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SCCE's 2018 Utilities & Energy Conference

Strategy & Compliance – Where Shall the Two Meet?

February 6, 2018

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Agenda

Topic
Introductions – who are we?
Compliance & Strategy – what matters?
Examples – when is structure relevant?
Communications – where do they help?
Accountability – why is it important?
Q&A – how can we help?

Introductions – who are we?



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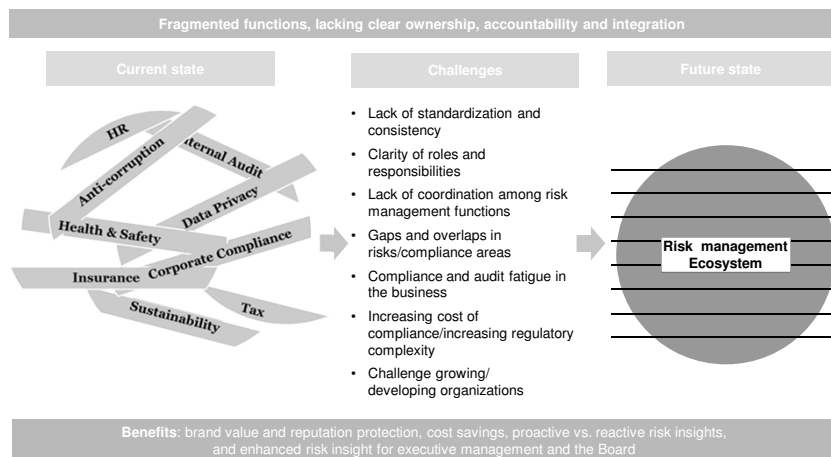


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Compliance & Strategy – what matters?

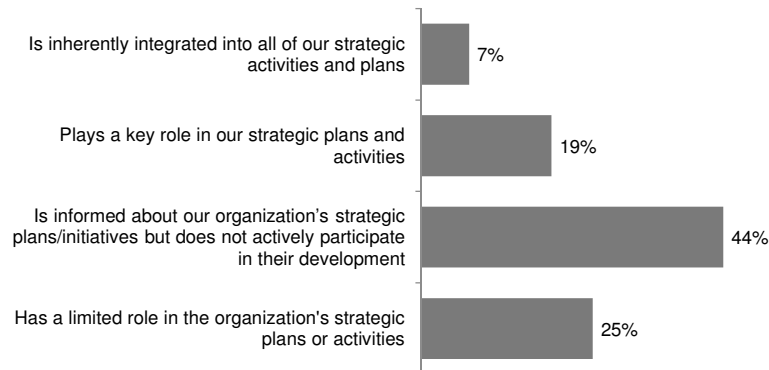


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Compliance & Strategy – what matters? (cont.)

How would you describe the compliance and ethics function's role in your organization's strategic planning?

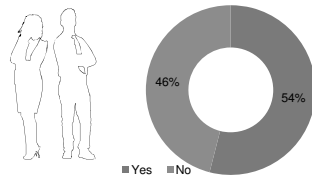


* Source: PwC State of Compliance study
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Examples – when is structure relevant?

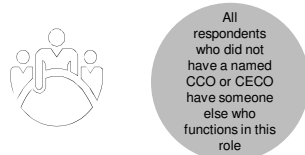
Does your organization have a **named** Chief Compliance Officer or Chief Ethics and Compliance Officer, whose sole responsibility is the monitoring and oversight of compliance or compliance and ethics?



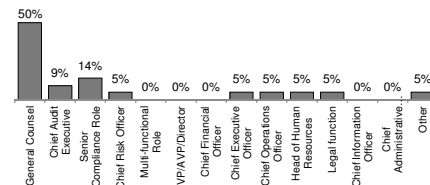
To whom does your Chief Compliance Officer or Chief Ethics and Compliance Officer report?



In the absence of a named CCO or CECCO, is there someone else who functions as your organization's compliance officer?*



Who functions as your organization's compliance officer?



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Examples – when is structure relevant (cont.)?

CSES Leadership Team



Judy Poferi
SVP and Corporate Secretary



Emily Ahachich
Strategy and Planning



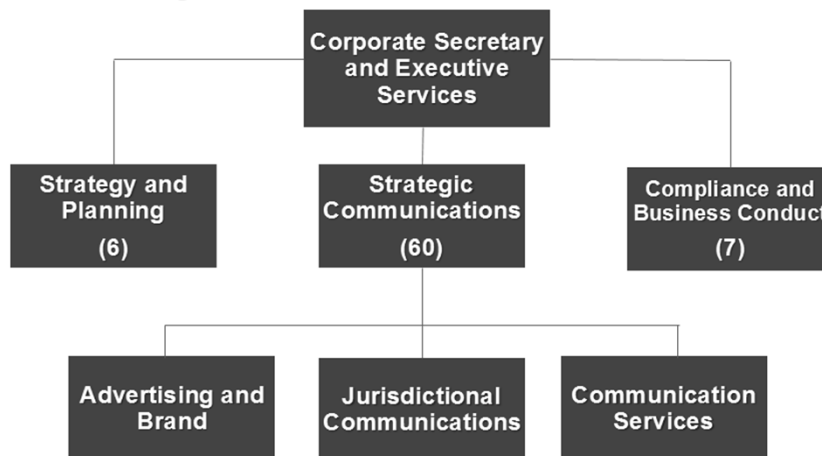
Sara Dietrich
Strategic
Communications



Laura Lonsdale
Corporate Compliance
& Business Conduct

Examples – when is structure relevant (cont.)?

CSES Organization



Examples – when is structure relevant (cont.)?

CSES Priorities



Examples – when is structure relevant (cont.)?

Reporting to:	Defining the C&E Reporting Structure	
	Advantages	Disadvantages
Board of Directors or a Subcommittee of the Board	<ul style="list-style-type: none"> • In line with FSGs, comments from Department of Justice and government settlements 	<ul style="list-style-type: none"> • Less practical given Board is neither onsite nor involved in the business on a day-to-day basis
Chief Executive Officer (CEO)	<ul style="list-style-type: none"> • Supported (though not mandated) by FSGs • Greater buy-in and recognition of C&E efforts across senior management and throughout organization • C&E voice in business strategy, planning and decision-making 	<ul style="list-style-type: none"> • Adds to the many demands on CEO's time • Adds to number of direct reports to CEO
General Counsel or Legal Department	<ul style="list-style-type: none"> • Most prevalent reporting structure (all industries) • Natural alignment (i.e., responsibilities include equipping the organization with tools to comply with legal requirements) 	<ul style="list-style-type: none"> • Separate functions mandated in many government settlements • Not supported (though not prohibited) by FSGs • Inherent conflict between roles (i.e., protector versus issue spotter); competition for time/attention • Potential for loss of independence / feelings of pressure (real or perceived) to not raise issues
Chief Risk Officer	<ul style="list-style-type: none"> • Similar subject matter expertise and responsibilities • Better leverage risk management competencies in driving risk assessment and risk mitigation • Better alignment of "2nd line" capabilities • Establish independence between the Legal Department and Compliance 	<ul style="list-style-type: none"> • Potential lack of familiarity with elements of a C&E program • Potential to minimize prominence of C&E in organization / importance of Compliance risk • Potential to focus more on managing risk versus enhancing strategic goals

Examples – when is structure relevant (cont.)?

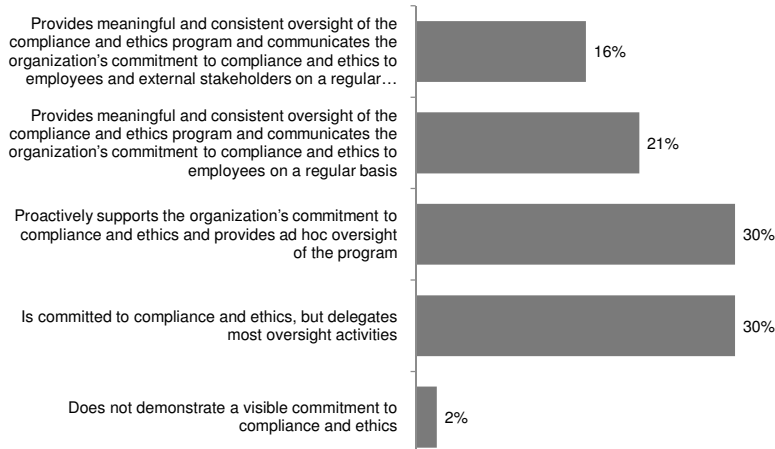
	Factors and Considerations	Impact
Structure of Function:	<ul style="list-style-type: none"> • Structure of the wider organization • Risks and related risk management of the organization • Scope and scale of compliance function activity • Regulatory requirements at the different levels of the company • A need to drive consistency (functions, issues, locations, etc.) • Perception of independence of the compliance function 	<ul style="list-style-type: none"> • Compliance function that allocates compliance resources effectively in order to manage risks appropriately • Appropriate sharing of compliance monitoring responsibilities between Compliance and the business units • Acceptance of compliance by business units • Business units that embed compliance within their business units and are in compliance
Business Unit Alignment:	<ul style="list-style-type: none"> • Compliance function that is structured in a manner that is in alignment with significant business units so they can identify and address the compliance risks and meet the regulatory demands of their markets, locations and industries 	
Flexible Structure:	<ul style="list-style-type: none"> • Compliance structure that is flexible, allowing for the ability to immediately address the varying short-term needs of quickly enhancing the compliance function and addressing the compliance and regulatory requirements • Underlying compliance procedures that allow the flexibility to conform to local laws and regulations 	
Compliance Organization Member Attributes:	<ul style="list-style-type: none"> • Skill sets of compliance, business unit and functional resources to effectively establish compliance culture and trust • Established and well-managed relationships to interact and coordinate responsibilities across functions and business units 	
Complimentary Compliance Risk Management:	<ul style="list-style-type: none"> • Collaboration with Business Units, Internal Audit, Legal Counsel and Human Resources. Each should take on specific governance, risk and compliance responsibilities in order to help build a strong compliance structure. 	

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Communications – where do they help?

How would you describe senior leadership's support of the compliance and ethics program at your organization?



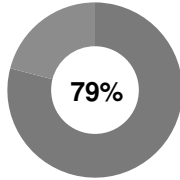
* Source: PwC State of Compliance study

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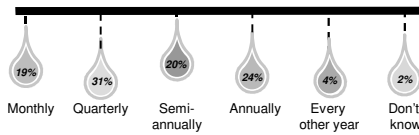
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Communications – where do they help (cont.)?

Does senior leadership formally communicate with employees regarding the importance of a compliance and ethics culture and/or other compliance and ethics-related topics? (% saying yes)

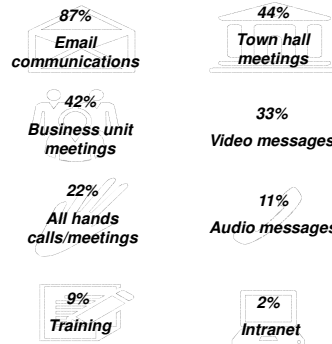


How frequently does senior leadership formally communicate with employees regarding the importance of a compliance and ethics culture and/or other compliance and ethics-related topics?



* Source: PwC State of Compliance study
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How does senior leadership formally communicate with employees regarding the importance of a compliance and ethics culture and/or other compliance and ethics-related topics?



24% as part of every day business communications

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Accountability – why is it important?



Company culture trumps company policy almost all of the time.

Companies need to pay as much attention to culture as to policies, training, auditing, etc.

Research proves: **Culture drives behavior!** *

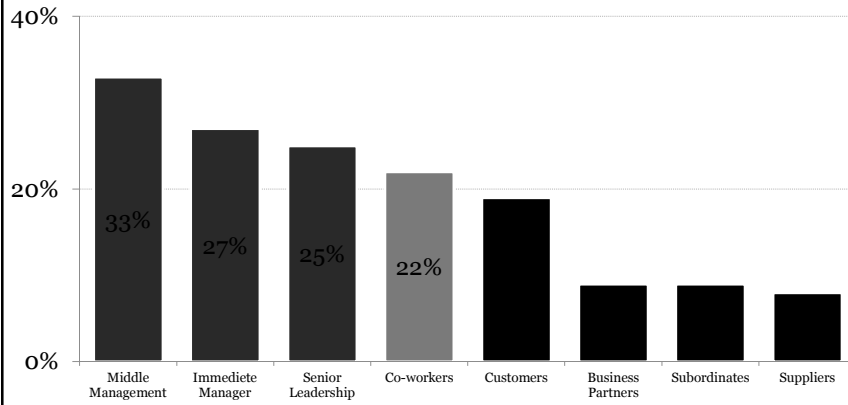
* Source: Ethics Resource Centre, NBES
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Accountability – why is it important (cont.)?

19% of employees feel pressure to compromise their Code.

Those in **positions of authority** are the top three most commonly cited **sources of this pressure.**

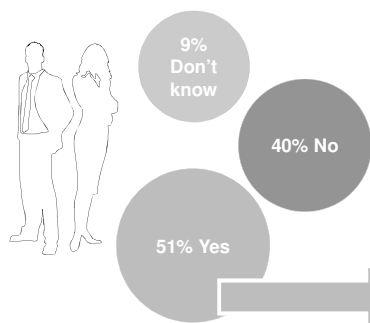


*Source: Ethisphere
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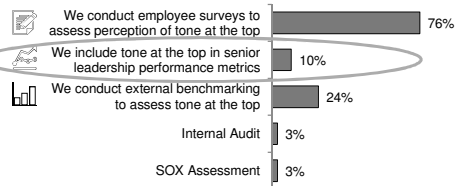
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Accountability – why is it important (cont.)?

Does your organization assess its tone at the top?



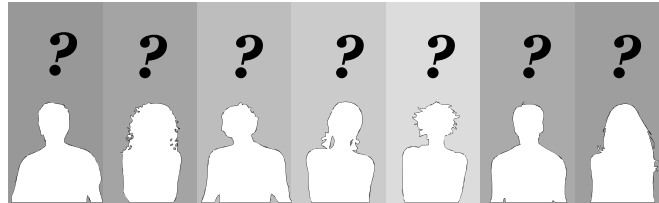
How does your organization assess its tone at the top?



* Source: PwC State of Compliance study
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Q&A – how can we help?



Thank you!

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