

THIRD PARTY VETTING POLICY & PROCEDURE

Version 2, Effective from July 01, 2022



RISDA-Bangladesh

Registered Office: House # 18, Road # 1, Block # B, Section # 6, Mirpur, Dhaka-1216

Permanent Office: 26/2, Kaliakoir, Birulia, Savar, Dhaka

Phone # +88-02-48033958-9, Cell: 01552 350687

Email: info@risda.org.bd, risda.bangladesh@yahoo.com,

Website: www.risda.org.bd

Table of Contents

1. Policy Statement.....	1
2. Objective of the Policy.....	1
3. Application approach of due diligence/ vendor vetting Policy	1
4. Third Party vetting/Due Diligence	2
4.1 Preliminary Due Diligence:.....	2
4.2 Know Your Client (KYC):.....	2
4.3 Integrity Due Diligence:.....	3
4.4 Financial and Commercial:	3
4.5 Environmental, Social and Child Protection:	3
5. Reliance on Third Party Due Diligence including KYC.....	3
6. Completion and Ongoing Monitoring.....	4
6.1 RISDA's Anti-Money Laundering and Know Your Client checks	4
6.2 Legal Negotiations, Monitoring and Documentation	4

1. Policy Statement

RISDA-Bangladesh (“the Organization”) is committed to eliminate corruption, money laundering, terror financing for delivering its projects or services. Before entering into a relationship or renewing an existing relationship with a Third Party, the Organization must comply with requirements set forth herein. The specific due diligence requirements will vary depending on the risks associated with the Third Party.

The term of “due diligence” is new understanding for RISDA-Bangladesh. Basically it is an overused expression in the compliance throughout the world. It has become a term to mean heightened concern or investigation against the anti-corruption space. The third party due diligence often is used to describe the process for on boarding a new third party intermediary.

The third party due diligence is also an investigation or audit of a potential services or product to confirm all facts, that might include the review of financial records.

Having a robust process for vetting third parties makes good business sense, promotes compliance and reduces risk. The use of third parties such as agents, distributors, consultants, channel partners, counterparties and customers presents a host of legal, regulatory and reputational risks to an organization.

2. Objective of the Policy

The objective of the Third-Party Due Diligence Policy and Procedures is to promote compliance by RISDA and RISDA’s third-party business partners. The specific objectives are-

- To reduce financial corruption for intermediary approach/ new vendor engagement for delivering products/ services;
- To screen the identified third parties against various lists of high-risk individuals or entities. These include sanction lists (such as stationaries suppliers, construction material suppliers, vehicles suppliers, electric goods suppliers, humanitarians response related that is food and non-food item suppliers, advisory/ consultancy support, etc.) and governing regulatory bodies' (financial and securities services from around the country;
- To increase fairness and transference in the transaction system to vendor/ service providers' payment;

3. Application approach of due diligence/ vendor vetting Policy

The RISDA-Bangladesh third-party vetting policy and procedures will serve as a minimum standard for the organization. This, however, does not intend to change any legal or regulatory obligations which the RISDA-Bangladesh is required to comply with. It set out a framework that is split into a number of different stages of the services process. RISDA-Bangladesh may be subject to stronger principles, standards or rules than those set out herein, e.g. as a result of more stringent requirements imposed by funding donors or by law in which event the more stringent principles/rules should be adhered to.

As the Third Party Vetting Policy and Procedures provide a certain amount of flexibility and judgment is only required to explain non-compliance in the following circumstances:

- If it is not carrying out their own due diligence and is relying on third party due diligence and do not propose to review this third party due diligence;
- If any environmental, social or integrity issues are discovered during due diligence and RISDA-Bangladesh does not propose to commission an in-depth due diligence report;
- If know your clients (KYC) checks are not going to be carried out;

4. Third Party vetting/Due Diligence

The RISDA-Bangladesh third party vetting /due diligence policy and procedures are divided into five separate streams as follows:

- Preliminary Due Diligence;
- Know Your Client;
- Integrity Due Diligence;
- Financial and Commercial; and
- Environmental and Social including Protection issues.

4.1 Preliminary Due Diligence:

During preliminary due diligence, the services team will:

- Review documentation of the services opportunity including (to the extent available): feasibility study reports, policy manuals, reporting, proposed action plans, legal documents and public information;
- Identify relevant individuals within the target opportunity to contact and understand processes, knowledge and commitment of the business and its management to high-risk areas. Site visits may also be required in addition to external advisors where appropriate and this should be considered in good time to allow for planning and to propose it to the Credit/Services Committee. It is the responsibility of the services team to facilitate interaction with the business opportunity;
- Identify the development impact and additionally of the RISDA's involvement.

4.2 Know Your Client (KYC):

The KYC conducted should follow the applicable national regulatory and licensing standard or the RISDA-Bangladesh Due Diligence Policy and Procedures, whichever is higher. The KYC risk assessment conducted should include:

- Identifying the business and verifying identity using reliable, independent source documents, data or information;
- Identifying the ultimate beneficial owners (UBOs) and when to verify their identity;
- Understanding the ownership and control structure of the services;
- Determining if a Politically Exposed Person (PEP) is involved in the business/ services;
- Identifying if a conflict of interest exists;
- Determining the purpose and intended nature of the business relationship;
- Monitoring the business relationship and its risk profile;
- Identifying any adverse media or negative information regarding the country, business/business' activities or related individuals;
- Determining whether there are any doubts concerning the business (e.g., source of funds); and

4.3 Integrity Due Diligence

Integrity due diligence should follow up and investigate any business/services integrity risks identified earlier in the services process by undertaking the following:

- External background check report from relevant organizations;
- Financial due diligence;
- Discussions with senior management of organization familiar with the proposed Services and Investee Organization or other means agreed with the new project or system.
- Current anti-corruption procedures within the business and if they have sought to introduce compliance measures;
- Results of internal reviews or audits of the business in relation to bribery;
- Details of process for obtaining government licenses required by business to engage in business activities;
- Details of any political or charitable contributions by the business;
- Details of any payments to government officials for any aspect of the business; and
- Local legal requirements and the effectiveness of their enforcement.

4.4 Financial and Commercial

Financial and Commercial due diligence should follow up and investigate any business/services financial and commercial risks identified earlier in the services process by undertaking the following:

- Obtain and review financial information of the organization for the last [three] financial years;
- Consider robustness of the organization's current and forecast cash situation, reviewing gearing ratios, and cash flow including sensitivity analysis if available;
- Review any contingent liabilities and any pension liabilities in the accounts. Review any limits on these liabilities;
- Consider any insurance cover available against requirements; and
- Check that external audits are free from 'qualifications' on financial accounts.

4.5 Environmental, Social and Child Protection

Environmental, Social and child protection due diligence should be conducted in accordance with existing policies and its practices.

5. Reliance on Third-Party Due Diligence including KYC

5.1. It may sometimes be appropriate for RISDA-Bangladesh to consider using a third party's due diligence rather than conducting its own.

5.2. Summary of specific "value add" opportunities identified, resource costs and issues in addition to assumptions, implementation risks, and potential impact.

5.3. Summary on the adequacy of a targets business integrity process and controls, if any, its AML/KYC procedures and any business integrity risks.

5.4. Risk ratings should also be confirmed or updated from the business/ services providing stage, this should include a summary of risk rating based on findings of due diligence, the compliance gap and any other requirements;

5.5. If there are any significant business integrity issues surrounding the services, the services team/ management team and relevant integrity personnel should consider whether a third-party report should be commissioned on the basis of risk management.

6. Completion and Ongoing Monitoring

6.1 RISDA's Anti-Money Laundering and Know Your Client checks

6.1.1. The services team will start the necessary KYC checks shortly after business approval so that any money laundering issues are identified at an early stage.

6.1.2. It is essential that RISDA's KYC procedures and all applicable national and international laws and regulations are strictly followed as set out in the Due Diligence section above and contained in the Anti-corruption and Integrity Policy and Procedures.

6.2 Legal Negotiations, Monitoring and Documentation

6.2.1. The services team is responsible for ensuring that the underlying services complies with RISDA's Code of Conduct.

6.2.2. Legal terms will typically include covenants which require compliance with relevant sections of RISDA's Code of Conduct

6.2.3. The treatment and monitoring and reporting of any risks identified, recorded and analysed during the due diligence phase needs to be agreed and recorded.

6.2.4. Post-services, RISDA-Bangladesh must ensure that they have oversight of ongoing monitoring and compliance with agreed standards

6.2.5. RISDA-Bangladesh must ensure that they maintain post-services complete and up-to-date files in relation to each opportunity which has been taken forward for completion. These files would, for example, include records of opportunity origination, New Project/ Business Paper details, all documentation of due diligence streams including any external due diligence reports, and completion documents in addition to any ongoing procedures undertaken during or post-transaction.

6.2.6. A key outcome of due diligence is improved knowledge and understanding of project stakeholders and opportunities as well as the nature and process of gaining assurance of the business or project identified in order to be able to make an informed services decision

6.2.7. RISDA-Bangladesh should maintain a Due Diligence Assessment Register (or equivalent) of completed assessments in order to provide continuity for future reference.