Preeti Wadhawan

9 April 2018

Keys to building a robust compliance culture
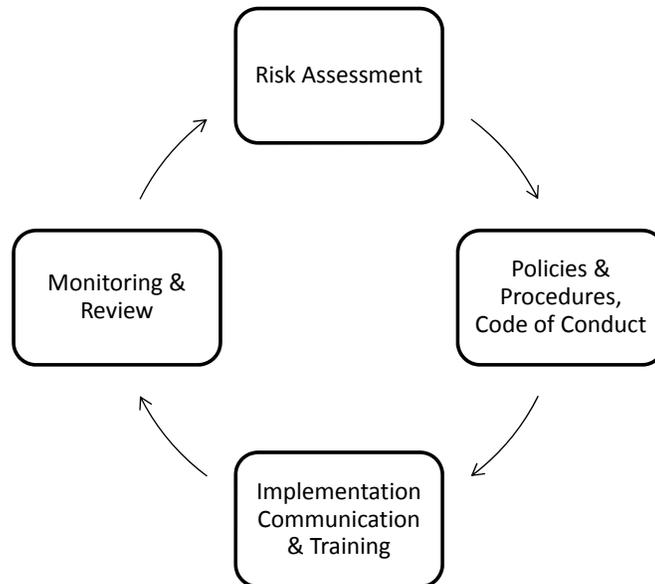

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"If you think compliance is expensive, try non- compliance"

Former U.S. Deputy Attorney General Paul McNulty

Framework

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                    ┌──────────────┐
                    │    Risk      │
              ┌────▶│  Assessment  │─────┐
              │     └──────────────┘     ▼
     ┌──────────────┐            ┌──────────────┐
     │ Monitoring & │            │  Policies &  │
     │   Review     │            │  Procedures, │
     └──────────────┘            │ Code of      │
              ▲                  │ Conduct      │
              │                  └──────────────┘
              │     ┌──────────────┐     │
              └─────│Implementation│◀────┘
                    │Communication │
                    │  & Training  │
                    └──────────────┘
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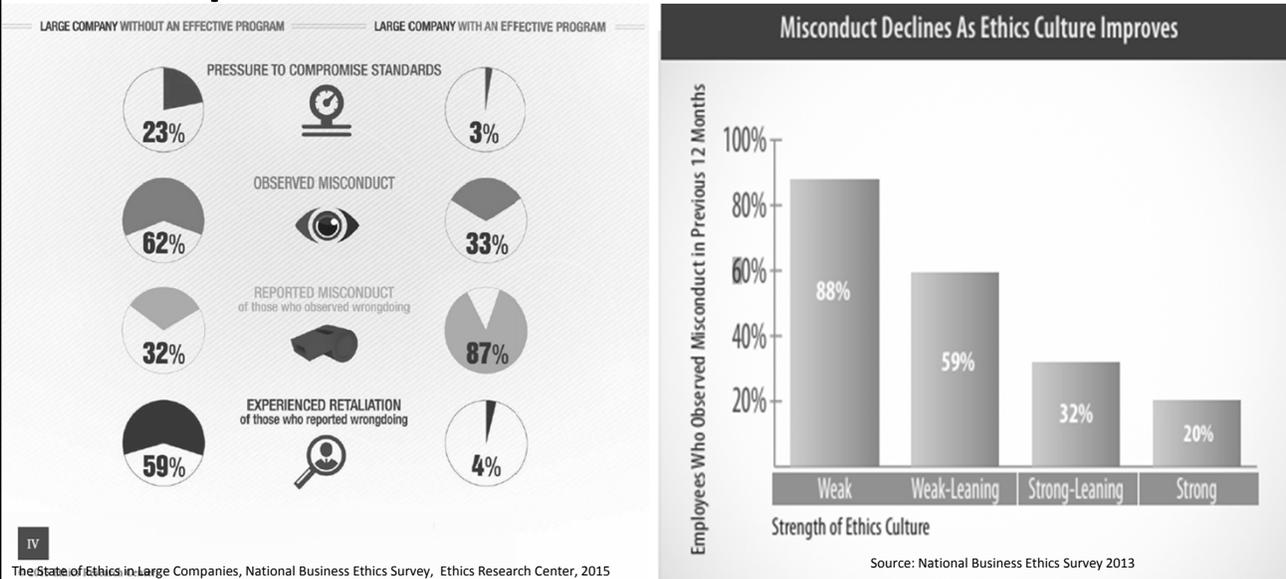
Why a robust compliance culture

- Resource guide to US FCPA mentions that an '**effective**' compliance program must, among other things "**promote an organisational culture that encourages ethical conduct and a commitment to compliance with law**"

- The UK Bribery Act's "Adequate Procedures" provides for top level commitment (Principle 2) and states that "**the top management should foster a culture within the organization in which bribery is never acceptable**"

Important elements to build a compliance culture

- **Commitment from the top**

- **Risk assessment**

- **Developing code of conduct**

- **Laying down policies and procedures**

- **Communication**

- **Training**

- **Monitoring and review**

Strong ethical culture leads to improvement in ethical performance indicators

LARGE COMPANY WITHOUT AN EFFECTIVE PROGRAM — LARGE COMPANY WITH AN EFFECTIVE PROGRAM

PRESSURE TO COMPROMISE STANDARDS
23% — 3%

OBSERVED MISCONDUCT
62% — 33%

REPORTED MISCONDUCT
of those who observed wrongdoing
32% — 87%

EXPERIENCED RETALIATION
of those who reported wrongdoing
59% — 4%

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The State of Ethics in Large Companies, National Business Ethics Survey, Ethics Research Center, 2015

Misconduct Declines As Ethics Culture Improves

Employees Who Observed Misconduct in Previous 12 Months

Weak 88%
Weak-Leaning 59%
Strong-Leaning 32%
Strong 20%

Strength of Ethics Culture

Source: National Business Ethics Survey 2013

Important elements to build a compliance culture

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- **Commitment from the top**

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- **Laying down policies and procedures**

- **Communication**

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What CCO's says

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23%

respondents do not engage in open communication where they have clear lines of communication within their organization so that compliance issues, lessons learned, and leading practices can be shared across the organization (or do not know if they have such an approach).

Source: KPMG Compliance Journey Survey Results 2017

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Why communicate

- **Employee awareness, ownership and commitment**

  - ✓ Informing employees of Company's ethical values

  - ✓ Taking commitment to do the right thing

  - ✓ Operational implementation

  - ✓ Rewarding right behaviour and punishing non compliance

- **Reduces the risk of heavy penalties**

- **Protect business reputation**

- **Fostering a culture where employees are free to raise concerns and fear no retaliation**

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What to communicate

- **Code of conduct**

- **Policies and procedures**

- **How to raise a compliance issue/speak up**

- **No retaliation**

- **Issues arisen and decisions taken**

- **Best practices within the organization**

How to communicate

- **Develop a communication plan**
  - ✓ Consider risk assessment results
  - ✓ different people need different approach
  - ✓ Target audience - based on role and needs
  - ✓ Align with internal communications - HR newsletter can cover compliance content
- **Identify the available channels of communication**
  - ✓ E-mails
  - ✓ Internet
 - ✓ Town hall meetings / Sales conferences
  - ✓ Posters
  - ✓ And many more………….

How to communicate

- **Message and channel have to be customized**
  - ✓ Communication channel has to be different for different level of employees - top level can be through a meeting while line workers can be through posters, daily e-mails, intranet
  - ✓ Language barrier - translation of communication
- **Break the communication into smaller episodes**
- **Highlighting consequences of non compliance and benefits of compliance**
- **Repetition is the key**

> **One size doesn't fit all**

Majority doesn't have an effective training program 12
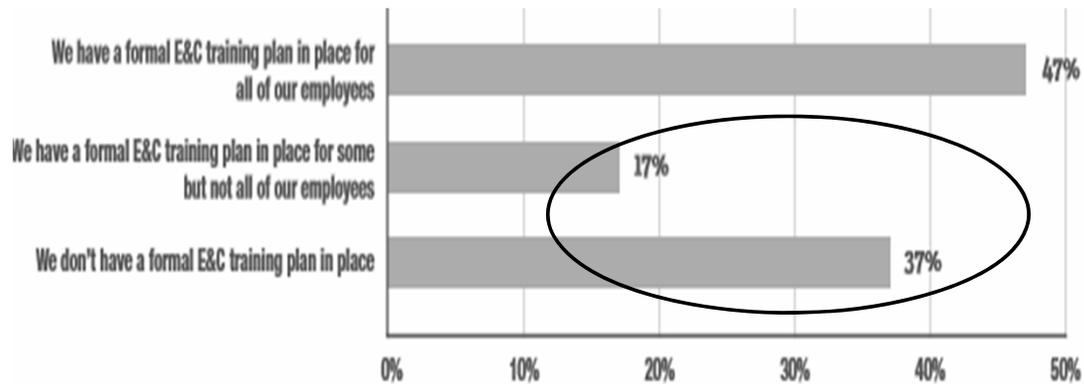
Source: 2017 Navex Global Survey

Training roadmap 13

- Assess your organization's current training program

- Conduct a training needs assessment

- Take stock of organization's risk areas and prioritize

- Finalise the training module

- Identify the Target audience

- Develop a training plan - how to impart training , how much time to devote, frequency of training

Elements of effective training program

- **Management buy in**

- **Accountability and ownership**

- **Risk based approach**

- **Keep the employees engaged**

- **Frequency and methodology**

- **Effectiveness measurement**
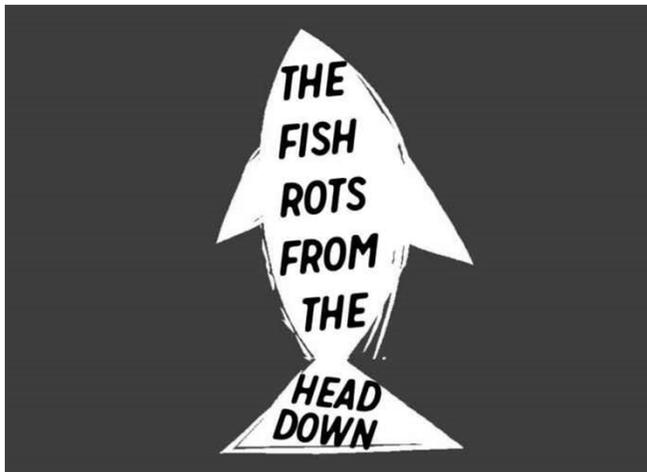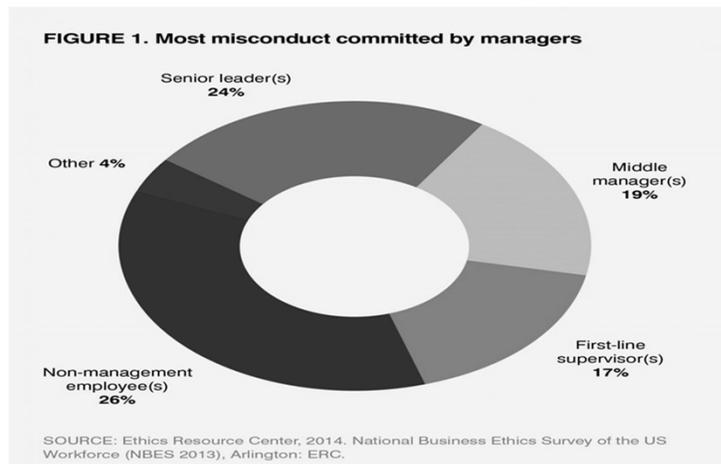
Management buy in

image via thebusinesstherapist.com

- Lead by example
- Prioritize culture of integrity
- Support risk assessment to identify risks
- Move from 'check the box'
- Appropriate oversight

Accountability and ownership

- Ownership at all levels not just top

- Train the middle managers - *tone at the middle*

FIGURE 1. Most misconduct committed by managers

Senior leader(s)
24%

Other 4%

Middle manager(s)
19%

First-line supervisor(s)
17%

Non-management employee(s)
26%

SOURCE: Ethics Resource Center, 2014. National Business Ethics Survey of the US Workforce (NBES 2013), Arlington: ERC.

Risk based approach

- Identify risks to craft a relevant training program
- Risks identified from roles and responsibilities
- Tailored training for 'High risk' employees
- Territorial risk

Keep the employees engaged

- Keep the training fresh and relevant

- Update to include changes in legislations, new case laws

- Find new ways of imparting training

- Have a healthy mix - online courses, in person, short bursts

- Localise training to suit different jurisdictions

Frequency and methodology

- Training to be regular - not just on induction

- Identify best ways to impart - keep changing

- Should be connected with day to day working

- Specific roles to have additional training

Effectiveness measurement

- Take feedback to measure the effectiveness of training
- Feedback can be through different channels - post training quizzes, lack of regulatory enforcement, surveys etc.
- Use feedback to bring change

Commonly used tools to measure effectiveness of training program

- Pre and post training quizzes
- Training completion rates
- Unsolicited feedback from employees, managers or senior leaders
- Learner satisfaction survey
- Data from ethics hotline, HR Reports
- Lack of regulatory investigations

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Questions?

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Thank you