Leveraging Compliance Practices With Business Practices

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Agenda

1. 7 Essential Elements of a Compliance Program
2. Compliance is Good for Business
3. How to Operationalize Compliance
4. The TOOL vs. The JOB of Compliance
5. Seat at the Table for Compliance
6. Simplify Tasks using Tools
7. Local Governance Structure
8. Leverage Compliance Champions
9. Effective Training
10. Incentives and Disciplinary Measures
11. How DOJ assesses Compliance Programs
12. Questions.

Disclaimer: The opinions expressed in this presentation are solely my own and do not express the views or opinions of my employer.

7 Essential Elements of a Compliance Program

Oversight

Education & Training

Standards & Procedures

Monitoring & Auditing

Reporting

Enforcement & Discipline

Response & Prevention

(paraphrased from the US Federal Sentencing Guidelines)
Compliance is Good for Business

**Short Term Approach**

- Strategy
- Execution
- Success

**Sustainable Approach**

- Good Business
- Culture of Ethics and Compliance

"Culture eats strategy for breakfast."

-Yo! Drucker

How to Operationalize Compliance

- Identify High Risk Tasks
- Make sure they are performed correctly
- It’s not enough to have policies and train
- Apply policy to operational tasks and job duties
- Focus on:
  - Risks
  - Controls
  - Procedures, Forms & Checklists
  - Monitoring
  - Auditing
  - Specific compliance trainings

Compliance doesn’t happen at the Program level, Risk level or Job-function level.
IT HAPPENS AT THE TASK LEVEL

Integrating Compliance into Business Strategy

- Start with a risk area. Example - ‘Anti Corruption’
- Choose a process under that risk. Example - ‘Getting a License’
- Map out tasks that people do in that process
- Remember almost all processes end with someone getting paid
- If you need help in identifying processes consult your auditors
- Pick one of the high-risk tasks in the process (it’ll either be a front-line task that creates the risk e.g. ‘engaging a third party’ or a gatekeeper task that controls the risk e.g. ‘approving 3rd party invoice’)
- Give employees something to read while they are actually doing the task (using a checklist while doing a high-risk task vs. memorizing the red flags may both help in being compliant - the former is more likely to ensure compliance CONSISTENTLY)
- Monitoring and reporting - auditing is the way to gauge effectiveness of a compliance program (auditing tasks helps measure what people do vs. what they remember or think)
The TOOL vs. The JOB of Compliance

<table>
<thead>
<tr>
<th>TRADITIONAL METHOD</th>
<th>OPERATIONAL METHOD</th>
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<tbody>
<tr>
<td>Do a risk assessment</td>
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<tr>
<td>Spend a year refreshing old policies</td>
<td>Identify the riskiest activities handled by the company - Prioritize those</td>
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<td>Train everyone annually</td>
<td>Postpone refreshing outdated policies until you handle critical aspects first</td>
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<td>Visit the Compliance Officer to travel to all sites and talk about policies</td>
<td>Realize you may have bad data, but you can still identify high risk activities</td>
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<td>Have the CEO talk about compliance at the company’s annual meeting</td>
<td>Provide task-based training for targeted employees and third parties</td>
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<td>Adapt best in class policy training</td>
<td>Provide checklists for tasks</td>
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<td>Hire a branding agency to create catchy slogans</td>
<td>Have preventative &amp; detective controls</td>
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<td>Don’t give people tools to use and apply compliance in day-to-day tasks</td>
<td>Collaborate with Finance, HR, Legal to monitor activities</td>
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<td>Keep promoting policy-level stuff</td>
<td>Enlist internal audit for periodic checks</td>
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<td>Assume sales and marketing will figure out how to apply policies</td>
<td>Move on to next highest-risk activity</td>
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<td>If not, they will call the HOTLINE</td>
<td>Avoid “reactionary” compliance tactics</td>
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Result: High rate of Non Compliance

DON’T CONFUSE the TOOL (Compliance Program) with the JOB (Mitigating Risk)

Seat at the Table for Compliance

- Get past “paper compliance programs”
  - Chief Compliance Officer (CCO)
  - Code of Conduct and Policies
  - Training (onsite and e-learning)
  - Monitoring and Reporting
  - Ethics Hotline
  - Status reports to Audit Committee
- Does the CCO have a seat at the table where organization’s important business is discussed and decided?
- Where is your CCO’s Office?

CCOs need TANGIBLE & INTANGIBLE Indicia of Empowerment

Simplify Tasks using Tools

BUILD GUIDANCE INTO PROCESSES TO MAKE COMPLIANCE SIMPLE
Local Governance Structure

INCLUDE OTHER FUNCTIONS IN ENSURING COMPLIANCE

Local Governance Committee

Leverage Compliance Champions

LEVERAGE BUSINESS PEOPLE TO BE COMPLIANCE EVANGELISTS

INFLUENCE ENCOURAGE

COMMUNICATE SUPPORT

Effective Training

REAL-WORLD APPLICATION OF TRAINING LEADS TO COMPLIANCE

HOW PEOPLE LEARN

ENGAGE RETAIN

TRANSFER i.e. APPLY
Incentives and Disciplinary Measures

INTEGRATE
COMPLIANCE
PERFORMANCE
INT
EMPLOYEE
PERFORMANCE
APPRAISAL

How DOJ assesses Compliance Programs

<table>
<thead>
<tr>
<th>CULTURE</th>
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<tbody>
<tr>
<td>1. Analysis and Remediation of Underlying Misconduct</td>
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<td>2. Senior and Middle Management</td>
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<tr>
<td>3. Autonomy and Resources</td>
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<tr>
<td>4. Policies and Procedures</td>
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<tr>
<td>5. Risk Assessment</td>
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<td>6. Training and Communications</td>
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<td>7. Confidential Reporting and Investigation</td>
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<td>8. Incentives and Disciplinary Measures</td>
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<td>9. Continuous Improvement, Periodic Testing and Review</td>
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<td>10. Third Party Management</td>
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<td>11. Mergers and Acquisitions (M&amp;A)</td>
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ACCOUNTABILITY

Culture

Is the Tone At the Top

STRONG

VISIBLE

EXPLICIT

Does your Compliance Team Have

STATURE

FUNDING

RESOURCES
Governance

- Are the company’s policies and procedures in writing and understandable?
- Easily findable?
- Translated/localized?
- Reviewed & updated timely?

Source: blog.thebroadat.com

Education

- Are the company’s training and communications delivered frequently and given to third parties?
- Practical: tell what to do?
- Practical: tell who to call?

Source: blog.thebroadat.com

Accountability

- Does the company consistently and fairly reward good behaviour?
- Hold third parties accountable?
- Punish bad behaviour?

Source: blog.thebroadat.com
Questions

Thank you very much for your attention!