 5 records or less, please specify them all):

Seriousness	Year	Country	Comments

Financial incidents

Questionnaire

Indicate if the compliance questionnaire has been sent to the 3rd party
Evaluate the level of risk of the questionnaire based on the guidelines established in "Guide to Indirect Sources"

Comments:

Available capacity of the 3rd party

Indicate if the 3rd party has recently been awarded any big contract
If yes, please specify how many

Please, fill in the following fields about the 5 most relevant registers (if there are 5 records or less, please specify them all):

Amount (Millions of local currency, use the same as the one used for the financial statements)	Starting Date (month-year)	Duration (months)	Country	Comments

Available capacity of the 3rd party

Please, fill in all the fields

Comments

■ We must assess recent news (and compliance reports, if these are available) relating to financial statements, special audits, etc. containing irregularities.

- Default dispute with sanction in force.
- Default dispute on trial.
- Default dispute acquitted.
- Complaint for payment delays.
- Severe sanction for financial statements distortions.
- Other financial irregularities.

2. Process / Support Systems

Financial perspective



Start-up phase

Development phase

Closing phase

OHL GUARDIAN

My Tasks Due Diligence analysis Search Administration

Due diligence of third parties / Due Diligence Searcher

Due Diligence Searcher

Tax Id Number:

Country Relationship Busines:

Name of the Third Party:

Division:

Country Origin:

Type:

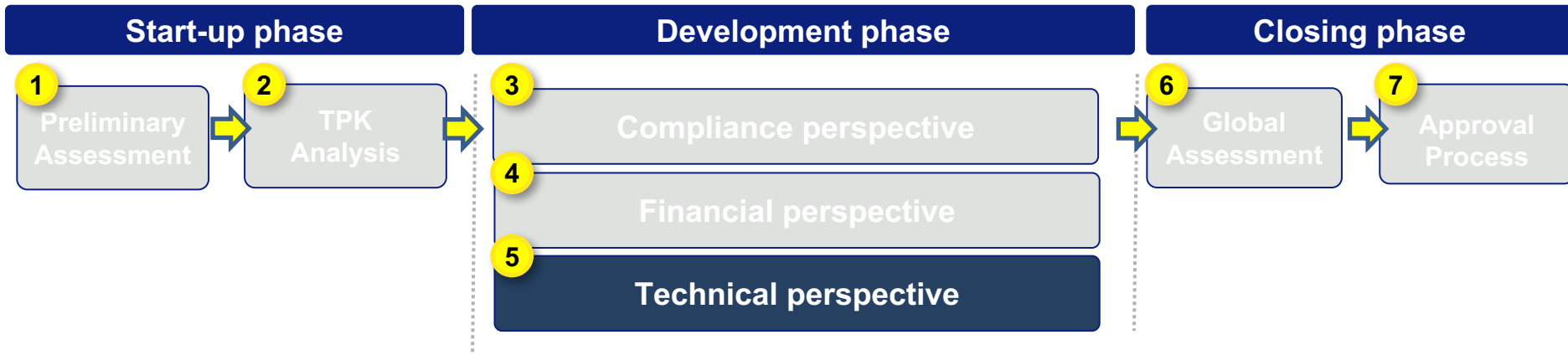
Search Clear

Search results

Name of the Third Party	Type	Country Relationship Busines	Division	C.A.	F.P.A.	T.P.A.	PBC/FT Result	G.E.	Auth.	
Example - Forum Gonzalo Targhetta	Partner (except financial partners)	Spain	OHL CONSTRUCTION	●	●	⊙	n/a	⊙	⊙	



2. Process / Support Systems



2. Process / Support Systems

Technical perspective
(Assess prior experience with OHL)



5 Technical performance

Illustrative

Technical performance: Eval. 3rd party own experience

Evaluation

Indicate if OHL has previously worked with the 3rd party: Yes No

If so, please indicate the number of times that OHL has worked with the 3rd party:

If applicable, fill in the following information related to the most recent works made with the 3rd party:

Brief description of the activity	Division	OHL's contact person data	Starting year	Year of completion	Country	Evaluation	Justification of the evaluation	Isolation of the previous experience's activity with the activity that is going to be done	Comments
Concrete supplier	Construction	Ignacio Álvarez +34655847352 álvarez.ignacio@ohl.es	2015	2015	Spain	⚠	Quality could be improved. Certain lack of communication.		
Analyse and planning of construction projects	Construction	Francisco Fernández +34633447322 fernandez.francisco@ohl.es	2011	2012	Spain	✅	High quality and excellent delivery times. Fluid relationship.		

Please state below the most relevant comments from the OHL staff that have had any relationship with the 3rd party. These comments must provide details about the technical capacity / incapacity of the 3rd party, its reliability in terms of meeting deadlines and budgets, and its confidentiality, as well as any other factor that might be relevant for its evaluation from the technical perspective.

Comments

- The operative unit interested in establishing the relationship will get in touch with OHL personnel which have previously worked with that third party
- The assessment tool will automatically score the risk level derived from those previous experiences

2. Process / Support Systems

5 Technical performance



Illustrative

Experience

Comments

- Non-compliance with contractual conditions
- Litigations with other third parties
- Does not assume the agreed responsibility
- Problems managing their own resources
- Problems in t

- Impact not known
- Overrun of less than 15% of the total Budget
- Overrun of less than 15-30% of the total Budget
- Overrun of more than 30% of the total Budget
- Delay in the project completion with relevant reputational impact
- Execution of compensation payments
- Contract cancellation due to a technical incident

■ Additionally, the most recent news will be researched

“best-in-class”
ne from Factiva
cluded

ool will
e the risk level.

Evaluation

Technical

Indicate if there are any recent incidents of technical character known about the 3rd party
If so, please specify how many

Please, include the requested information regarding the most relevant identified incidents

Brief description of the type of incident	Impact	Year	Country

Conflicitivity

Indicate if there are any recent incidents of conflict known about the 3rd party
If so, please specify how many

Please, include the requested information regarding the most relevant identified incidents

Nature of the conflict

Conflicitivity

Technical incidents

Indicate if there are any recent incidents of technical character known about the 3rd party
If so, please specify how many

Please, include the requested information regarding the most relevant identified incidents

2. Process / Support Systems

Technical perspective



Start-up phase

Development phase

Closing phase



My Tasks

Due Diligence analysis

Search

Administration

Due diligence of third parties / Due Diligence Searcher

Due Diligence Searcher

Tax Id Number:

Name of the Third Party:

Country Origin:

Country Relationship Business:

Division:

Type:

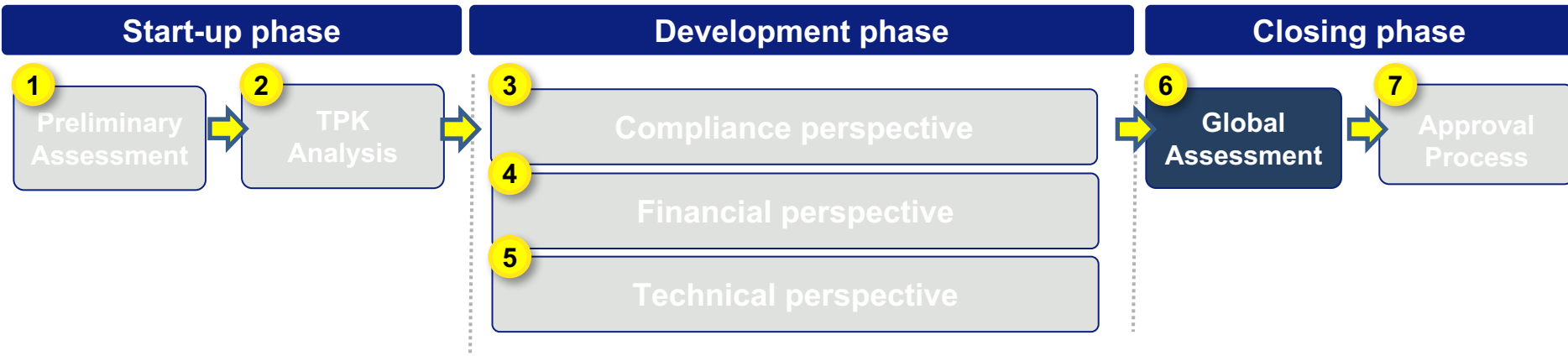
Search

Clear

Search results

Name of the Third Party	Type	Country Relationship Business	Division	C.A.	F.P.A.	T.P.A.	PBC/FT Result	G.E.	Auth.	
Example - Forum Gonzalo Targhetta	Partner (except financial partners)	Spain	OHL CONSTRUCTION	●	●	●	n/a	🕒	🕒	🔗 📄

2. Process / Support Systems




2. Process / Support Systems

6 Global Assessment

Illustrative

Global assessment



CONCLUSION DUE DILIGENCE ANALYSIS

Example 1

Division: OHL SERVICES
Request Date: 8/24/2017
Third Party type: Partner (except financial partners)

Observations – Preliminary assessments:

	Made by	Results
Level of Compliance Risk		●
Level of Financial Risk		●
Level of Technical Risk		●
Level of AML/CTF Risk		n/a

Global Evaluation Comments:

To continue the relationship with the Third Party, the following approval is required:

Authorizer1@ohl.es ✓

Comments

- The global assessment gathers and summarizes the outcome of the 3 perspectives (compliance, financial performance and technical performance)
- The DD process will end with the corresponding decision-making and in some cases with a request of authorization (i.e. in high risk situations only)

2. Process / Support Systems

Global Assessment



Start-up phase

Development phase

Closing phase

OHL GUARDIAN My Tasks Due Diligence analysis Search Administration

Due diligence of third parties / Due Diligence Searcher

Due Diligence Searcher

Tax Id Number:

Country Relationship Busines:

Name of the Third Party:

Division:

Country Origin:

Type:

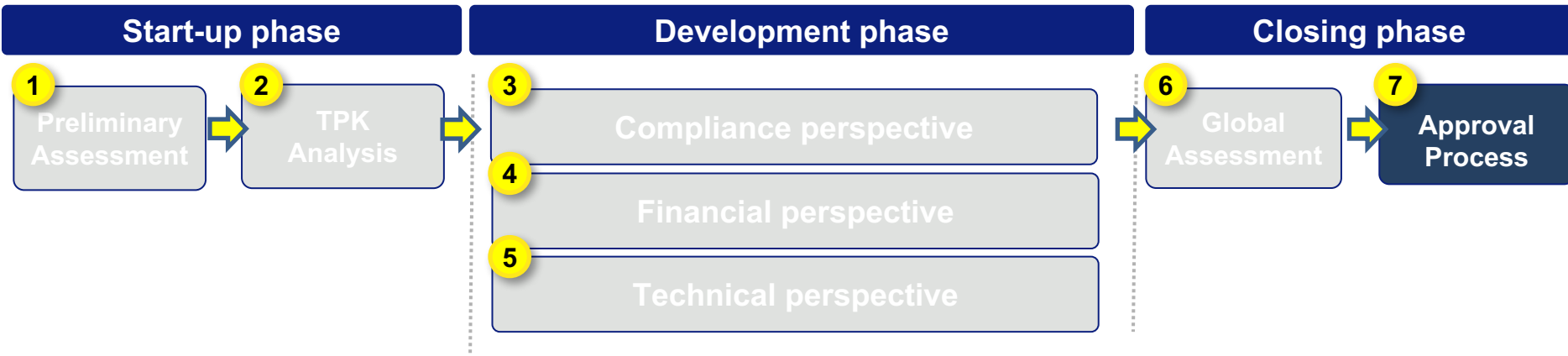
Search Clear

Search results

Name of the Third Party	Type	Country Relationship Busines	Division	CA	F.P.A	T.P.A	PBC/FT Result	G.E.	Auth.	
Example - Forum Gonzalo Targhetta	Partner (except financial partners)	Spain	OHL CONSTRUCTION	●	●	●	n/a	✓	🕒	🔗 📄



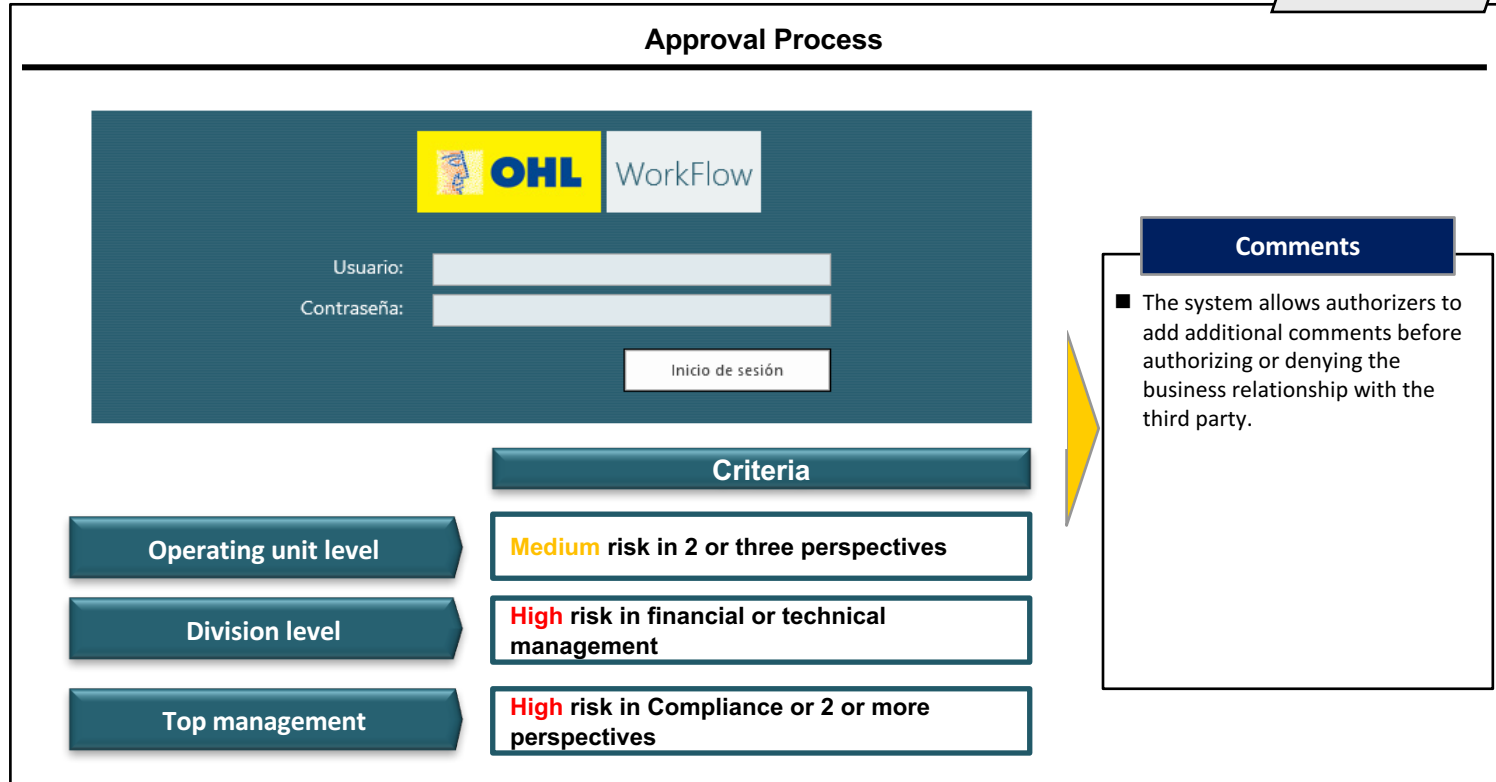
2. Process / Support Systems



2. Process / Support Systems

7 Approval Process

Illustrative



2. Process / Support Systems

Approval Process



Start-up phase

Development phase

Closing phase



My Tasks Due Diligence analysis Search Administration

Due diligence of third parties / Due Diligence Searcher

Due Diligence Searcher

Tax Id Number:

Country Relationship Busines:

Name of the Third Party:

Division:

Country Origin:

Type:

Search results

Name of the Third Party	Type	Country Relationship Busines	Division	CA	F.P.A	T.P.A	PBC/FT Result	G.E.	Auth.	
Example - Forum Gonzalo Targhetta	Partner (except financial partners)	Spain	OHL CONSTRUCTION	●	●	●	n/a	✓	●	



2. Process / Support Systems



The background is a solid blue color. In the corners, there are abstract, overlapping geometric shapes in red, white, and light blue, creating a sense of depth and movement. The shapes are rectangular and trapezoidal, some appearing to be layered on top of others.

Q&A

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L O N D O N

Continue the conversation online

#GRCSummit

Thank You!

