

Best Practices in Corporate Compliance and Governance

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What we will cover today

- The Fundamentals
- Expectations and Best Practices

Top of Mind

- What Makes a Defensible, Scalable, and Effective Program?
- What Policies, Procedures, and Processes Should be in Place?
- How Do You Make the Program Relevant and Drive Ownership?
- How Do You Measure a Compliance Program's Effectiveness?
- How Do You Continue to Evolve and Improve a Compliance Program?

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What You Should be Thinking About in Creating a Scalable, Defensible Compliance Program?

- FSG/COSO '13
- What are the “must haves?”
- Risk based program
- Reporting structure within company
- Corporate Social Responsibility expectations by customers, investors & internal & external stakeholders
- Public Relations issues

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Compliance Officers – Independent and Strong

In evaluating an effective compliance program, the DOJ and SEC consider whether:

- A company assigns responsibility for the oversight and implementation of a company's compliance program to one or more specific senior executives within an organization.
 - Whether those individuals have appropriate authority within the organization, adequate autonomy from management, and sufficient resources to ensure that the company's compliance program is implemented effectively.
- The Compliance Officer have adequate autonomy generally, including direct access to an organization's governing authority, e.g., the board of directors and committees of the board of directors (e.g., the audit committee).
- The reporting structure based on the size and complexity of an organization.
 - Moreover, the amount of resources devoted to compliance will depend on the company's size, complexity, industry, geographical reach, and risks associated with the business.

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Making the Compliance Program Relevant & Driving Ownership

- Tone at the Top & Tone at the Middle
- Explaining “what’s in it for me as an employee?”
- Recognizing cultural differences
- Integrating compliance as part of the culture
- Appropriate training, communications & messaging
- Ensuring responsibility & accountability
- Providing rewards & recognition
- Providing mechanisms for reporting by employees & third parties
- Messaging what remedial actions may be taken



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Governance – Policies, Procedures and Processes

- Independent and strong compliance officers and report lines
- One central location - easy to find
- Key compliance & ethics policies
- Accurate books and records and effective internal controls
- Standardized playbooks or manuals
- Principle based decision-making
- Regularized risk assessments
- Ownership of remediation
- Understandable & useful metrics



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Integrate Risk and Compliance

| Integrate risk and compliance | Dots Connected | <ul style="list-style-type: none"> • Embed risk management into every employee's job responsibility • Provide clarity on what everyone owns and take responsibility for educating business partners | |
|---|--|--|--|
| <u>Country Compliance</u> <ul style="list-style-type: none"> • Transform risk management, compliance discipline and governance to ensure compliance with local laws, regulations, and policies • Key Deliverables: <ul style="list-style-type: none"> ▪ Country Compliance Accountability model ▪ Country Self Assessment Process and tools ▪ Training and Change Management | <u>Internal Controls</u> <ul style="list-style-type: none"> • Drive holistic internal control effectiveness, awareness, and compliance by leveraging the COSO Integrated Internal Control Framework • Key Deliverables: <ul style="list-style-type: none"> ▪ Adoption of the COSO Framework ▪ Mandatory Training ▪ Advanced COSO Training | <u>General Compliance</u> <ul style="list-style-type: none"> • Enhance awareness of compliance capabilities through training, development programs, and communications • Key Deliverables: <ul style="list-style-type: none"> ▪ Compliance training program ▪ Issues communication and monitoring (i.e. newsletter) ▪ Compliance development (rotation) program | <u>Business Entity Compliance</u> <ul style="list-style-type: none"> • Transform Business Entity financial risk management, compliance discipline, and governance to ensure compliance with policies and operational processes and controls • Key Deliverables: <ul style="list-style-type: none"> ▪ Partnering with Compliance org to define key deliverables ▪ Drive alignment with Country Compliance model |

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Ongoing Review and Continuous Improvements

- Significant emphasis by US government authorities on creating, implementing and maintaining compliance programs that:
 - (1) Prevent;
 - (2) Detect; and
 - (3) Remediate corruption problems
- No compliance program will stop everything, but an effective program should identify issues
- What was acceptable last year will not be acceptable five years from now

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Evolving the Compliance Program

- Understanding impact of trends & changes for your company
- Monitoring trends & changes in law
- Risk based and proactive monitoring & auditing
- Ongoing training
- Updating tools – what makes sense

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Challenges for the Compliance Program

- Budget & resources
- Management “buy-in”
- Ethics v. compliance
- Impeding business goals & strategy
- Cultural & language differences
- Emerging markets
- Local & global regulatory agencies’ focus



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Thank you!

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