

# The National Disclosure Summit

*The Leading Forum on Disclosure, Transparency and  
Aggregate Spend for Drug, Device and Biotech Companies*

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## Implementing background checks:

A practical example implementing 3<sup>rd</sup> party background checks

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# Implementing background checks

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**1. Third parties: 3 major groups**

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**2. Grünenthal's Methodology**

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**3. Impact**

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# 3 major groups of Third Parties to focus on

## “VENDORS”

Those we check very well to safeguard us mainly against potential Product Quality and Reputational risks:

- Raw materials or spare part supplier;
- Production related suppliers;
- Agencies, CRO's, etc.

= Anyone providing goods or services to your company

## “CUSTOMERS”

Those we all monitor well to safeguard us mainly against potential Improper Payment risks:

### SALES 3<sup>RD</sup> PARTIES

- Distributors;
- Agents;
- Packagers;
- “Turn-key” companies
- Wholesalers
- etc.

= Anyone representing your company and/or product through your sales and/or distribution channels

Those we need to provide transparency on and to who we give our biggest attention:

### HEALTHCARE CUSTOMERS

- HCP's
- HCl's
- Patients
- PO's

= Anyone we promote our products to, or anyone using healthcare products

# Methodology

Applicable and adaptable to each 3<sup>rd</sup> party group

## Background checks

Collect

Classify

Evaluate

Close

Process steps

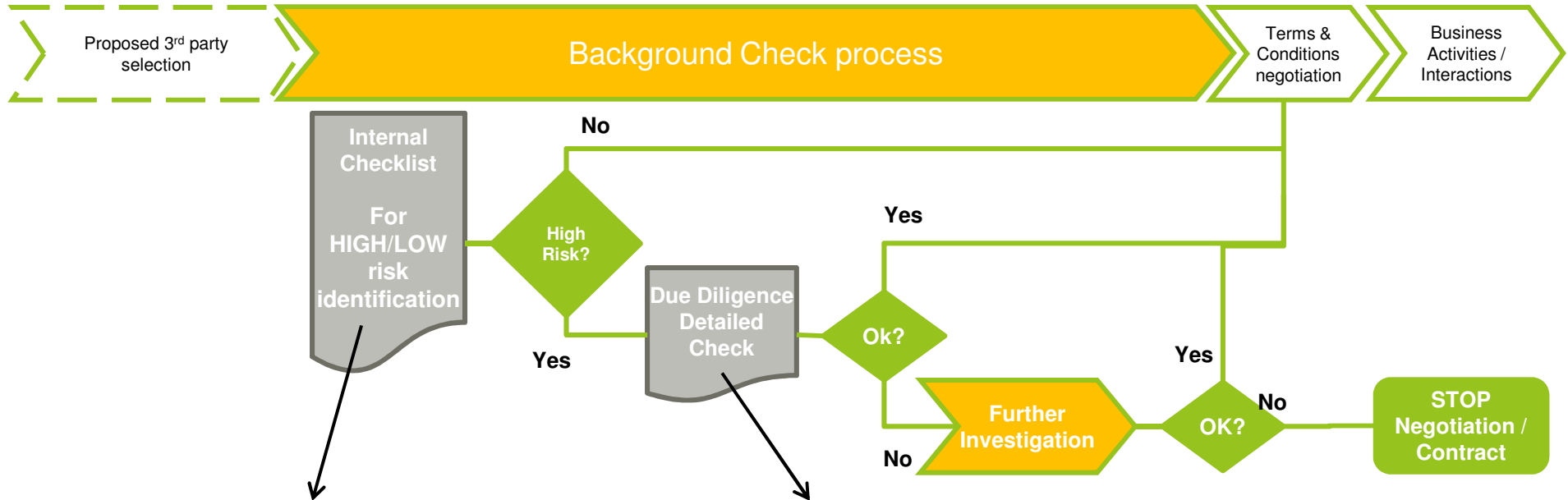
- |   |  |   |   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>Predefined data collection</li> <li>Perform risk based evaluation</li> </ul> | <ul style="list-style-type: none"> <li>Classification of 3rd party into risk category according to pre-defined criteria</li> <li>Decision according to risk category if background check has to be performed or not</li> </ul> | <ul style="list-style-type: none"> <li>Application of internal questionnaire and background check process</li> <li>Decision to be taken if 3rd party can become/ remain a business partner</li> </ul> | <ul style="list-style-type: none"> <li>Start or stop business relationship with 3rd party</li> <li>Data/backup documentation storage</li> </ul> |
|---|--|---|---|

Conceptual questions

- |   |  |   |  |
|---|--|---|--|
| <ul style="list-style-type: none"> <li>Which type of 3<sup>rd</sup> party do we have?</li> <li>What can we collect from each 3<sup>rd</sup> party?</li> </ul> | <ul style="list-style-type: none"> <li>What will be checked for which risk category?</li> <li>How do we mitigate risk levels?</li> </ul> | <ul style="list-style-type: none"> <li>What will happen in background check process?</li> <li>Who will perform this and how?</li> <li>Who will take decisions?</li> </ul> | <ul style="list-style-type: none"> <li>Documentation?</li> <li>Escalation in case of deviations?</li> <li>Controls?</li> </ul> |
|---|--|---|--|

# Methodology

## High level process



### High/Low Risk Classification

- Specific thresholds (annual turnover and country corruption index) for relative risk classification of each 3<sup>rd</sup> Party.
- Aggregated multidimensional risk exposure matrix per 3<sup>rd</sup> party category to better target risk mitigation efforts (risk categorization against each of our Code of Conduct principles, completed with general risk factors as defined in our Risk Management System).

### Check collected data

- Collection of data based on the potential risk exposure
- Data collection on “high risk” third parties directly from the 3<sup>rd</sup> party
- Completed with available internal information
- Double checked with data reports purchased from external sources

# Methodology

## Impact

### “VENDORS”

- Vendor Due Diligence process helped to bring more discipline in following defined OTR process  
*= Reduction of purchases outside PO processes*
- Up-to-date preferred Vendor list and reduction of total number of vendors
- Modified vendor agreements (T&C's protecting for some risks)

### “CUSTOMERS”

#### SALES 3<sup>RD</sup> PARTIES

- Full transparency on all flows between the company and the sales 3<sup>rd</sup> party
- Supporting go-to-market and business strategies
- Full transparency throughout the entire distribution channel till end customer/end user

#### HEALTHCARE CUSTOMERS

- Supporting safe interactions with HCP's
- More careful selection of HCP's for services  
*(also supported through better visibility through transparency initiatives)*
- Better visibility and full transparency in combination with the creation of a Global Customer Master

