



IDENTIFYING AND ANALYZING SUPPLIER COMPLIANCE RISKS -- BEYOND QRM AND GMP

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A collage of business-related images including a pie chart, a tablet displaying a bar chart, and a line graph.

SALES

A close-up of a hand holding a tablet displaying a webpage with the heading "Company" and a list of details.

SUPPLIER

A close-up of a hand holding a tablet displaying a webpage with various charts and data.

CUSTOMER

A close-up of a hand holding a tablet displaying a webpage with various charts and data.

HUMAN
CAPITAL

Agenda



Risk Identification and Segmentation



Risk Assessment and Reporting



Remediation & Monitoring of Suppliers

MANAGE

identified risks through effective integrity products and services to maintain and improve integrity

MANAGE AND IMPROVE your ongoing integrity programme

- Ongoing Improvement
- Integrity Crisis Management
- Planning Investigations
- Conducting Investigations

MONITOR

potential risks in your suppliers to ensure ongoing integrity

TRACK AND MONITOR your suppliers daily with continuous integrity monitoring

- Building Monitors
- Email Monitoring Solutions
- Social Media Monitoring Solutions
- IntegraSure® | Compliance and Integrity Audits
- Due Diligence as a Service

DETECT AND PREVENT integrity risks

- Conflict of Interest Management

TRAIN your suppliers

- IntegraTeach® | Standardised Compliance Training

PREPARE

and predict where supplier integrity and compliance risks will happen within your company and with those you deal with

Establish

Identification of compliance obligations and evaluating compliance risks

Maintain

Management of non-compliance and continual improvement

Evaluate

Performance evaluation and compliance reporting

Develop

Planning to address compliance risks and to achieve objectives

Implement

Operational planning and control of compliance risks

Compliance function

UNDERSTAND your suppliers and their culture

- Budgets and Buy-in
- Benchmarking
- Company Risk Tolerance Reviews
- Current State Process Mapping
- IntegrityCircles® | Culture Assessments
- Communication Strategy
- Compliance Training Planning
- Technology Readiness Roundtable

UNDERSTAND your supplier integrity risks

- Supplier Integrity Risk Roundtable
- Risk Categorisation Review

UNDERSTAND country and industry predictions

- IntegraMap® | Compliance Intelligence
- IntegraRating® | Compliance Focus Analysis

ASSESS your suppliers to build an effective integrity framework

- Integrity Due Diligence Readiness
- IntegraSure® | Integrity Audit Readiness
- IntegraAnalytics™ | Predictive Assessment

IMPLEMENT

by assessing and identifying potential risks in your suppliers to make informed decisions

IDENTIFY integrity risks in your suppliers

- IntegraWatch® | Compliance Screening

ESTIMATE AND ALLOCATE resources

- Resourcing and Budget Planning
- Integrity Due Diligence Preferred Approaches

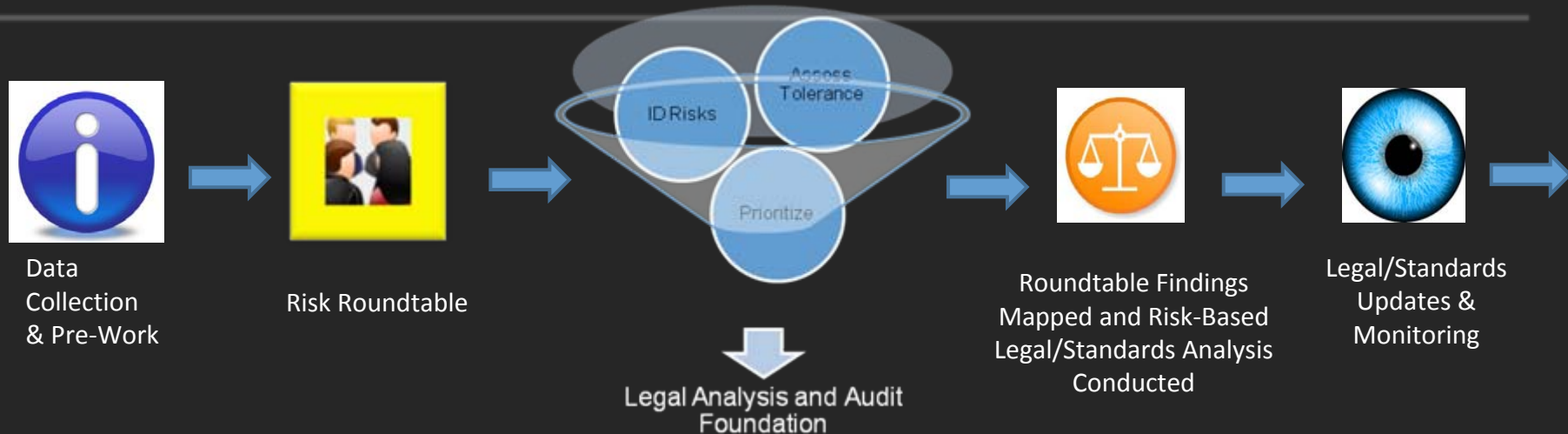
PREDICT risks through transaction analysis

- IntegraAnalytics® | Predictive Compliance

PIMM™ Methodology for INTEGRITY AND COMPLIANCE RISK MANAGEMENT™

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Compliance Programme: **PREPARE**



Most Companies have neither the time nor resources to assess all risks in depth – more likely to score and prioritize on available business model, country, enforcement, reputational, and industry data, among others.

One Approach:
$$\text{Risk Impact Score} \times \text{Effectiveness of Controls Score} = \text{Risk Prioritization Ranking}$$

Compliance: Risk Roundtable Topics

Common Legal/Compliance Issues:

- Environmental, Health, Safety
- Labour Rights/Standards
- Human Rights/Trafficking
- Corruption and Bribery
- Export Control/Customs
- War zone
- Fraud/kickbacks
- IP Violations
- Antitrust/Competition Law
- Conflict Minerals

Business Issues:

- Quality
- Single Source Dependency
- Production Capacity
- Lack of business transparency
- Transport and logistics
- Personnel/management turnover

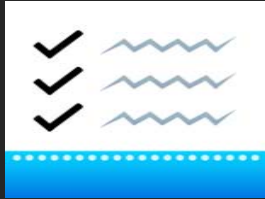
Strategic Supplier Characteristics by: geography, (how many does each supplier have and in what provinces), type and description (multiple functions), number of employees (full and part time), strategic importance to supply chain and others

Stakeholders: provide details on perceived and actual compliance and business risks presented by these suppliers (depending on number, go through each, if warranted)

Compliance Risk Classification and Prioritization and Company Risk Appetite Assessment

Supplier buy-in and change management planning

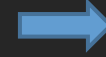
Compliance Programme: From **PREPARE TO IMPLEMENT**



Audit Planning by Issue



Build and implement
Supplier Change
Management Strategy



Initiate IntegraCheck® Due
Diligence Reports or Bespoke
Due Diligence, depending on
outcome of Supplier Risk
Roundtable

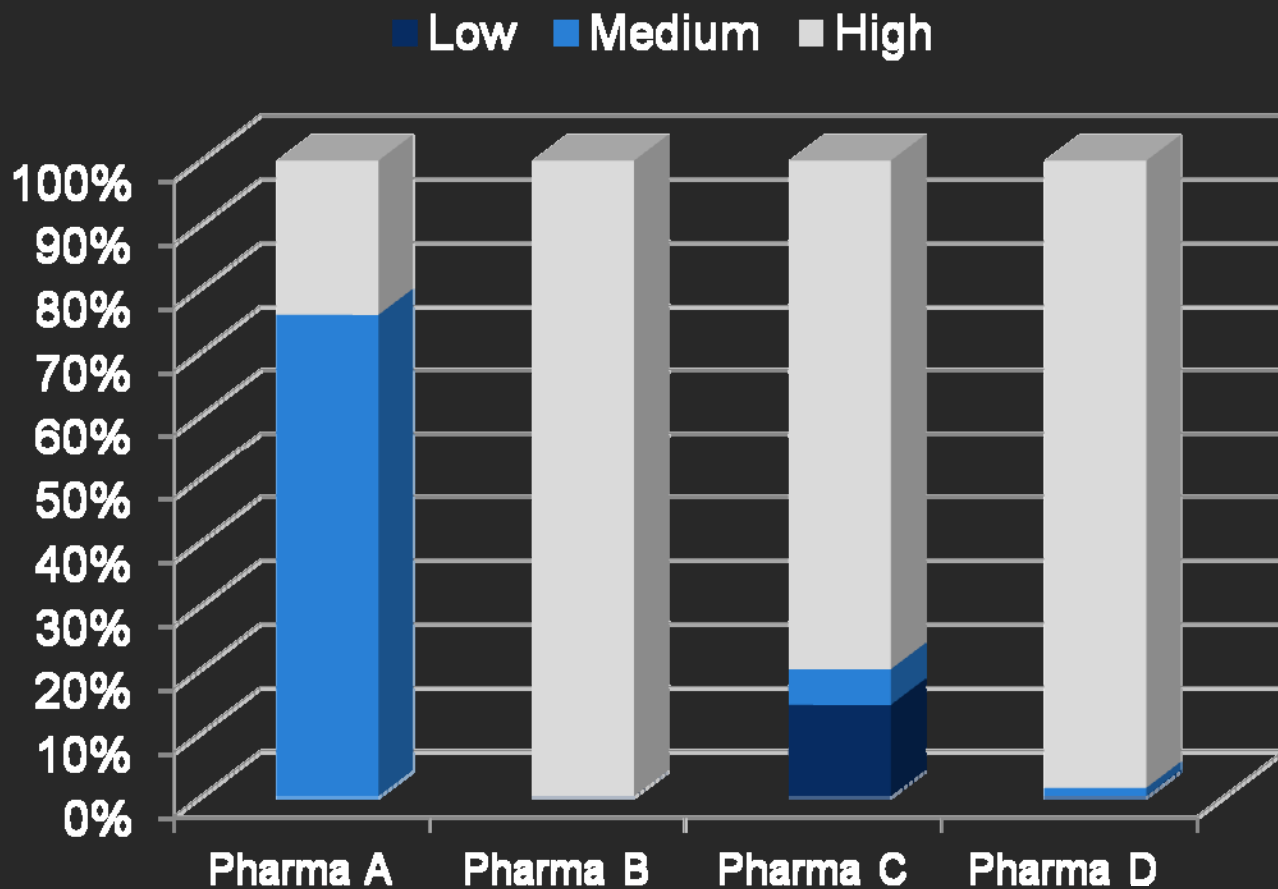


Audit Plans: are tailored to the prioritized risks presented by individual Suppliers based on country/province, enforcement of local/international laws, legal/financial/reputational exposure to Company based on possible breaches, pre-existing infrastructure to support compliance, number of employees, importance of party to Company supply chain, history of past compliance issues, and other factors.

Supplier Change Management: this step is absolutely critical and often overlooked. Consensus building through a variety of media and resources, depending on country and nature of pre-existing relationships (may take form of written communications, face-to-face strategic supplier forums (using interactive polling to demonstrate value of compliance programmes to suppliers, executive-to-executive business and compliance planning, etc.

Due Diligence should be performed before a site visit-based audit takes place so that the audit team is well-versed in past compliance issues history and in current company make-up and management.

Pharmaceutical Industry Sampling: FY13/14 DD Case Types Ordered



SALES

SUPPLIER

CUSTOMER

HUMAN
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Compliance Program: **IMPLEMENT**



Records Inspection



Executive Interviews



Focus Group Sessions



Site Inspection(s)



Create Report



Anti-Corruption: Audit Review Samples

- Review of inspection/clearance/safety records:
- Critical use of subcontractors: examine workflows and payments
- Freight, shipping, customs agents records
- Government officials: gifts, travel, entertainment
- Slush funds, undesignated office or supplier funds
- The “other” set of records
- Investment and capital funding review
- Fear of speaking up/retaliation (Focus Groups)

Consolidated Dashboard



Single Dashboard: Metrics on All Risks

Reporting

Auditing

Investigation

Policy & Process Change



Compliance Programme: **IMPLEMENT**



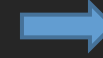
Dashboard &
Benchmark Identified
Risks to Examine
Trends and Set Up KPIs
for Programme
Success



IntegraRating®
To assess where
compliance
investment
will yield best results



Meetings to review
report results with
individual Suppliers
and review
remediations



Face-to-face, case study
based Company Audit
Team Training followed
by Audit Team
Shadowing on Follow-
ups with Suppliers



Anti-Corruption Compliance Programme:

- Typical areas for improvement/KPI Set Up:
 - Supplier's own third party management
 - Engagement with govt officials (e.g., inspections)
 - Conflicts of interest (PEPs and SOEs)
 - Gifts, travel entertainment and fund tracking
 - Communications and training re: anti-corruption
 - Employee compliance reporting: speak up!
 - Monitoring of anti-corruption programme
- Using country-based and forthcoming ISO hallmarks

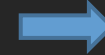
Compliance Programme: **MONITOR & MANAGE**



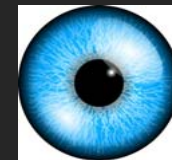
Conduct follow-up on remediation work with individual suppliers



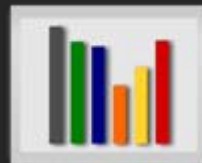
Relationship Building between Company Audit Team and Suppliers: Strategic Supplier Forum



Hand off to Business for Monitoring



New/changed laws/standards or changed business conditions



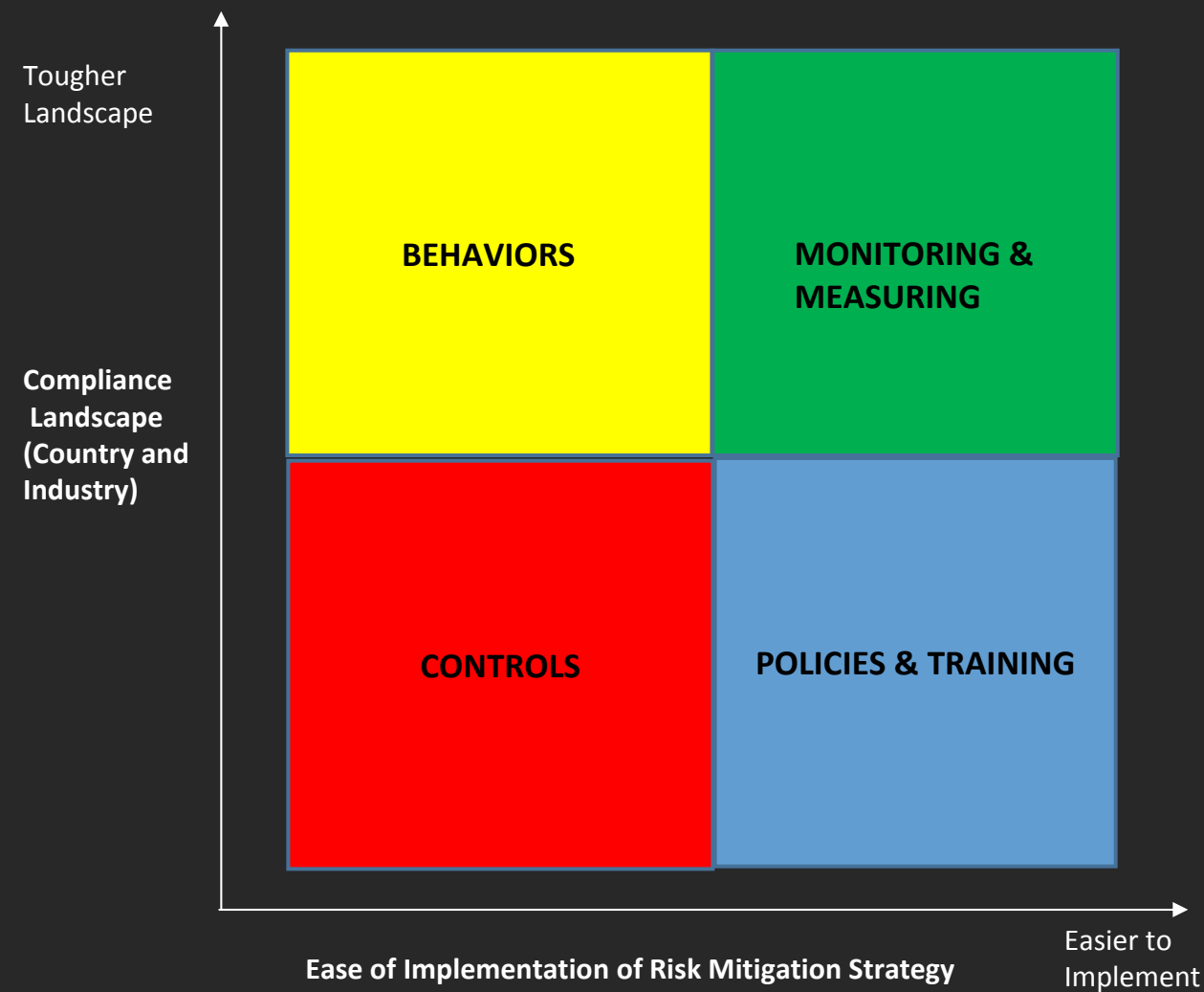
Benchmark Suppliers for Compliance and Enhance Overall Programme Strategy and KPIs



Year 2: Team Audits with cross-check of findings and recommendations by Legal/Compliance



What Kinds of Risk Mitigation May Work Best?



Transactional Monitoring

- ▶ Using real-time data on payments, supplier, procurement and HR data bases, etc. to detect, flag and alert the company to high risk transactions for issues management regarding:
 - ▶ Supply chain kickbacks
 - ▶ Distribution channel bribery
 - ▶ Grey market challenges

SALES

SUPPLIER

HUMAN CAPITAL

IntegraAnalytics™

Compliance Transaction Monitoring

Integrity Risk Dashboard

US Overview

Global Overview

Weekly Report

Operational Report

Investigation Tool

Filters

Type to search filters

Sales Channel Corruption

Deal Request Date

1/1/2014 6/15/2015

Overall Risk

50.00 97.93

Deal Request Employee

Type to search in list

(All) 45 values

Alexandra Marshall

Andrea McLean

Andrew Arnold

Angela McGrath

Anna Metzger

Audrey Mills

Reseller

Type to search in list

(All) 281 values

AAJ Technologies

ABF Data Systems, Inc.

Abrahams Consulting ...

Abtech Technologies

Accenture

ACI Infotech

Reseller Location

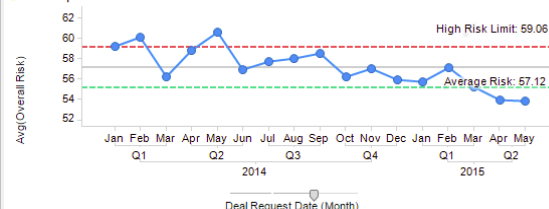
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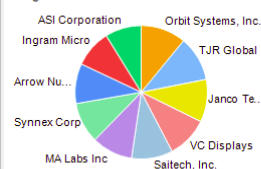
Akron, OH

Albany, GA

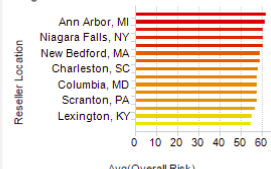
Risk Exposure Trend Over Time



Highest Risk Distributors



Highest Risk Cities



Detected High Risk Transactions (US)

IA ID	Deal Request Date	Overall Risk	Overall Risk Color	Deal ID	Distributor	Reseller	First Name (Deal Request)	Last Name (Deal Request)	Position (Deal Request)	First Name (Onboarding)	Last Name (Onboarding)
490959	1/2/2014	58.45	Amber	570597	Synnex Corp	Syscom, Inc.	Julia	Scott	Sales Manager	Cameron	Blake
536687	1/7/2014	62.95	Amber	616325	Synnex Corp	Buckley Data Services LLC	Angela	McGrath	Sales Manager	Ava	Mitchell

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Risk Exposure Trend Over Time

