

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

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13 February 2020

Agenda

- GE Power overview
 - GE Spirit & Letter Compliance Policy
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- 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.



Gas
Power
Systems



Power
Services



Steam
Power



Grid
Solutions



Energy
Consulting



Power
Conversion



GE Hitachi
Nuclear Energy



Energy
Storage



Renewable
Energy



Power
Digital

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"

GE's integrity policies explain our commitment and your role. See more at integrity.ge.com and learn the details of any policy that is relevant to your job:

- Acceptable Use of GE Information Resources
- Anti-Money Laundering
- Competition Law
- Conflicts of Interest
- Controllorship
- 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

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

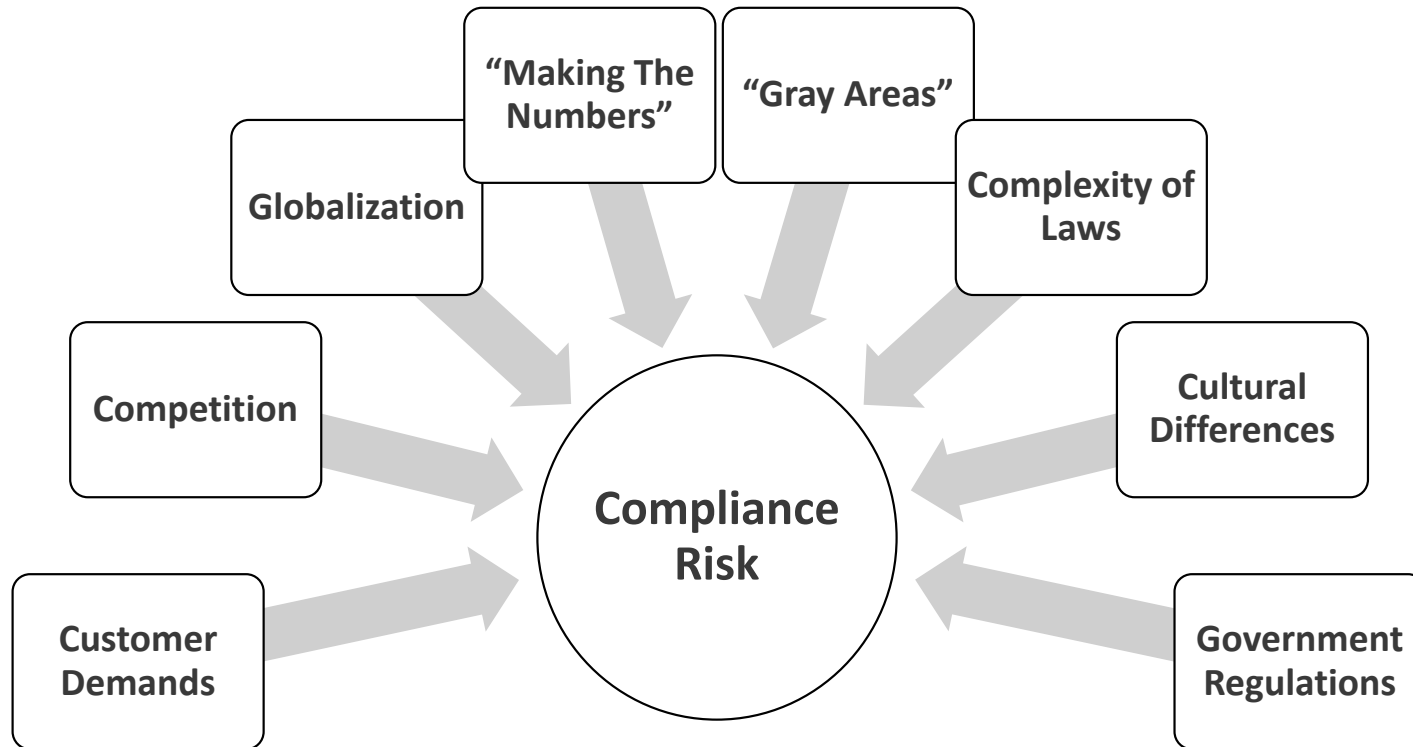
- Workplace Safety
- Human Rights



Reputational

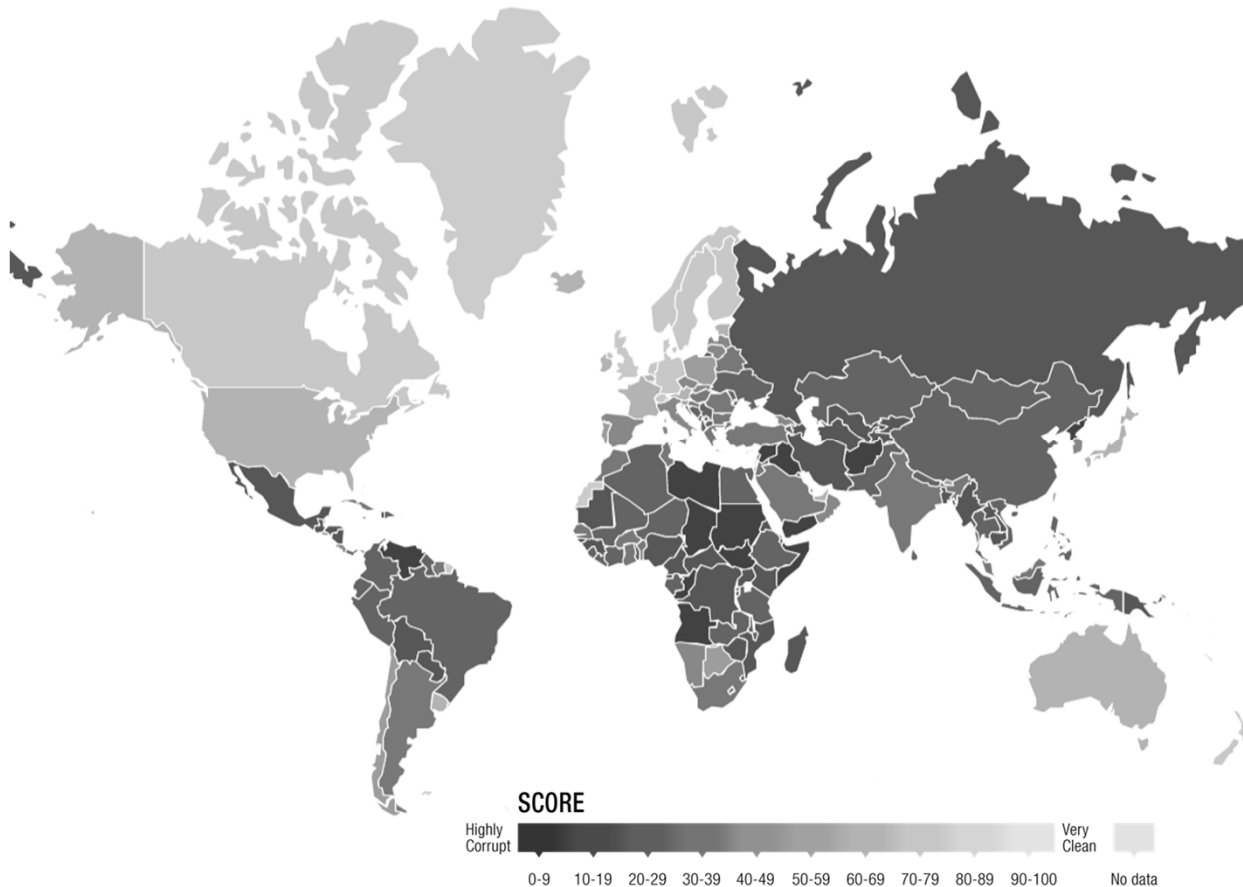
- Social Responsibility
- Public Image

Pressures contributing to compliance risk



Risks are mitigated by a strong Compliance Culture & Program

TI Corruption Perception Index 2018



- 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

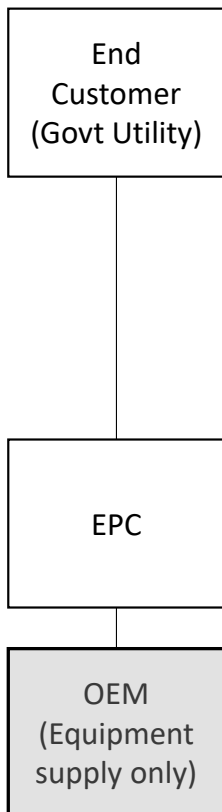
Potential new power project structures

Lower

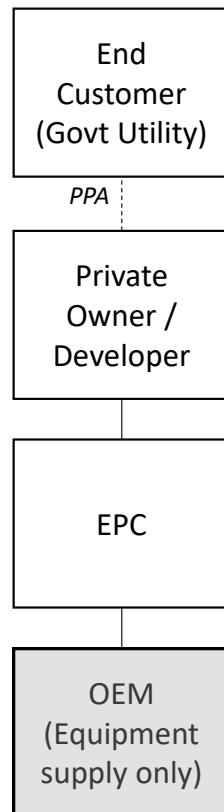
Potential level of compliance, execution & other risk

Higher

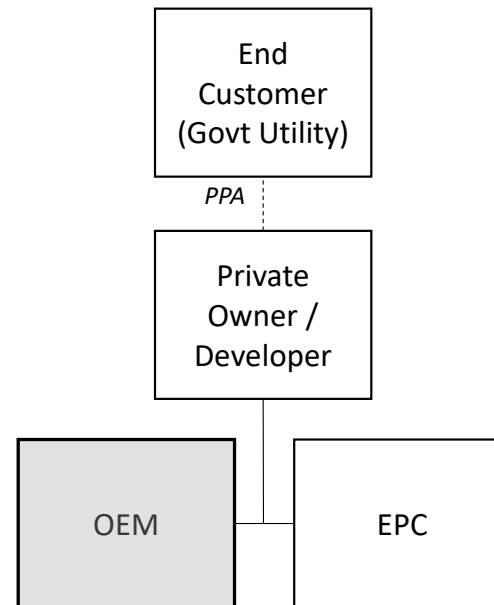
OEM Sub-to-Prime



OEM Sub-to-Prime



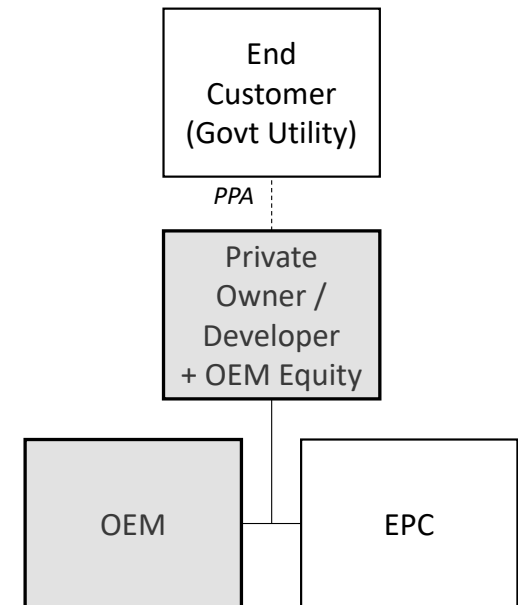
OEM in Consortium



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

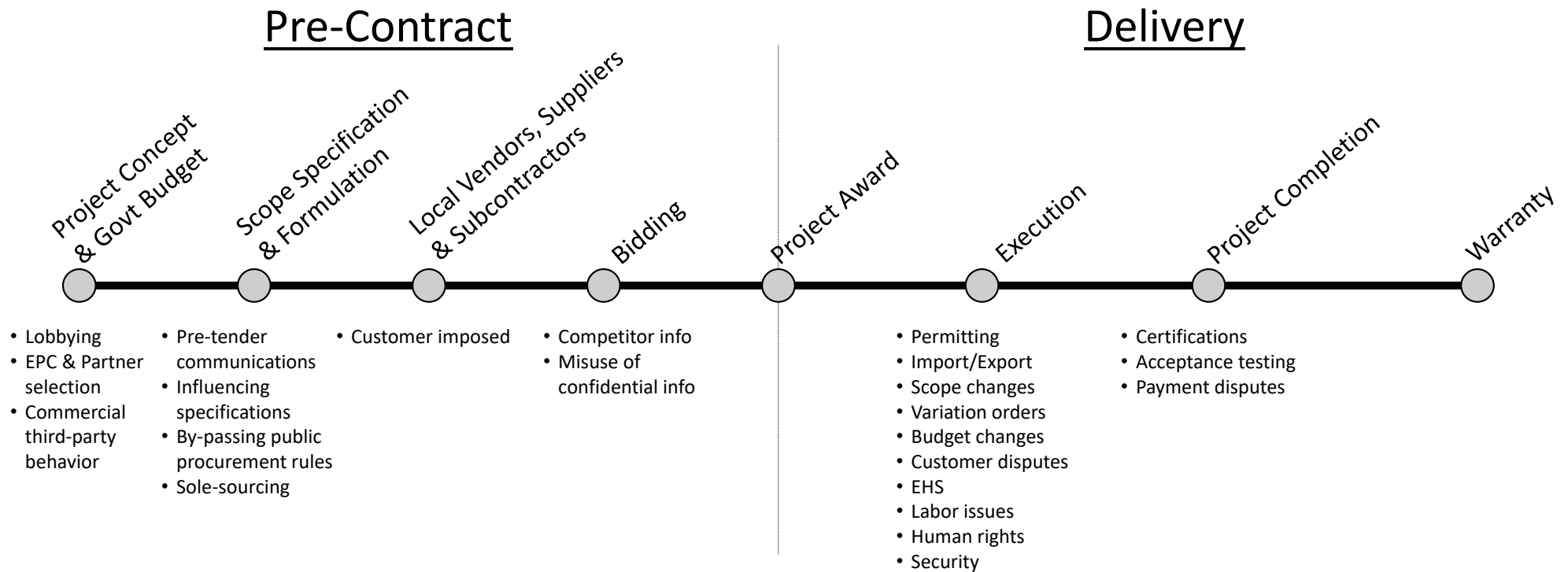
OEM in Consortium + Equity



Definitions:

OEM – Original Equipment Manufacturer
 EPC – Engineering, Procurement, Construction
 PPA – Power Purchase Agreement

Compliance risks across the project life-cycle



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.

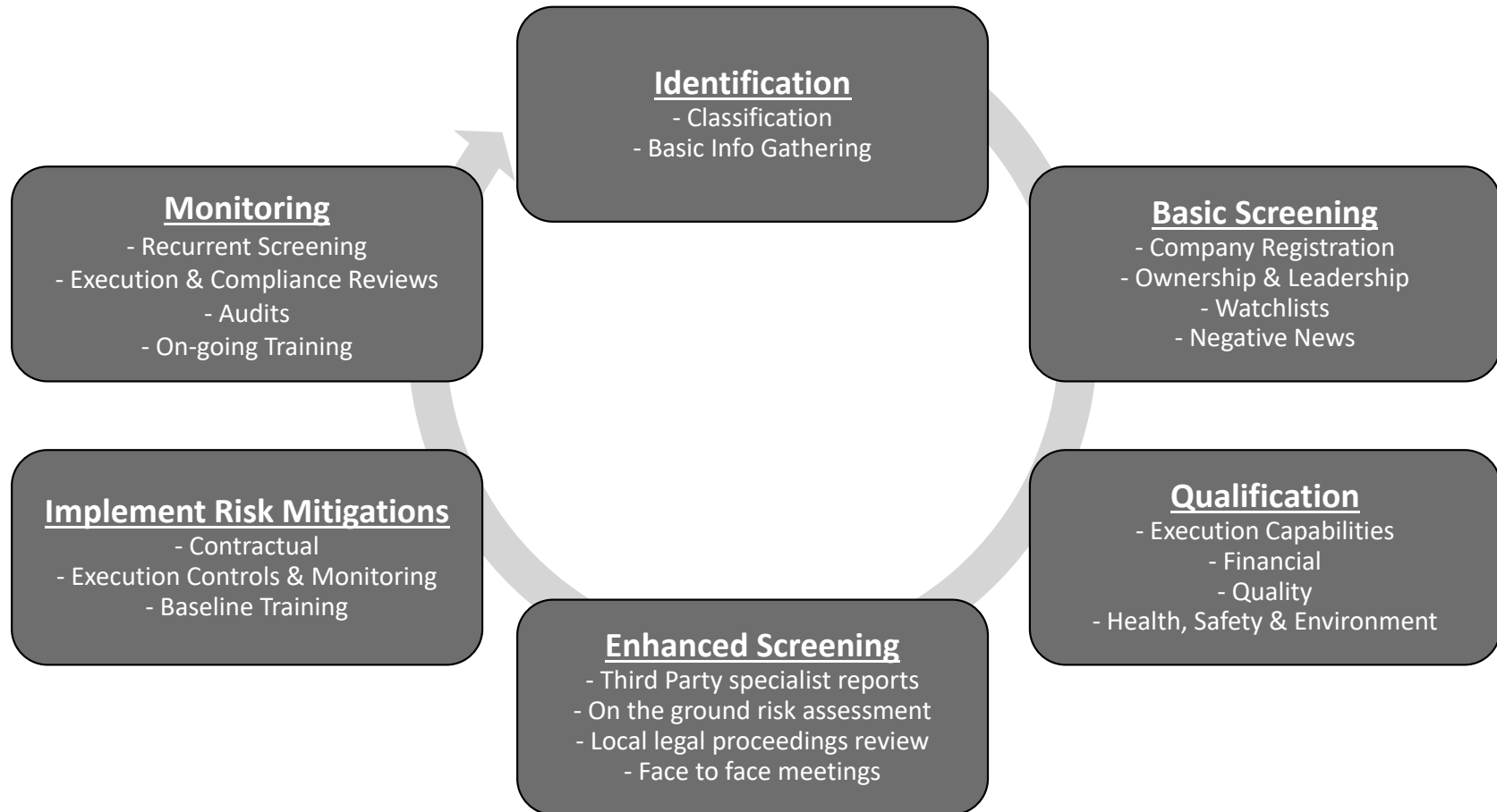
We **do require** our partners to be 100% aligned with our **values of integrity** and **compliance with all applicable laws and regulations.**

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	<p>Segment your third parties based upon low, medium and high risk taking into:</p> <ul style="list-style-type: none"> • 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



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

<u>RISK</u>	<u>CONSIDERATIONS</u>	<u>POTENTIAL MITIGANTS</u>
→ Negative news / corruption allegations	<ul style="list-style-type: none"> ❖ Nature / level of allegations - Age of news and relevancy ❖ Reputation items - Ultimate shareholders / beneficial owners; nominated / recommended suppliers 	<ul style="list-style-type: none"> <input type="checkbox"/> Review by higher tier approver region; outside counsel opinion; enhanced due diligence; <input type="checkbox"/> Rep & Warranty; enhanced compliance language; audit rights; walkaway or termination of activity
→ Human Rights	<ul style="list-style-type: none"> ❖ Classify the type of issue at hand 	<ul style="list-style-type: none"> <input type="checkbox"/> Human rights clause & audit; co-employment review
→ AML	<ul style="list-style-type: none"> ❖ Source of funds for transaction; add ownership to ensure it adds up to 100% 	<ul style="list-style-type: none"> <input type="checkbox"/> Voluntary disclosure of tax filings; on- and offshore minimization; <input type="checkbox"/> Request formal notarized letter re final beneficiary owners and nominees

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

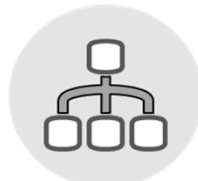
“Open Reporting” at GE

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.



Ombuds
Network



Manager



Legal
Counsel



HR Leader



Compliance
Officer



Digital
Platform

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?