

Ethics and Compliance as a Start Up – 20 Steps to Up and Running

Presented by:

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Agenda

- Company Overview
- Compliance Program Evolution
- 20 Steps to Up and Running
 - Practical Tips
 - Strategic Plan



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Who is Farmer Mac?



- GSE established by federal statute in 1988 in response to farm crisis of 1980s
- Secondary market for agricultural real estate loans, rural housing loans, and rural utility loans
- Over \$20 billion in assets
- Stockholder-owned, federally chartered corporation serving a public mission

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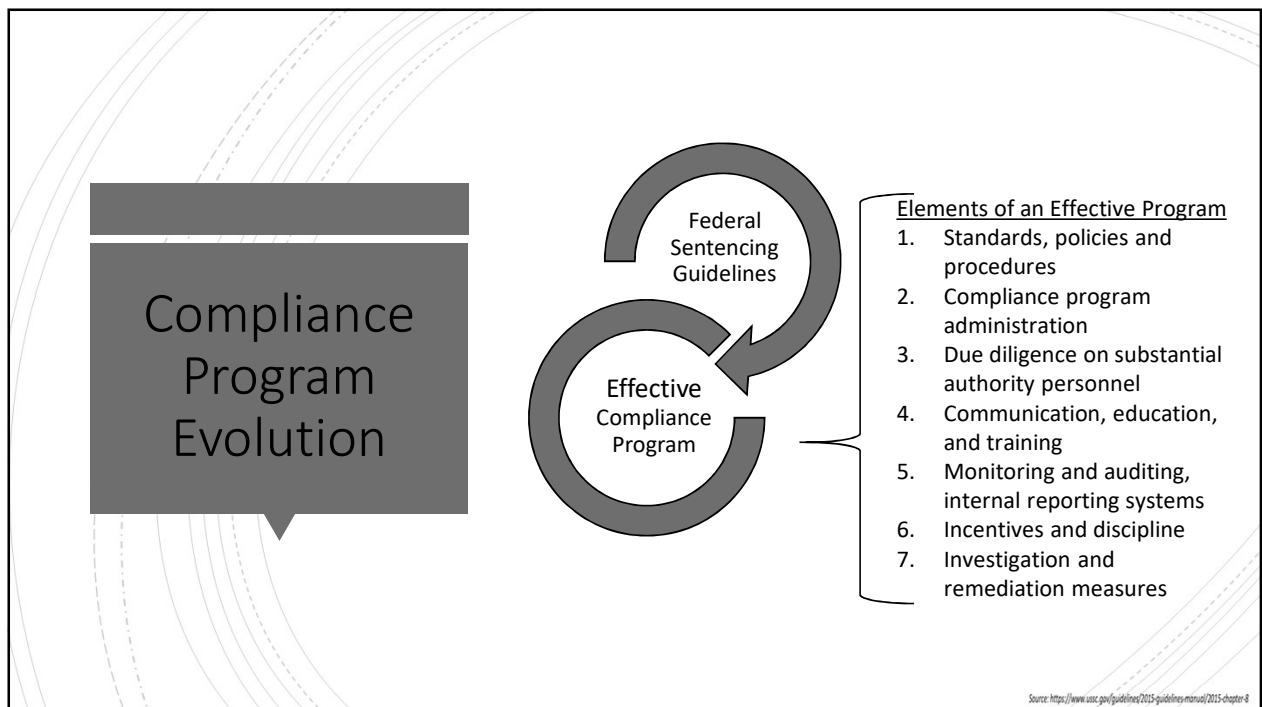
Who is Winrock?

Winrock's mission is to **empower the disadvantaged, increase economic opportunity** and **sustain natural resources** across the globe

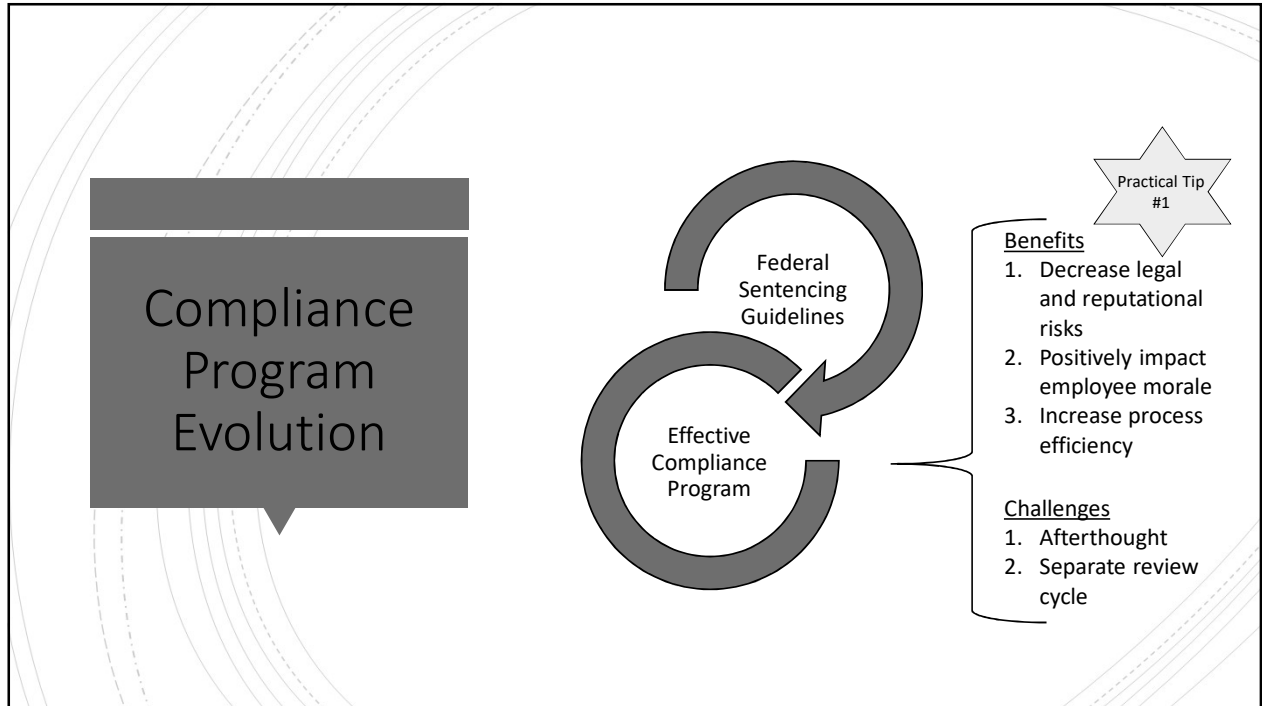
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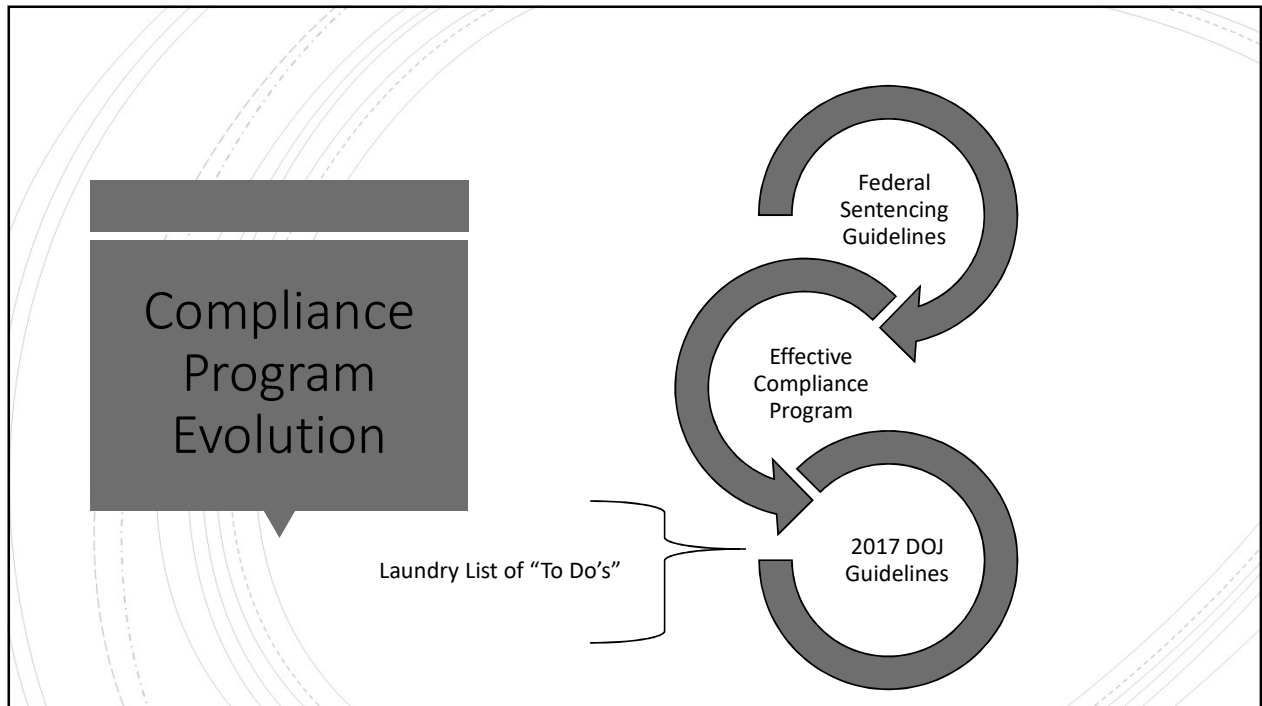
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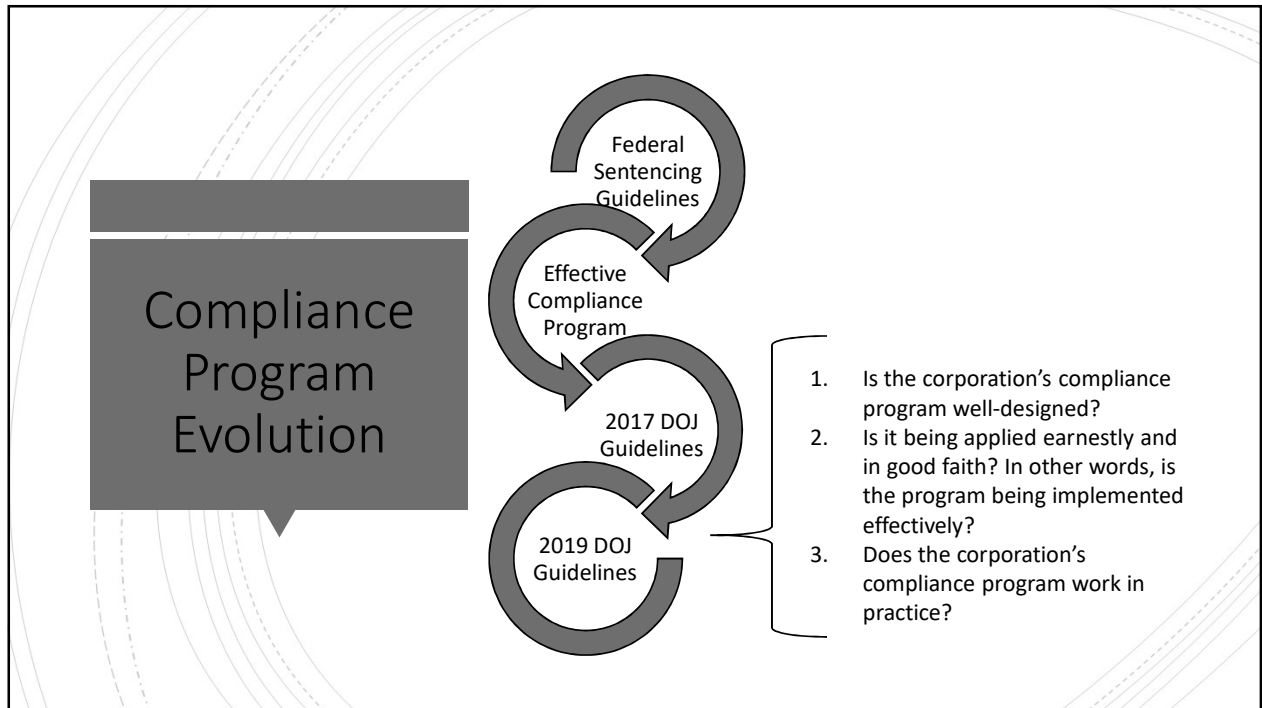
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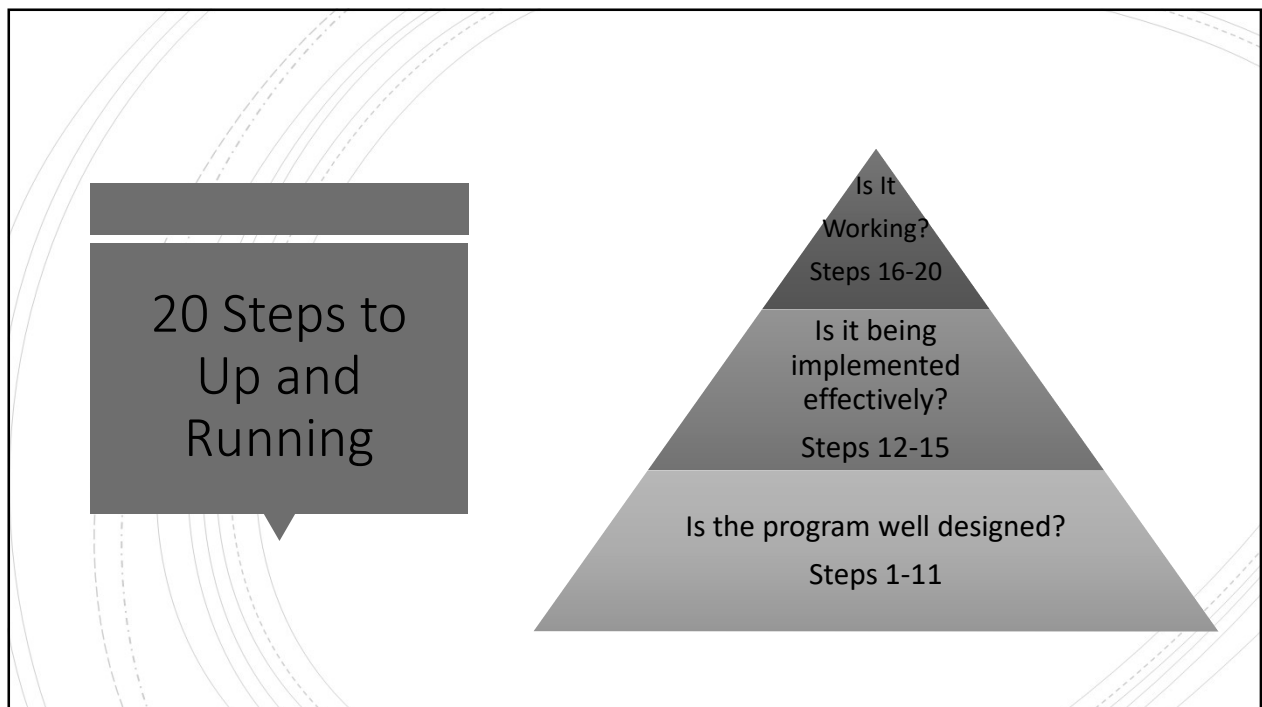
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Step 1

Understand the Business

- Documents
 - Financial Reports
 - Annual Reports
 - Industry News
 - Policies
 - Intranet
- People
 - Key Stakeholders
 - Senior Leadership

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Step 2

Understand the Culture

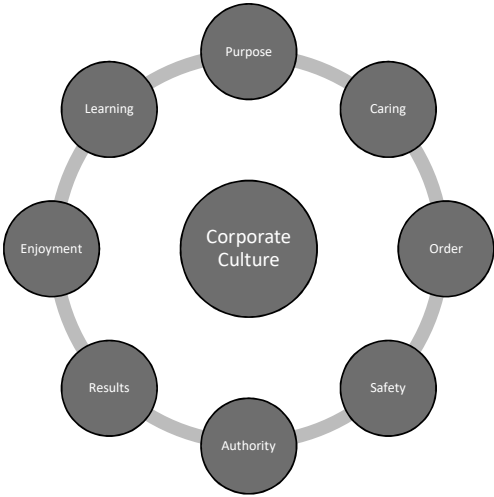
- Employee Engagement Survey
- Ethical Culture Survey
- Hotline Data
- Disclosure Data
- Attend Events (including social ones)!




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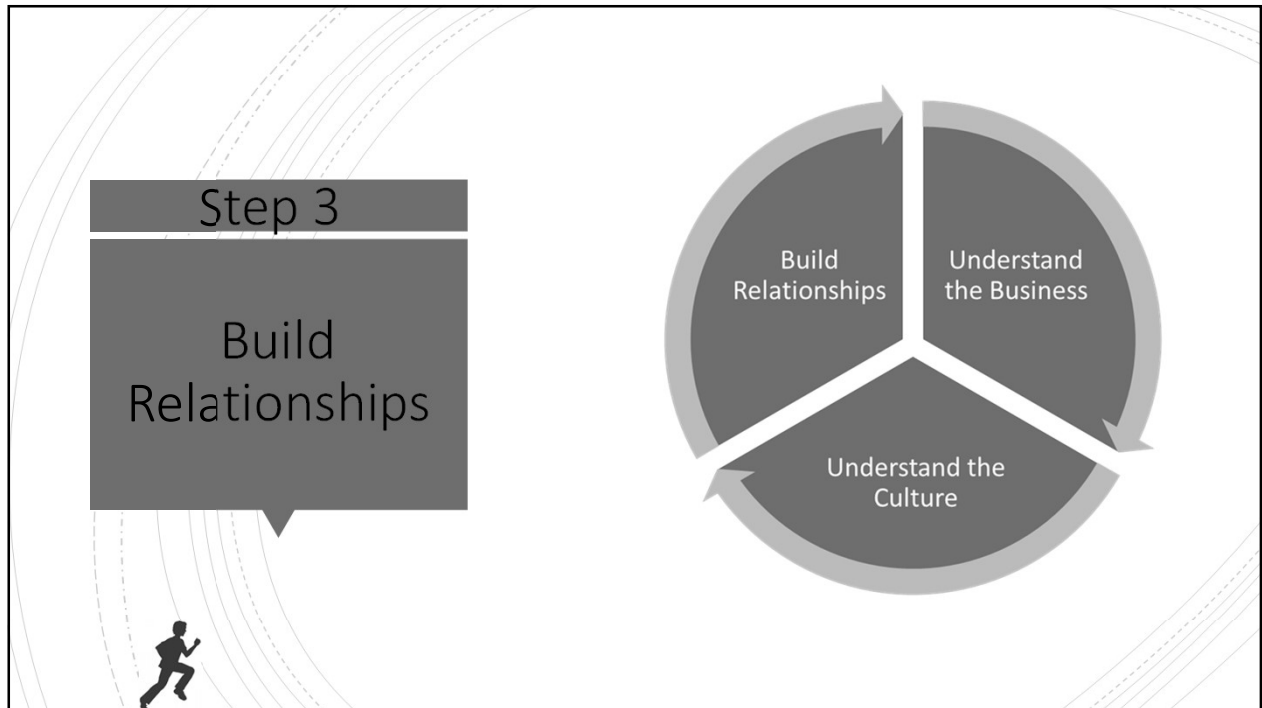
Step 2 (cont'd)

Understand the Culture



Groysberg, B., Lee, J., Price, J., & Cheng, J. Y. (2018). The Leader's Guide to Corporate Culture. *Harvard Business Review* (January/February): 44-57.

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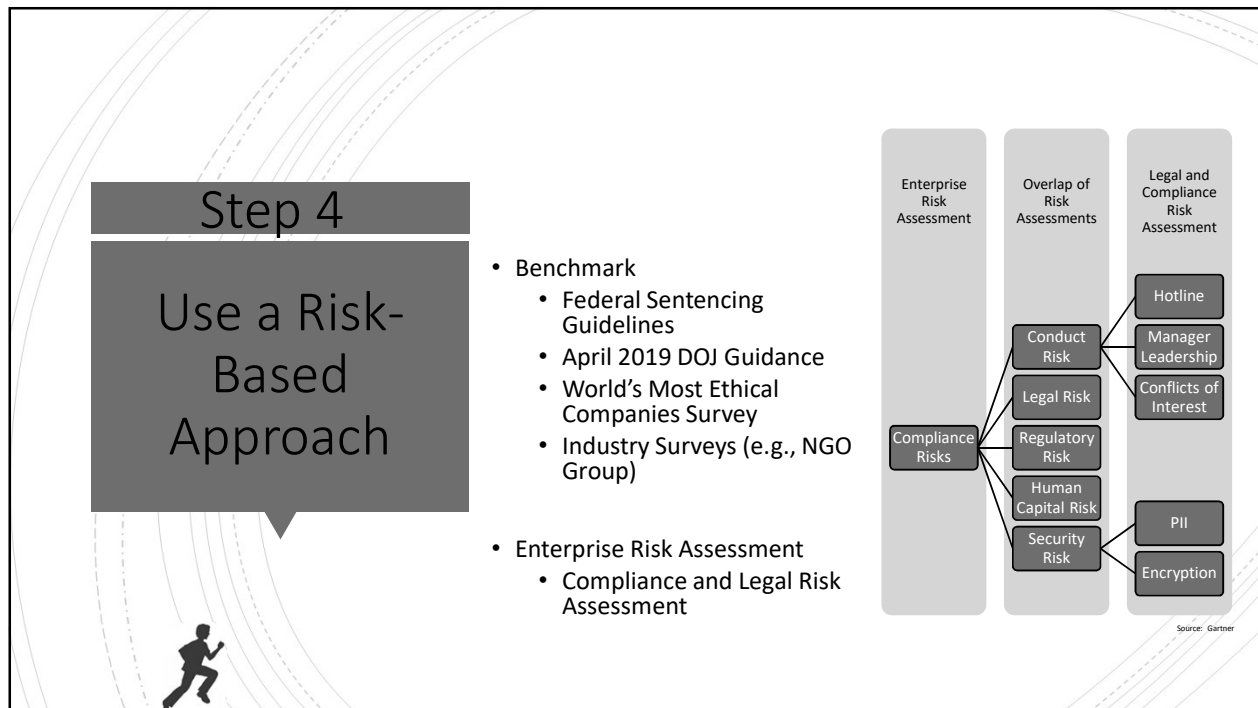


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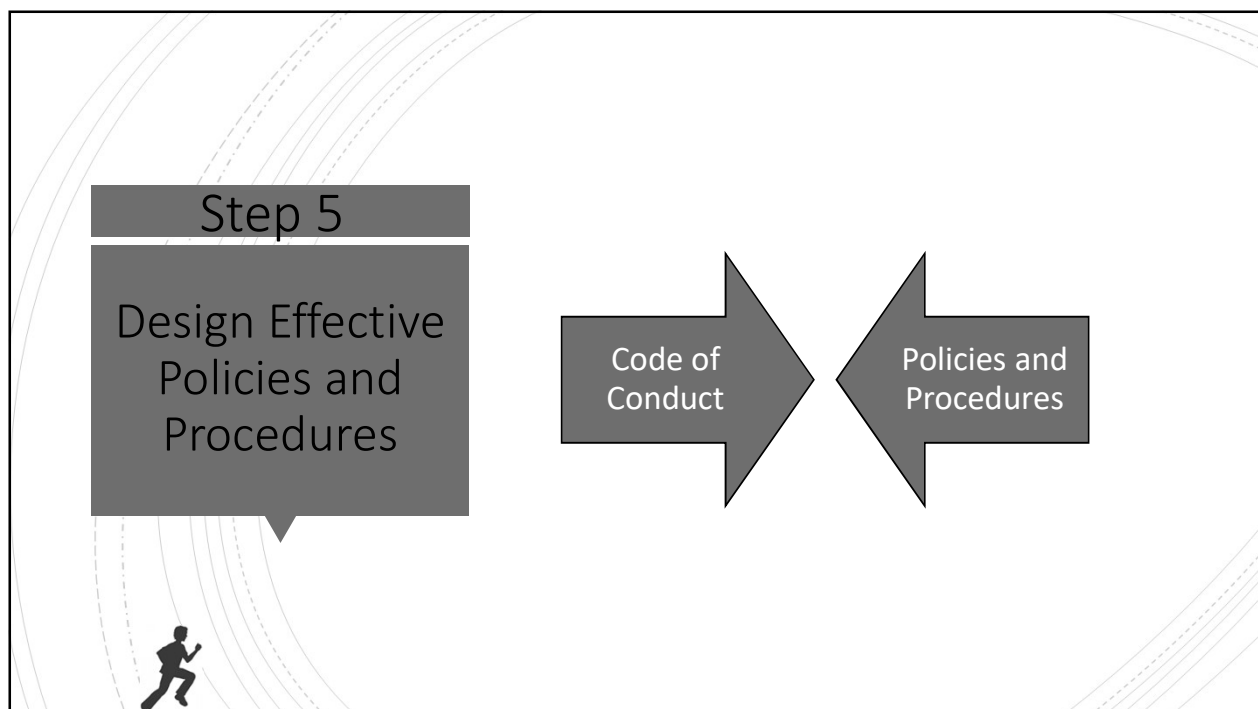


Is the program
well designed?

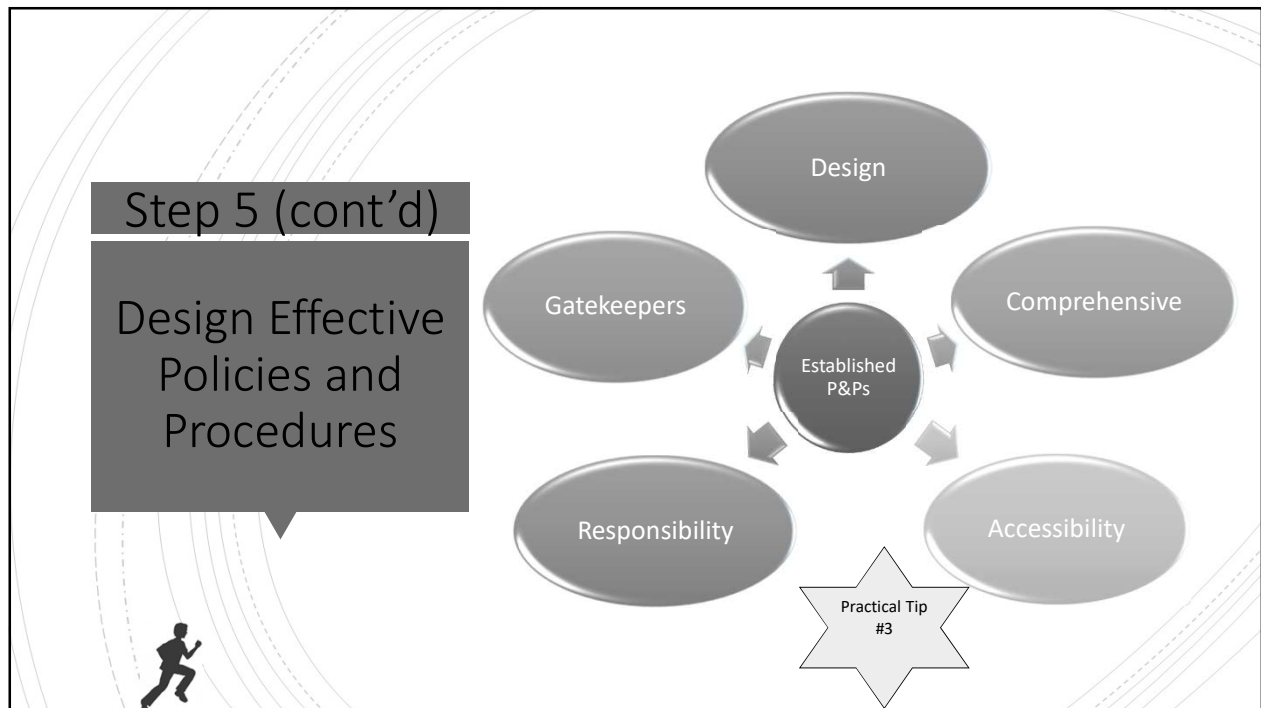
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Step 6

Conduct Trainings

- Risk Based
- Communicate Misconduct
- Guidance
- Content

Practical Tip #4

R relevant
E emotions
M memorable

20

Step 7

Visibly Communicate

Ariely, Dan. (2012). The (Honest) Truth About Dishonesty. New York: HarperCollins Publishers.

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Step 8

Provide Incentives / Recognition

- Tie to Performance
- Recognition Awards

Practical Tip #5


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Step 9

Ensure Confidential Reporting

- Anonymous Hotline
 - Anti-retaliation Language
- Investigator
- Timeliness
- Analysis

Practical Tip #6




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Step 10

Manage Third Parties

- Risk Based
- Controls
- Manage Relationship
- Consequences



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Step 11

Conduct Due Diligence

- Acquisition/M&A
- Third Parties
- Due Diligence
- Prior Misconduct and Process
- Integration



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Is the program being implemented effectively?



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Step 12

Establish Tone at the Top

Practical Tip
#7

- Board
- Executive and Senior Leadership

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Step 13

Manage Message in the Middle

- Make It Easy

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Step 14

Ensure Autonomy

- Structure
- Seniority
- Reporting Line

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Step 15

Request Resources

- Be Specific
- Request Annually
- Beg, Borrow, Steal

Practical Tip #8

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Does it work?



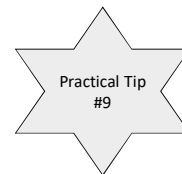
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Step 16

Conduct Confidential Investigations

- Investigation Protocol
- “Need to Know”
- Transparency in Process
- Reporting to Board

Practical Tip
#9




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Step 17

Discipline Appropriately

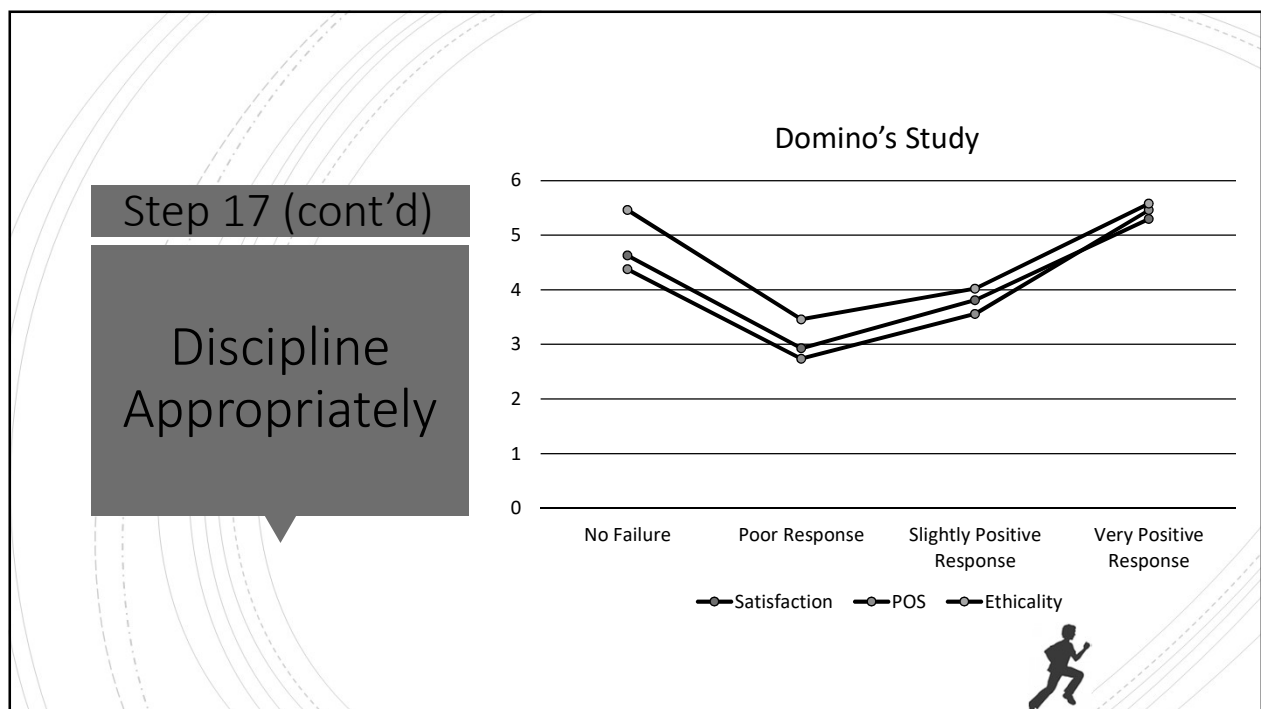
Practical Tip
#10

- Consistent Application
- Involvement of Management
- Accountability Matters



Schminke, M., Caldwell, J., Ambrose, ML., & McMahon, SR. (2014). Better than ever? Employee reactions to ethical failures in organizations, and the ethical recovery paradox. *Organizational Behavior and Human Decision Processes* 123(2): 206–219.

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Step 18

Conduct Root Cause Analysis

- Why, Why, Why Approach




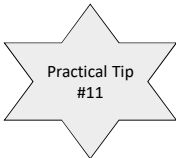
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Step 19

Continue to Monitor

- Audit Compliance
- Risk Assessments
- Culture Survey
- Monitor Compliance
 - Conflicts of Interest
 - Pre-trade Clearance
 - Vendor Management

Practical Tip #11



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Step 20

Work with Internal Audit

- Supplement Audit Findings
- Inform Audit Plan



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Table Exercise 1

Drafting A Strategic Plan

- Mission
- Vision
- Tie to Strategic Goals



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Questions?

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Resources

- April 2019 DOJ Criminal Division "Evaluation of Corp. Compliance Programs Guidance" <https://www.justice.gov/criminal-fraud/page/file/937501/download>.
- Ariely, Dan. (2012). *The (Honest) Truth About Dishonesty*. New York: HaperCollins Publishers.
- Chapter 8 – Sentencing of Organizations - United States Sentencing Guidelines ("U.S.S.G."), available at <https://www.ussc.gov/guidelines/2018-guidelinesmanual/2018-chapter-8#N>.
- Groysberg, B., Lee, J., Price, J., & Cheng, J. Y. (2018). The Leader's Guide to Corporate Culture. *Harvard Business Review* (January/February): 44-57.
- JM 9-47.120 FCPA Corporate Enforcement Policy, available at <https://www.justice.gov/jm/jm-9-47000-foreign-corrupt-practices-act-1977#9-47.120>.
- Justice Manual ("JM") JM 9-28.000 Principles of Federal Prosecution of Business Organizations, Justice Manual ("JM"), available at <https://www.justice.gov/jm/jm-9-28000-principles-federal-prosecution-business-organizations>.
- Schminke, M., Caldwell, J., Ambrose, M.L., & McMahon, S.R. (2014). Better than ever? Employee reactions to ethical failures in organizations, and the ethical recovery paradox. *Organizational Behavior and Human Decision Processes* 123(2): 206–219.

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