



Risk Assessment & Management: Strategic Driver of an Effective Ethics & Compliance Program

SCCE REGIONAL CONFERENCE
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SESSION OBJECTIVES

Gain perspective on:

- Why (and how) risk assessment/management is a key tool for engaging colleagues across the organization
- Getting started (hint: you can't "boil the ocean"...)
- The leadership and culture aspects of risk assessment/management



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AGENDA

- Setting the Context
- Getting Started
- Incorporating Leadership and Culture



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SETTING THE CONTEXT



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AN "EFFECTIVE" ETHICS & COMPLIANCE PROGRAM IS...

... a comprehensive **system** of policies, processes and procedures
designed to **prevent**
– or **detect and correct** –
violations of law (or company policy)...

...and supported by a **Culture of Integrity**.



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DRIVING RESILIENCE: THE VALUE OF AN "EFFECTIVE" ETHICS & COMPLIANCE PROGRAM

Protecting the Organization

- Reputation and brand
- Legal and regulatory requirements
- Director and officer personal liability
- Costs

Enhancing Organizational Performance

- Business continuity
- Employee engagement and productivity
- Customer and investor confidence
- Attracting/retaining high-quality talent
- Favorable credit ratings and insurance premiums

The "Why" of
the Program



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AN "EFFECTIVE" ETHICS & COMPLIANCE PROGRAM* (A PRACTICAL TRANSLATION)

- Leaders "promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law"
- Program is overseen by engaged, active leadership (including the Board) and provided with sufficient authority and resources
- Risk assessment drives risk-based policies and procedures
- "Effective" training and communication
- "Mechanism" for employees to raise concerns and ask questions without fear of retaliation for doing so**
- Monitoring, auditing and investigations
- Consistent corrective and preventive action, including appropriate disciplinary actions and incentives
- Commitment to "continual improvement"

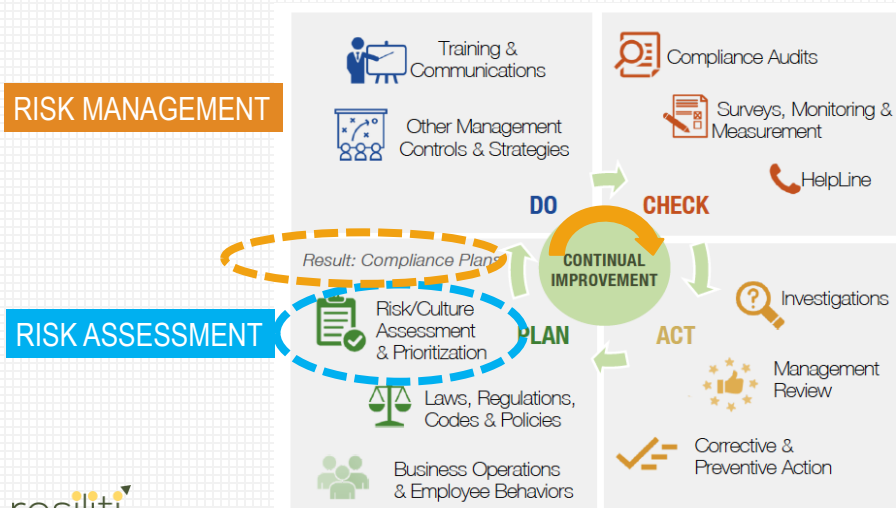
The "What" of the Program

* Paraphrased from US Federal Sentencing Guidelines for Organizations 18 USC §8B2.1
 ** Anonymous option required for public companies, recommended for private companies



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THE ETHICS & COMPLIANCE PROGRAM AS A MANAGEMENT SYSTEM



The "How" of the Program



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SOME KEY ETHICS & COMPLIANCE RISK AREAS

- Antibribery/Corruption
- Anti-Money Laundering
- Antitrust/Competition
- Child/Forced Labor/Modern Slavery
- Conflicts of Interest
- Contacts with Government Officials
- Corporate Communications
- Employment and Labor Relations
- Environmental
- Gifts and Entertainment
- Government Contracting
- Immigration
- Information Governance
 - Information Security/Cyber-Security
 - Data Privacy
 - Internet, Email, Social Media Usage
 - Records Management
- Insider Trading
- Intellectual Property
- Occupational Health and Safety
- Product Liability and Stewardship
- Trade Controls (Import, Export, Boycott)
- Use and Protection of Company Assets
- Other Industry-Specific Regulatory Areas (Conflict Minerals, FDA, FTC, FAA, etc.)



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GETTING STARTED

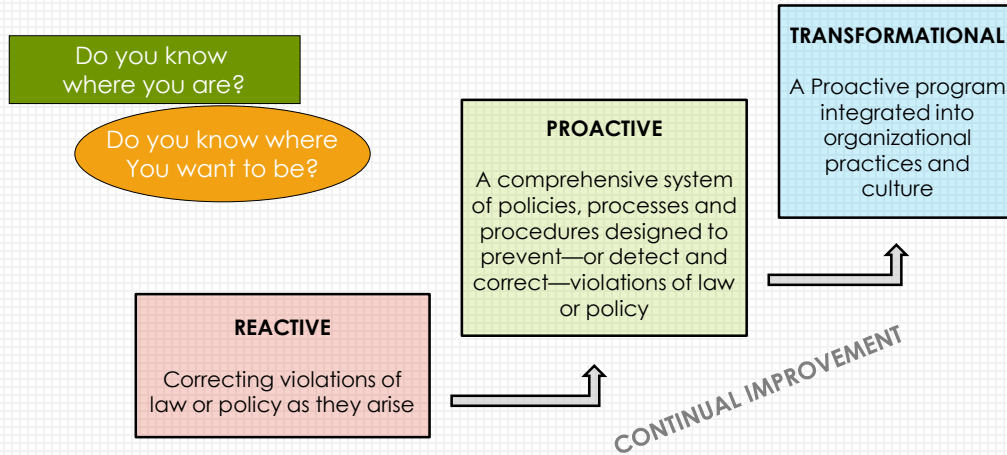


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DRIVING PROGRAM MATURITY

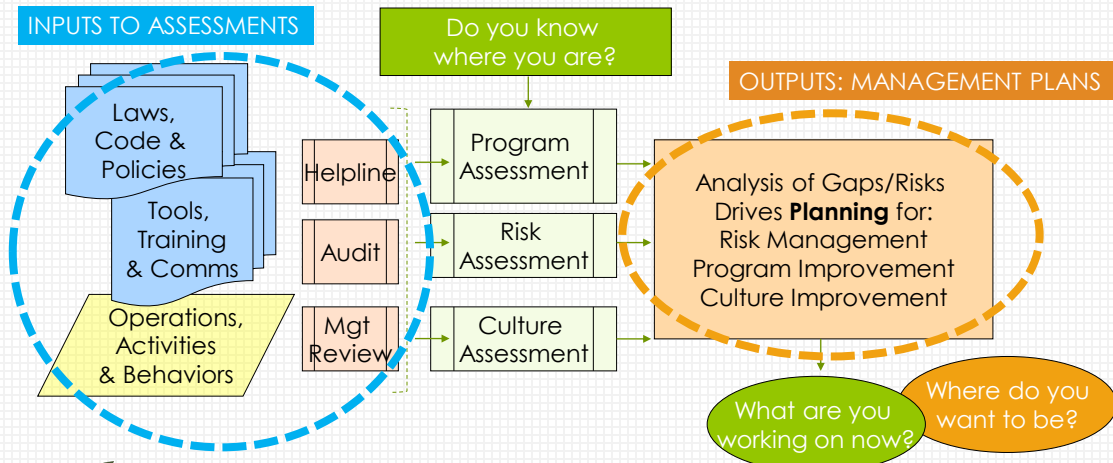


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BASELINE: SYSTEMATIC ASSESSMENTS



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OBJECTIVES OF RISK ASSESSMENT AND MANAGEMENT: DRIVING AN EFFECTIVE PROGRAM

- Risk Assessment ("RA")
 - Identifying and prioritizing legal and ethical (reputational) risks
 - Collaborative approach in each Risk Area and constituency
 - Quantitative and qualitative considerations
 - Parameters to define significance of risks → PRIORITIZE
- Risk Management ("RM")
 - Mitigating the identified risks with Risk Management (or Compliance) Plans
 - Addressing most significant risks first optimizes resources ("cant boil the ocean")
 - Assigning owners and timeframes, then monitoring and reporting on progress
- Commitment to Continual Improvement
 - Move toward "best practices" and "local" ownership

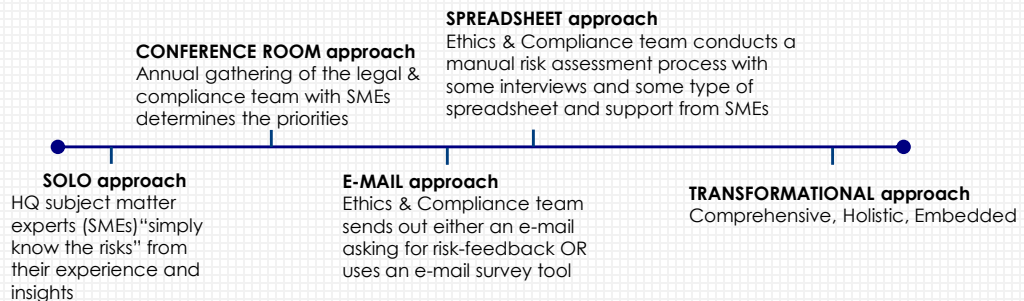


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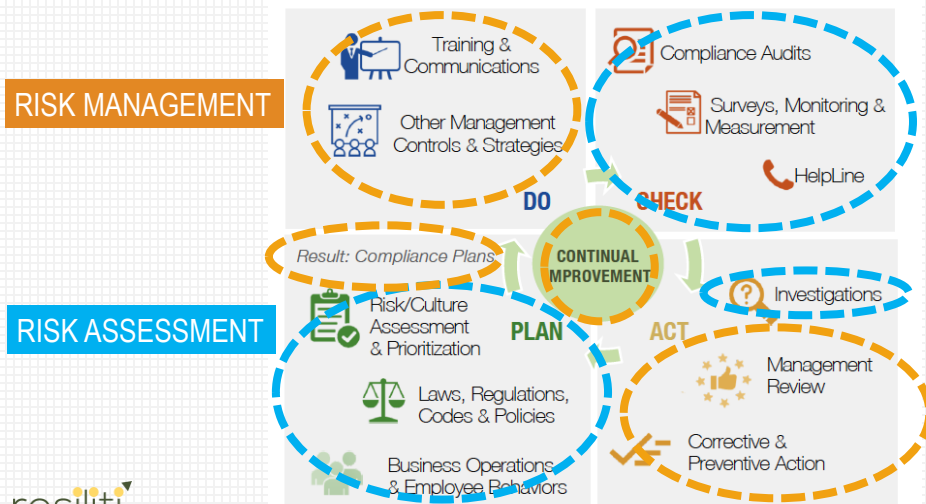
APPROACHES TO RISK ASSESSMENT & MANAGEMENT



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ETHICS & COMPLIANCE RISK ASSESSMENT AND MANAGEMENT



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DOCUMENT REVIEW

- Prior Assessments (Program, Risk, Culture)
- Codes, Policies and Procedures
- Audit and Investigation Reports
- Crisis Management Protocols
- Surveys, Focus Group Results, Helpline Information
- Reports to Senior Leadership and the Board
- Enforcement, Corrective Action
- Industry Benchmarking
- Etc...

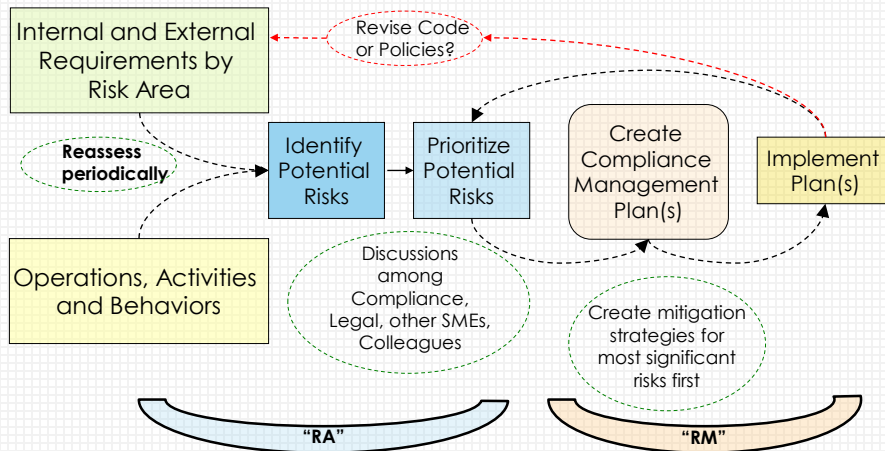
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RISK ASSESSMENT AND MANAGEMENT PROCESS MAGNIFIED



PRIORITIZING AND MANAGING RISKS

- Questionnaires, Surveys, Conversations
- “Probability” (likelihood) and “Impact” (significance) definitions/charts
- Risk Inventory or Matrix (to focus resources on most significant risks first)
- Risk Management Plan (with timeline and owners)
- Resource commitments (part of ERM, strategic planning process?)
- Regular monitoring and reporting—not just an annual review

WHERE DO YOU WANT TO BE IN THE FUTURE...?

In terms of the:

- Overall culture?
- The RA/RM program?
- Program governance?
- Self-governance?

***These considerations determine
the focus, pace and resource commitments for your Plan***



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CRITICAL ELEMENTS OF A PROACTIVE PROGRAM

- Risk Assessment/Management Process drives strategic planning and priorities
 - Commitment to continual improvement drives Program maturity
- Culture of Integrity
 - "Speaking up" culture ensures early warning of issues and course-correction
 - Ethical decision-making guidance for deciding what risk mitigation is "right"
 - Leadership supports Program and models ethical behavior
- Collaboration
 - Centralized and decentralized ownership ("RACI" model)
 - Information-sharing and innovation
 - Avoid/minimize redundancy, overkill, unnecessary interruptions
- Approach
 - Understand "Current State"
 - Identify desired "Future State"



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LEADING MANAGEMENT PRACTICES FOR RISK ASSESSMENT/MANAGEMENT

- Colleagues are engaged in the process across the organization
- Participants focus on risks with a consistent approach enterprise-wide
 - “Apples-to-apples” understanding of the big-picture risk profile...
 - Probability and Impact criteria are centrally defined and consistently applied
 - Prioritized risk inventory identifies patterns and trends to drive planning for risk mitigation to manage most significant risks first
 - Risk Management Plan reveals practice-sharing opportunities (avoids redundancies)
- RA/RM Process is repeated with established frequency (annually?)
 - Also for “game-changers” (acquisition, divestiture, new product, new country, etc.)
 - This not a point in time assessment – it is a dynamic process
- Regular reporting to Chief Ethics & Compliance Officer, Execs, Board of progress on implementing the Plan and improving the risk profile



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LEADERSHIP AND CULTURE ASPECTS OF RISK ASSESSMENT/MANAGEMENT



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A CULTURE OF "INTEGRITY"

Leaders "promote an **organizational culture** that **encourages ethical conduct** and a **commitment to compliance** with the law"*



A Culture of "Integrity" = Compliance + Ethical Behavior

- Starts with Compliance as the "floor" for behavior
- Shared values or principles could "raise the bar"

* US Federal Sentencing Guidelines for Organizations, 18 USC § 8B2.1



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HOLISTIC OBJECTIVES OF EMBEDDED RA/RM

- Gather input to develop comprehensive, embedded RA/RM process
- Listening and Learning
 - Understand the organizational governance structure, strategic plans (and risk management accountabilities, in particular)
 - Understand the requirements that apply to each of the functions/constituencies
 - Understand the shared values/principles that define "Ethical Behavior" in the organization (are Code and Values "living in the leadership and culture?")
 - Hear feedback on Program policies, training, other controls
- Informal/Formal Assessments (conversations, document review)
 - Collaborative evaluation of the maturity of the RA/RM Program
 - Collaborative evaluation the maturity of the Culture of Integrity
- Collective ownership of the Risk Management planning process



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WHAT WOULD “SUCCESS” LOOK LIKE?

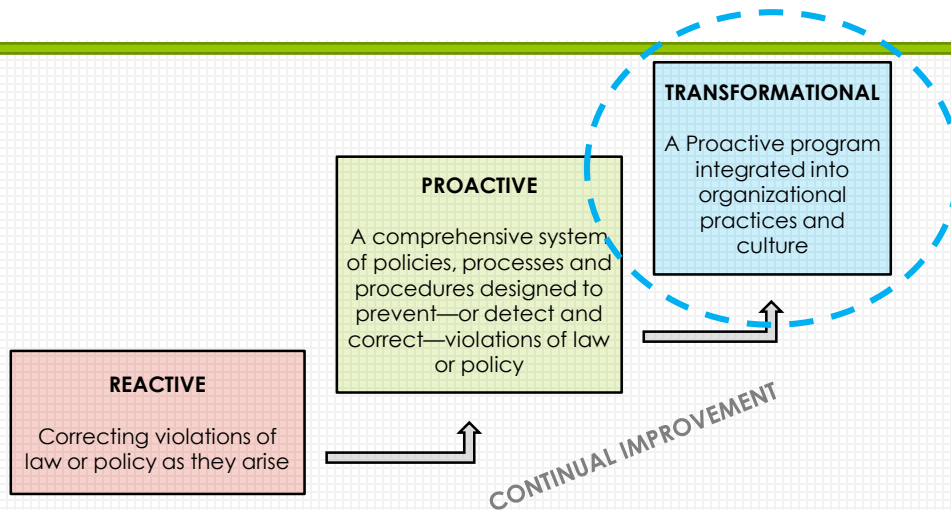
- Near-term
 - Discussions around risk areas among Ethics & Compliance, Legal, other SMEs, Colleagues representing each division/location
 - Establish trust to inspire candor
 - Exploit teachable moments
 - Engage business champions to own risk mitigation strategies in the business (timing is key)
 - An early “win” is key to buy-in, identifying champions, driving sustainability
 - A pilot in one business unit or division
 - Address a few key risk areas across a few divisions/business units
 - A few risk areas across the whole enterprise
- Long-term
 - Transformational, total integration of risk management into the business strategy, budget planning process, operations and culture



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DRIVING PROGRAM MATURITY



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Did we achieve our objectives?



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QUESTIONS?

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Thank You!

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