

Mini Summit VI: Anti-Corruption Case Study

**Contracting with Third Parties
and Optimizing the
Relationship**



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Third parties due diligence

Find 5 errors (or more...) game

Nathalie Raynaud - Corporate Compliance Officer Sanofi

Rules

- **What Health Ltd** is a European healthcare company. **What Health Ltd** wants to build a new factory in Kickbackistan a fast growing market for its products.
- **What Health Ltd** General Manger is looking to hire a consultant to help with the construction of the new plant. The task of the consultant will be to help obtain all the necessary construction permits and to maneuver through the highly complicated and bureaucratic administration processes in the fastest way. Three firms have been identified for that mission: **Best Building Advisors Ltd, Crookenzie Inc., Great Builder Engineering Inc.**
- As the newly appointed Compliance Officer of **What Health Ltd** you're asked to review the due diligence files of the three potential business partners.
- Hereafter are interesting extracts of these files,

What Health Ltd has sent a request for a quote (RFQ) on April 1st 2016
Here are the 3 offers received

1



Best Building Advisors Ltd.

April 19th 2016

	Hours of work	Fee per hour	Total
President	20	1000	8000
Senior consultants	200	300	72000
Junior consultants	566	150	84900
Sub-total			164900
T & E State and permit fees			17000 28100
GRAND TOTAL (USD)			210000

4 Republic Plaza Kickbackistan




Crookenzie Inc.

April 20th 2016

	Total
Consultancy work	170000
Travel & Entertainment expenses	30000
Other Costs	80000
GRAND TOTAL (USD)	280000

Honesty Square 58 - Kickbackistan



Great Builder Engineering Inc.

April. 18th 2016

	Hours of work	Fee per hour	Total
Président	30	1000	30000
Vice president	50	600	30000
Senior consultants	200	300	60000
Junior consultants	566	150	84900
Sub-total			204900
Travel expenses			5000
Hotel expenses			8000
Other expenses			1600
State and permit fees			30500
GRAND TOTAL (USD)			250000

5th Trust Ave Kickbackistan

Any comment?



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Here is an extract of the What Health internal due diligence questionnaire completed by What Health General Manager for one of the potential business partners

Any comment?

Third Party information		
Name of the Third Party	Crookenzie Inc.	
Type of activity	Engineering services	
Project description and rationale for the need		
Brief description of the required work / services to be performed for What Health by the Third Party	Crookenzie Inc. will prepare and submit on behalf of What Health Ltd. all documentation necessary for obtaining all permits in relation to What Health plan construction in Kickbackistan.	
Summarize the rationale for working with the Third Party (Reasons underlying the decision to use the Third Party & Criteria grounding the selecting the Third Party)	I've worked with them in my previous company. They did a great job. One of the partners at Crookenzie Inc. has connections in the Government. What Health Ltd may get some tax reductions from the government thanks to the plant construction.	
Summarize the envisaged compensation (its structure, terms of payment, etc.).	USD 273 000 (including expense and VAT)	
	Yes	No
Have you checked that the envisaged compensation/price is fair & reasonable in light of the services to be rendered and/or the goods to be supplied and are consistent with fair market value?	<input type="checkbox"/>	<input type="checkbox"/>
Has the Third Party asked for success fees or payments tied to a particular act or result not linked with usual milestones?	<input type="checkbox"/>	<input type="checkbox"/>
Has the Third Party been recommended by a Government Agency or a Public Official?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Information on the Requestor who proposes to engage the Third Party		
Employee Name: Mrs. Irena Bribever Department: General Manager		
Date:	April 22 nd	
Signature:	XXX	



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Best Building Advisors Ltd Marketing & Sales break-down

USD (thousands)	2014	2015	Variance
Field force	155 772	156 000	0,15%
Direct sales & distribution	3 015	2 860	-5,14%
Sponsoring	5 820	6 542	12,41%
Donations & grants	5 542	6 900	24,50%
Advertising & promotion	35 540	30 822	-13,28%
Phase IV	10 245	11 600	13,23%
Other marketing spends	21 487	30 487	41,89%
Samples	2 460	3 787	53,94%
Gifts & entertainment	1 678	2 599	54,89%
Consultancy	5 000	9 000	80,00%
Total M&S	246 559	260 597	5,69%

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One of the media searches results

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Corruption: Big Bazaar's Dirty Dealings

By [ScherlockNess](#) | Monday, March 12, 2012 at 7:38AM

MOREMONEYCITY - In March 2013, a senior [Big Bazaar](#) lawyer received an alarming e-mail from a former executive at the company's largest foreign subsidiary, [Big Bazaar Kickbackistan](#). In the e-mail and follow-up conversations, the former executive described how Big Bazaar Kickbackistan had orchestrated a campaign of bribery to win market dominance. In its rush to build stores, he said, the company had paid bribes to obtain permits to build new shops in virtually every corner of the country.

[Big Bazaar](#) dispatched investigators to Moremoney City, and within days they unearthed evidence of widespread bribery. "We do not believe that these matters will have a material adverse effect on our business," the US based company said in a filing with the Securities and Exchange Commission.

In the interviews, Mr. Unlucky the former executive who resigned from [Big Bazaar Mexico](#) in 2010 after nearly a decade in the company's real estate department recounted how he had helped organize years of payoffs. He described personally dispatching two trusted outside lawyers and a Kickbackistan consulting firm [Crookenzie Inc.](#), Ltd to deliver envelopes of cash to government officials. They targeted mayors and city council members, obscure urban planners, low-level bureaucrats who issued permits — **anyone** with the power to thwart [Big Bazaar's](#) growth. The bribes, he said, bought zoning approvals, reductions in environmental impact fees and the allegiance of neighborhood leaders.

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information?



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CONSULTANCY AGREEMENT

Between
Crookenzie Inc.
(the "Consultant")
and
What Health Ltd
("the Company")

5

1. SERVICES

In consideration of the fees set out in Section 2 hereof, the Company requests the Consultant to perform, and the Consultant hereby agrees to perform consultancy and assistance in the following fields:

- Prepare and submit on behalf of the Company all documentation necessary for obtaining all permits in relation to the Company plant construction in Kickbackistan (hereinafter the "Services").
- Regularly update the Company on the progress of the Project.
- Measure Project process and inform the Company of any delays immediately and liaise with government authorities if necessary, etc.

The Services shall be personally provided by the Consultant.

2. FEES & EXPENSES

In consideration of the satisfactory provision of the Services by the Consultant, the Company hereby agrees to pay the Consultant a total of USD 273 000 including expenses and VAT.

The Consultant shall send an invoice to **What Health Ltd** to the attention of *Irena Bribever* or such other person as may be designated by the Company from time to time.

The total amount (USD 273 000) will be paid by the Company *ten (10) days after receipt of the invoice*, to the following bank account: *1st Private Cayman Island offshore bank, bank account # 18092003 / B.Bribeo*

3. CONFIDENTIALITY

Each Party expressly agrees that this Agreement, its content and services provided by both Parties hereto are to be treated confidential, and each party agrees not to divulge or otherwise communicate the present Agreement or part thereof to any third party, without the prior written approval from the other Party.

Here is an extract from the draft agreement proposed by Crookenzie Inc. to What Health Ltd.

Any comment?



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