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
AGENDA

• Setting the Context
• Getting Started
• Incorporating Leadership and Culture
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.

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
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"

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

THE ETHICS & COMPLIANCE PROGRAM AS A MANAGEMENT SYSTEM
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.)

GETTING STARTED
DRIVING PROGRAM MATURITY

**Do you know where you are?**

**Do you know where you want to be?**

**PROACTIVE**
A comprehensive system of policies, processes and procedures designed to prevent—or detect and correct—violations of law or policy

**TRANSFORMATIONAL**
A Proactive program integrated into organizational practices and culture

**REACTIVE**
Correcting violations of law or policy as they arise

CONTINUOUS IMPROVEMENT

BASELINE: SYSTEMATIC ASSESSMENTS

**INPUTS TO ASSESSMENTS**
- Laws, Code & Policies
- Tools, Training & Comms
- Operations, Activities & Behaviors

**Do you know where you are?**

**OUTPUTS: MANAGEMENT PLANS**
- Program Assessment
- Risk Assessment
- Culture Assessment

Analysis of Gaps/Risks Drives **Planning** for:
- Risk Management
- Program Improvement
- Culture Improvement

What are you working on now?

Where do you want to be?
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 \( \rightarrow \) PRIORITIZE

- Risk Management (“RM”)
  - Mitigating the identified risks with Risk Management (or Compliance) Plans
  - Addressing most significant risks first optimizes resources ("can’t boil the ocean")
  - Assigning owners and timeframes, then monitoring and reporting on progress

- Commitment to Continual Improvement
  - Move toward “best practices” and “local” ownership

APPROACHES TO RISK ASSESSMENT & MANAGEMENT

- SOLO approach
  - HQ subject matter experts (SMEs) "simply know the risks" from their experience and insights

- CONFERENCE ROOM approach
  - Annual gathering of the legal & compliance team with SMEs determines the priorities

- SPREADSHEET approach
  - Ethics & Compliance team conducts a manual risk assessment process with some interviews and some type of spreadsheet and support from SMEs

- E-MAIL approach
  - Ethics & Compliance team sends out either an e-mail asking for risk-feedback OR uses an e-mail survey tool

- TRANSFORMATIONAL approach
  - Comprehensive, Holistic, Embedded
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...
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.

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”
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

LEADERSHIP AND CULTURE ASPECTS OF RISK ASSESSMENT/MANAGEMENT
A CULTURE OF “INTEGRITY”

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

Ethical Behavior = Doing what is “right,” defined by shared values or principles, which might go beyond what the law requires.

Compliance = Behaving in accordance with legal requirements.

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

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
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

DRIVING PROGRAM MATURITY

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- **REACTIVE**
  Correcting violations of law or policy as they arise

**TRANSFORMATIONAL**
A Proactive program integrated into organizational practices and culture

CONTINUAL IMPROVEMENT
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

Did we achieve our objectives?

QUESTIONS?

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Thank You!