

An aerial photograph of a construction site is shown on the left side of the page. Two workers wearing hard hats and work clothes are standing on a dirt surface, looking at a set of blueprints. A white string is stretched across the ground, marking a boundary or path. The background shows a vast, flat, brownish landscape under a clear sky.

Corporate Governance Services  
Engineering & Construction  
Greenfield Development  
in Germany

Service Offering for MNEs Investing in Germany

—

July 2020



# Table of contents

- 1. Key Challenges in Germany**
- 2. Our Service Offering for MNEs**
- 3. Exemplary Credentials**



# 1. Key Challenges in Germany

# Key Challenges for Greenfield Development in Germany

## Facing a Challenging Landscape

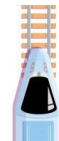
Investment in capital projects represents a commitment of finite resources, money and time. During the project lifecycle there are countless risks that need to be mitigated to ensure a realization of the return on the organization's investment. Projects can quickly be derailed by challenging regulations, evolving government expectations or technological advances that require significant changes to ongoing projects.

For investors or owners, this represents a minefield of uncertainty that can expose budgeting shortfalls or exacerbate existing problems within highly compressed project schedules.



### Environmental Impacts

Minimizing the impact of a project's construction and operations while still achieving a target return on investment is a key consideration for many owners. Additionally, strict EHS legislation for both renovations and new construction can significantly delay project permit approvals, leading to significant cost impacts and schedule delays.



### Infrastructure Readiness

Re-activating and expanding transport and utilities infrastructure can be a lengthy process in Germany. Assessing the feasibility of mission critical infrastructure (direct purchase and public) and helping negotiate terms that are aligned with the project's goals is pivotal for project success.



### Contractor & Staff Availability

The German construction market is currently very tense due to favorable lending conditions. Knowledge of the German market is indispensable in maximizing the number of tender returns and acquiring competent staff.



### Regulatory Approvals

Regulation often differs from state to state in Germany and too often red tape slows down processes. Experience with local authorities is key when navigating through approval processes.

These, and many other factors, impose cost and schedule constraints to already complex projects and programs. Owners need a trusted advisor to help them navigate through these issues, as to deliver successful projects.



## 2. Our Service Offering for MNEs



# Package 1: Project Audit Support by On-Site Internal Audit Manager

## Scope

- ▶ Staffing:
  - ▶ One on-site Internal Audit Manager
  - ▶ If expertise beyond standard construction audit scope is required, on-site staff is backed by a diverse expert team. The team has specialized expertise in project critical areas such as plant engineering, environmental protection laws, FCPA and data protection regulation. This allows us to resolve non construction related issues timely and efficiently
  
- ▶ Scope:
  - ▶ Assess and prioritize risks for compliance cost controls
  - ▶ General Contractor Tendering Package Review and Assessment
    - ▶ Procurement Process
    - ▶ Policy Compliance
    - ▶ Contract and Bid Evaluation Framework
    - ▶ Fraud Risks
    - ▶ Financial Risks
    - ▶ Compliance Risks
  - ▶ Conduct interviews with Project Management team and perform project staffing analysis
  - ▶ Review and evaluate corruption controls and ensuring compliance with sanctioning rules
  - ▶ FCPA compliance check and ongoing monitoring for firms listed in the U.S.
  
- ▶ Deliverable: Comprehensive Internal Audit Report



# Package 2: Organizational and Regulatory Requirements for Financial Aid

## Base Line

- ▶ Level I: Basic research to identify EU-, Federal and State Financial Aid programs (construction and R&D phase) using publicly accessible (online) sources
  - ▶ Identification of EU funded aid programs
  - ▶ Identification of State and/or EU funded aid programs
  - ▶ Preparation and presentation of short list of possible financial aid programs for client
  
- ▶ Level II: Extended research in order to match short list program criteria to project
  - ▶ Assessment of Program Requirements
  - ▶ Assessment of applicable procurement laws and regulations (e.g. AnBest-P, VOB/A)
    - Check of applicable requirements
    - Assessment of effects of procurement regulations on proposed timeline
    - Assessment of effects of procurement regulations on contractual provisions
    - Detailed check of requirements and matching with the project provided by client
  - ▶ Recommendations to operational changes to meet program criteria

## Optional Services

- ▶ External communication
- ▶ Drafting of reports for authorities
- ▶ Assistance during application and program time span
- ▶ In-House workshops introduction to German Law



# Package 3a: Business Partner Screenings

Business partner screenings will typically be conducted based on the risk scoring of the business partner (e.g. based on the line of business, TPI of the country the business partner is located, etc.). Therefore, we propose the following research levels based on best practice experience.

## Base Line

- ▶ Level I: Basic research in order to identify company data, shareholders, management as well as compliance relevant aspects by using publicly accessible online sources.
  - ▶ Identification and presentation of company data incl. company structure (shareholder, subsidiaries) and management
  - ▶ Press and media research on current developments of the business partner (last 5 years)
  - ▶ Identification of compliance relevant aspects that might exist in connection with the business partner and up to 3 shareholders and/or directors via:
    - Check of compliance databases; and
    - Press and media searches limited by using negative search terms to focus searches and limit search results
- ▶ Level II: Extended research in order to identify company data, shareholders, management and financial figures as well as additional information on selected shareholders and/or directors and compliance relevant aspects by using publicly accessible online sources.
  - ▶ Identification and presentation of company data incl. company structure (shareholder, subsidiaries), management and financial figures
  - ▶ Identification of further business affiliations for up to 3 shareholders and/or directors
  - ▶ Press and media research on current developments of the business partner (last 10 years)
  - ▶ Identification of compliance relevant aspects that might exist in connection with the business partner and up to 3 shareholders and/or directors via:
    - Check of compliance databases; and
    - Press and media searches limited by using negative search terms to focus searches and limit search results

## Optional Services

- ▶ Additional research by conducting on-site visits at local registries and interviews in order to identify company data, shareholders, management and financial figures as well as additional information on selected shareholders and/or directors and compliance relevant aspects.
- ▶ Local research incl. additional measures, such as:
  - On-site visit of local registries to access public records, if necessary
  - On-site visits of business and manufacturing locations
  - Interviews, if necessary





# Package 3b: Pre-Employment Checks

In conducting background checks on individuals, we are accessing a wide range of sources to cover the various elements requested by the client. For this purpose we are mapping those elements against the sources considered most useful for identifying relevant information.

## Base Line

- ▶ Open source research including:
  - Verification of qualifications and professional history
  - Checking of the candidate's name against watchlists and blacklists
  - Name-based searches in company databases
  - Name-based press and media searches in English + one other language (if applicable)
  - Social media research (limited to professional networks)

## Optional Services

- ▶ Reference interviews



# Package 4: Project Monitoring & Reporting

Our Project Monitoring and Internal Audit Support is here to bullet-proof your project. A smart reporting will seamlessly tie in with your project structure, providing all relevant information in real-time at your finger tips.

How you benefit:

- ✓ Independent oversight
- ✓ Early risk detection
- ✓ On-point reporting
- ✓ Well-founded decisions

## Base Line

- ▶ Initial Monitoring set up:
  - ▶ Review of project documents, processes and data to determine suitable monitoring input
  - ▶ Development and coordination of a monitoring reporting format in accordance with the client's requirements
  - ▶ Design of a medium of communication through use of a standard input template in coordination with the client
  - ▶ Definition of a reliable monitoring baseline in terms of costs, deadlines and quality
  - ▶ Workshop to finalize concept and launch monitoring
- ▶ Independent Monitoring over the course of the project
  - ▶ Monthly collection of data through input templates
  - ▶ Review of select high level project documents (e.g. cost tracking, scheduling, project reporting, meeting minutes etc.)
  - ▶ Monthly Monitoring update meeting (call) with work stream leads
  - ▶ Random attendance of project meetings or unannounced site visits
  - ▶ Qualitative and quantitative assessment of current project status through KPIs and evaluation of current developments
  - ▶ Monthly Monitoring report with dashboards and brief assessment
  - ▶ Monthly discussion of monitoring reports (Skype) through a telephone/Skype presentation by KPMG

## Optional Services

- ▶ Initial risk assessment within the considered topics
- ▶ Participating in several major project meetings
- ▶ Review and challenge of the reports from the operational level
- ▶ Deep-dive into specific topics in coordination with the client
- ▶ Real-time plug-in of Monitoring-Dashboards into existing databases (e.g. cost tracking, scheduling, ERP etc.)
- ▶ Regular site visits or on-site office
- ▶ In-depth recommendations and tracking of measures taken



# Package 5: Project Risk Management

Is your construction project still on track? When projects pick up speed, proper risk management helps to stay on course. We support you in doing whatever it takes, to keep your project from encountering those major risks that can be detrimental to your project success.

How you benefit:

- ✓ Extensive risk identification
- ✓ Well-founded evaluation
- ✓ Avoiding or mitigating major risks

## Base Line

- ▶ Initial Risk Management set up:
  - ▶ Workshop with key stakeholders to define requirements on project risk management
  - ▶ Definition of reporting requirements
  - ▶ Support specification of project risk management
  - ▶ Define initial project risk universe together with KPMG experts (e.g. Legal, Sustainability/Environmental, Automotive [IT and operation], Operator Responsibilities, Logistics)
  - ▶ Documentation of Project Risk Management policy/procedure
  - ▶ Definition of templates for identification, evaluation and reporting
- ▶ Ongoing Project Risk Management support
  - ▶ Monthly collection of data through input templates
  - ▶ Coordination and moderation of monthly/quarterly risk identification and evaluation calls
  - ▶ Support with risk identification, risk analysis and risk evaluation
  - ▶ Monitoring of risk treatment measures
  - ▶ Preparation of comprehensive risk report
  - ▶ Monthly presentation of risk reports via video conference by KPMG; if the client's staff is physically based in Germany or visiting Germany, we will provide conference facilities in a KPMG office

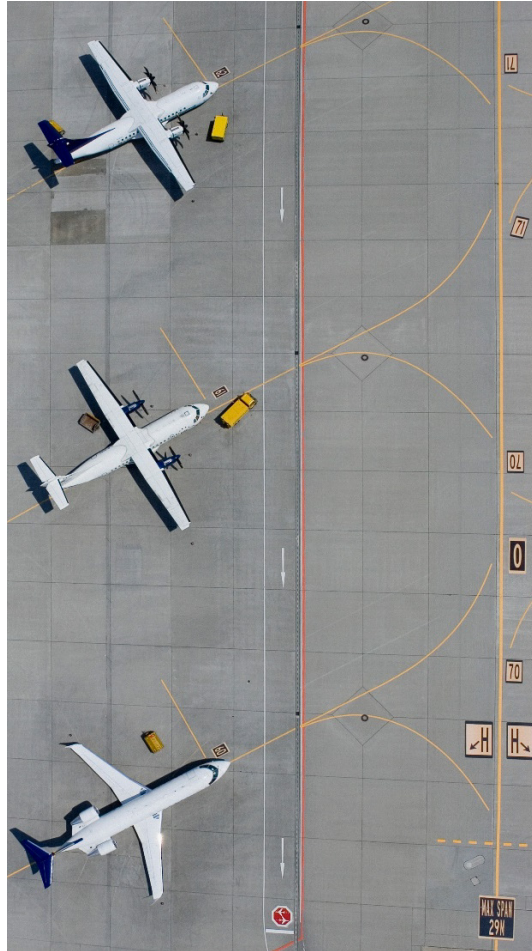
## Optional Services

- ▶ Coaching/training of key personnel
- ▶ Implementing simulation-based risk evaluation and aggregation techniques
- ▶ Implementation of KPMG's AI-enabled and highly secure 'Risk Hub' Platform to streamline the client's risk management processes
- ▶ Manage interface between project risk management and enterprise risk management
- ▶ Extended risk identification through document reviews, meeting attendance, site visits
- ▶ Support risk-based costing and scheduling
- ▶ Claim Management (technical and legal)
- ▶ Setting up anti money laundering and corruption procedures and processes



# 3. Exemplary Credentials

# Exemplary Credentials



## Internal Audit for the Construction of a 50.000 sqm Building for a media company

Auditing all payments in relation to completed construction works, checking accuracy of project schedules and handling the claim management. Furthermore anti-bribery processes were put in place.



## Project Risk Analysis for Highly Automized Plant of an Automotive Supplier

Analyzing construction risks and developing a strategy for avoiding claims for a car component plant with a very advanced automation rate.



## Project Monitoring for the Construction of an Airport Terminal

Assisting the airport operator's management board during the planning and construction period by delivering independent evaluation of cost-, time-, and risk-management. Moreover the tendering and claim management were monitored.



## Construction Contract Review for the Expansion of a major Hotel Chain

Assurance services for the construction contracts (package of 200+ properties) in regards to fitness for purpose and risk minimization.



## Investigation of an Engineering Firm on behalf of World Bank

Investigation with regard to corrupt conduct of an engineering firm. The investigation was the basis for Negotiated Resudtion Agreement under World Bank Debarment Policy.



## Implementation of Global Compliance Guidelines for a major Car Manufacturer

Implementation of compliance structures and mechanisms to ensure compliance with regulating bodies in the individual countries of operation.



## Construction Audit for a Development Aid Project

Audit of the construction department of a development aid body, including review of donation documentation, procurement of materials and services, as well as compliance with data protection legislation.



## Project Health Check for the Construction of a University Hospital

Review of mismanagement in handing construction projects by auditing the demand analysis and detecting discrepancies in time, cost and quality.

# Your Points of Contact



Juan Carlos Klug  
Partner, Audit CGS  
T +49 69 9587-6898  
jklug@kpmg.com

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
THE SQUAIRE Am Flughafen  
60549 Frankfurt/Main, GER



Max Hoederath  
Manager, Audit CGS  
T +49 69 9587-4959  
mhoederath@kpmg.com

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
THE SQUAIRE Am Flughafen  
60549 Frankfurt/Main, GER



Markus A. Muether  
Assistant Manager, Audit CGS  
T +49 69 9587-2132  
mmuether@kpmg.com

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
THE SQUAIRE Am Flughafen  
60549 Frankfurt/Main, GER



This document is made by KPMG AG Wirtschaftsprüfungsgesellschaft, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity, and is in all respects subject to the negotiation, the successful completion of the standard Client- and Engagement Acceptance Process and the signing of binding agreements. The materiality depends on the specific circumstances of the particular client and is subject to change relating to current findings. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

© 2020 KPMG AG Wirtschaftsprüfungsgesellschaft, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Germany. The name KPMG and the logo are registered trademarks of KPMG International.