



# CREATING A COMPLIANCE PROGRAM FROM SCRATCH

Society of Corporate Compliance and Ethics  
12<sup>th</sup> Annual Compliance & Ethics Institute  
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A leading manufacturer of residential and commercial roofing products, waterproofing products, composite decking and railing systems, and cements and coatings.

More than 65 years of success is the direct result of teamwork, enduring relationships with customers, suppliers and employees, and our commitment to Six Sigma continuous quality improvement with its foundation based on the total quality management principles of Dr. W. Edwards Deming.

**Compliance & Ethics Professional**  
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COMPLIANCE INSIGHTS FROM TAMKO Building Products, Inc. *page 14*

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President and CEO


<b>22</b> Recipe for a Compliance Day in 2012 <i>Cynthia Smith</i>	<b>28</b> GRC focus: Keep your employees close and your auditors closer <i>Steve Wilson</i>	<b>32</b> Compliance in a casino world <i>Steve Levy</i>	<b>36</b> DOJ revisits FBI's Integrity and Compliance Program <i>Earl Kinnaman</i>
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"Work hard, do your best, be fair and honest, and believe in those around you."  
*E.L. Craig*  
TAMKO Founder 1944


## MCLANE COMPANY HIGHLIGHTS





- Grocery Supply Chain Solutions
- Foodservice Supply Chain Solutions
- Alcoholic Beverage Distribution
- 20,000+ Teammates
- 60+ Distribution Centers Throughout the U.S.
- \$40+ Billion in Revenue
- A Berkshire Hathaway Company












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## OBJECTIVES



Planning Before Your First Day

Elements of an Effective Ethics and Compliance Program

Specific Activities During Your First 100 Days\*\*


- ❖ Initial Program Assessment
- ❖ Meeting with Key Work Partners
- ❖ Presentation and Meeting Opportunities
- ❖ Education and Communications
- ❖ Helpline Analysis
- ❖ Risk Assessment Discussion


100 Day Plan


Initial Presentation of Findings and Recommendations to CEO, Board, Senior Management\*\*

\*\*Note - Throughout this presentation are slides containing sample metrics and other data. The metrics and other data in these slides were created by the presenter for illustration purposes only. The information was not collected from an actual company or other organization.


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BEFORE YOUR FIRST DAY	
<ul style="list-style-type: none"> <li>➤ Continue Company Research You Started Prior to Your Interview</li> <li>➤ Company Website               <ul style="list-style-type: none"> <li>➤ Look under “About [Company]” or Investor Relations</li> <li>➤ Code of Conduct</li> <li>➤ Corporate Citizenship Report</li> <li>➤ EHS Policies</li> <li>➤ Supplier Diversity</li> <li>➤ Supplier Code of Conduct</li> <li>➤ Biographies of key executives</li> <li>➤ Analysts Presentations (if publicly traded)</li> <li>➤ Key SEC Filings 10K and Proxy, Annual Report, Recent 8Ks (if publicly traded)</li> </ul> </li> </ul>	
5	


BEFORE YOUR FIRST DAY (CONT.)	
<ul style="list-style-type: none"> <li>➤ Listen to Earnings Call (if publicly traded)</li> <li>➤ Simple Internet Searches               <ul style="list-style-type: none"> <li>➤ Run the company name and see what shows up</li> <li>➤ <a href="http://www.sec.gov">www.sec.gov</a></li> <li>➤ <a href="http://www.justice.gov">www.justice.gov</a></li> </ul> </li> <li>➤ Items to Request from Company               <ul style="list-style-type: none"> <li>➤ Code</li> <li>➤ Key Policies</li> <li>➤ Information on Direct Reports (if any individuals identified to report to new department)</li> <li>➤ List of Key Competitors</li> </ul> </li> <li>➤ Draft of your Template 100 Day Plan (discussed in more detail later in session)</li> </ul>	
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**KEY SOURCES - EFFECTIVE ETHICS AND COMPLIANCE PROGRAM** 

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**United States Sentencing Commission**  
*Federal Sentencing Guidelines (2012)*  
 Chapter 8, Sentencing of Organizations 

**United States Department of Justice**  
*United States Attorneys' Manual (August 2008)*  
Principles of Federal Prosecution of Business Organizations  
 Existence and effectiveness of a corporation's pre-existing compliance and ethics program ( § 9-28.300 and 9-28.800) 

**Sarbanes-Oxley Act of 2002**  
 § 301 - Anonymous Reporting Line  
 § 406 - Code of Ethics for Senior Financial Officers 

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**KEY SOURCES - EFFECTIVE ETHICS AND COMPLIANCE PROGRAM** 


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**General Services Administration**  
 Federal Acquisition Regulation (FAR), § 52.203-13  
 Contractor Code of Business Ethics and Conduct 

**U.S. Department of Justice and  
 U.S. Securities and Exchange Commission**  
*A Resource Guide to the  
 U.S. Foreign Corrupt Practices Act (2012)*  

**Organisation for Economic Cooperation and  
 Development**  
*Good Practice Guidance on Internal Controls,  
 Ethics, and Compliance (2009)* 

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**AN EFFECTIVE ETHICS AND COMPLIANCE PROGRAM** 

“To have an effective ethics and compliance program...an organization shall

- (1) exercise due diligence to prevent and detect criminal conduct; and,
- (2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

Such compliance and ethics program shall be reasonably designed, implemented and enforced so that the program is generally effective in preventing and detecting criminal conduct.”


United States Sentencing Commission  
*Federal Sentencing Guidelines*, § 8B2.1



After articulating these general principles...


- the Guidelines list seven elements of an effective ethics and compliance program (see Backup Materials at end of this set for actual language from Sentencing Guidelines)
- U.S. ethics and compliance programs are structured around these seven elements


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**THE SEVEN ELEMENTS OF AN EFFECTIVE COMPLIANCE AND ETHICS PROGRAM** 

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Oversight, Accountability &amp; Resources</b>	<b>Standards &amp; Controls</b>	<b>Effective Training &amp; Communication</b>	<b>Evaluation, Monitoring &amp; Auditing</b>
<ul style="list-style-type: none"> <li>• Vice President, Ethics and Compliance</li> <li>• Reports to CEO</li> <li>• Risk Committee</li> <li>• Board Oversight</li> <li>• Adequate Funding and Resources</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Business Conduct &amp; Ethics</li> <li>• Compliance Policies</li> <li>• Employee Handbook</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Orientation</li> <li>• Senior Leadership Training</li> <li>• Regular Communication on Compliance Topics</li> </ul>	<ul style="list-style-type: none"> <li>• Global Compliance Hotline</li> <li>• Internal Audit</li> <li>• HR Compliance Audits</li> <li>• Safety Audits</li> <li>• Employee Survey</li> </ul>
<b>5</b>	<b>6</b>	<b>7</b>	
<b>Enforcement, Discipline &amp; Incentives</b>	<b>Due Care in Delegating Authority</b>	<b>Response &amp; Continuous Improvement</b>	
<ul style="list-style-type: none"> <li>• Beliefs and Values</li> <li>• Performance Mgt. System</li> <li>• Consistent Discipline for Violations</li> </ul>	<ul style="list-style-type: none"> <li>• Track Record of Integrity Prior to Delegation</li> <li>• Screening of New Hires</li> <li>• Controls on Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Review &amp; Amend Program after Problems Occur</li> <li>• Lessons Learned Communications</li> <li>• Periodic Risk Assessment</li> </ul>	


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INITIAL PROGRAM ASSESSMENT	
<ul style="list-style-type: none"> <li>➤ What is a Program Assessment and Why Conduct One</li>   <li>➤ Build or Buy Decision</li>   <li>➤ Items to Review as Part of Initial Assessment               <ul style="list-style-type: none"> <li>➤ Helpline Metrics and Trends</li> <li>➤ Employee Engagement Survey Results</li> <li>➤ Labor Relations Issues (Focus on Findings)</li> <li>➤ Training Records</li> <li>➤ Compliance and Ethics Communications</li> <li>➤ Litigation</li> <li>➤ Government Investigations</li> <li>➤ Existing Functional Compliance Organizations</li> <li>➤ Industry Issues</li> <li>➤ Any Risk Assessment Results</li> <li>➤ Internal Audit Findings on Compliance Issues</li> <li>➤ Others?</li> </ul> </li> </ul>	
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INITIAL PROGRAM ASSESSMENT (CONT.)	
<ul style="list-style-type: none"> <li>➤ Using Findings of Program Assessment               <ul style="list-style-type: none"> <li>➤ For Your Own Understanding on What is in Place (or Not)</li> <li>➤ For Initial Program Recommendations</li> <li>➤ Suggest Presentation in Form of “As Is” and “Future State” (see next slides)</li> <li>➤ Template Presentation Set Provided with Materials</li> </ul> </li>   <li>➤ Formal Risk Assessment - Year One Priority</li>   <li>➤ Other Institute Sessions on Program Assessment               <ul style="list-style-type: none"> <li>➤ P8 - Leveraging Compliance Program Assessments</li> <li>➤ 403 - Ethics Program Assessments</li> </ul> </li> </ul>	
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SAMPLE - RESPONSE & CONTINUOUS IMPROVEMENT	
<p><b>As Is:</b></p> <p><b>Response:</b> Review and amend programs and controls following an issue. Analyze root cause and address the issue.</p> <p><b>Communicate:</b> Use incidents as teachable moments</p> <p><b>Continuous Improvement:</b> Periodic review of policies and controls. Responses to audit results. Publication of best practices - already built into several compliance programs (DOT, Safety and Health, Food Safety, etc.)</p> <p><b>Risk Assessment:</b> Internal Audit</p>	<p><b>Future State:</b></p> <p><b>Response:</b> Review and amend programs and controls following an issue. Analyze root cause and address the issue.</p> <p><b>Communicate:</b> Use incidents as teachable moments</p> <p><b>Continuous Improvement:</b> Same plus: Annual or Biennial compliance program reviews; Creation of a Compliance Council of key compliance owners in existing programs (DOT, Food Safety, HR, etc.) to share best practices and provide input on overall program.</p> <p><b>Risk Assessment:</b> Develop and implement periodic compliance risk assessment process</p>

IDENTIFY RESOURCES
<ul style="list-style-type: none"> <li>➤ Go To Sources for General Questions about Process, Policies and Internal Contacts</li> <li>➤ Administrative Support</li> <li>➤ Human Resources Support</li> <li>➤ IT Support</li> </ul>

**IDENTIFY AND MEET KEY WORK PARTNERS** 

- Legal
- Finance
- Internal Audit and Controls
- Risk Management
- Environmental Health and Safety
- Security
- Human Resources
- Information Technology
- Communications/Marketing/Branding
- General Managers/Business Leaders

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**TABLE EXERCISE #1** 

- What Information Should You Seek During these Initial Meetings with Key Work Partners
  - General Introductions
  - Have Elevator Speech Ready - Your Role and Initial Plans
  - Primary Purpose - Information Gathering
- Provide Template List of Questions for KWPs
- Work as a Group at Your Table to Identify Questions to Add (5-7 minutes)
- Identify Spokesperson to Share Up to Three Additional Questions with Entire Group

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## PRESENTATION OPPORTUNITIES




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- Identify Opportunities to Market Your Program Internally
- Subset of Both Key Work Partner Meetings and Education and Communications Plan
- Subject Matter
  - Initial - Introduce Self and Plans for Program
  - Later - Focus on Particular Compliance Area
- Possible Venues:
  - Staff Meetings
  - Communications Meetings
  - All Hands Meetings
  - Town Halls
  - Leadership Meetings
  - Management Training Sessions

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## EDUCATION AND COMMUNICATIONS



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- Overview of Considerations Only
  - Focus on what you should do in first 100 days around education and training
  - Topic deserves separate treatment
  - Consider other offerings available this week, including:
    - *P13 - Fixing your Ho-Hum Compliance Training*
    - *208 Ethics and Communications: The Role of CCOs and CMOs in Creating an Ethical Culture*
    - *606 The Medium is the Message: Marketing Compliance and Ethics to Your Workforce*

Six General Principles:

1. Have a plan
2. Know thyself
3. Engage your audience
4. Use multiple and varied communication vehicles
5. Market your training
6. Spread the word

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## EDUCATION AND COMMUNICATION (CONT.)




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- **Assess Current Education and Communications**
  - Is there a training organization? If so, are they a resource for you (or an organization that you must work with to calendar and deliver training and communications)
  - **Has the company delivered any courses on compliance and ethics topics in the last three years?** If so, what courses, what audience and what records of completion exist, etc.? Have the courses been updated for current events and changed company risks?
  - **Does the company regularly communicate to its employees on compliance and ethics topics? If so:**
    - *Who drafts the communications*
    - *Who sends them out*
    - *Who receives them*
    - *What topics*
    - *Based on a plan, or ad hoc*
    - *Get samples from last couple of years*
    - *Do any executives communicate on compliance and ethics topics*
- **Do you have the Luxury of Dedicated Communications Support?**

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## EDUCATION AND COMMUNICATIONS (CONT.)



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- **Develop an initial training plan**
  - What topics should you cover? Who should be educated?
  - Informed by Your Risk Assessment.
  - Build or Buy?
  - Ask yourself: What are we trying to accomplish?
  - Are you trying to raise awareness or create in-depth knowledge
  - Probably awareness on a broad scale, but expertise for certain populations (i.e. lawyers)
- **Develop a Communications Plan**
  - Coordinated with your Education Plan
  - Multiple and varied delivery methods
- **Pay attention to other corporate training initiatives**
  - Avoid conflicts with other functions
  - Avoid training fatigue

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EDUCATION AND COMMUNICATIONS - FINAL THOUGHTS 1 

- Make training and communications **interesting, relevant and useful**
- Choose examples that will be relevant to your target audience (training salespeople and software developers with the same material is a recipe for disaster)
- Keep training as short as reasonably necessary to get the message across - strive for courses that are ½ hour or less
- Useful - are you really giving your employees something they can use or just telling them what to be afraid of?
- Use stories whenever possible - real life examples are best - adults retain most learning through storytelling.

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EDUCATION AND COMMUNICATIONS - FINAL THOUGHTS 2 

- Start early and be creative
- Find ways to make this stuff fun
- It's OK to poke fun at ourselves
- People always enjoy humor and it is an effective training and communications tool
- There are lots of ways to communicate and train - blogs, videos, newsletters, in-person, web meetings, etc.
- Make sure to incorporate into new hire training, manager training etc.

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## HELPLINE - GENERAL OBSERVATIONS


- Does your company have a Helpline for confidential reporting?
- If not, an early action for you is the implementation of a Helpline
  - Full discussion of Helpline implementation beyond the scope of this session
  - Many vendors are ready to help you with this
  - Benefits of using a third party solution
    - *Reporter Perceptions*
    - *Confidentiality - ability to communicate with anonymous reporters*
    - *Reports and Metrics*

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## HELPLINE - DATA ANALYSIS

- If your company has a Helpline, your role includes:
  - Analyzing data from Helpline for last couple of years to identify trends
  - Reviewing the process around the Helpline (intake, investigation, management of matters)
  - In most cases, assuming overall responsibility for the Helpline
  - Recommending changes to make it a more effective and useful tool
- Your Helpline can provide a wealth of information on key risk areas and the general health of your program
- A key role for you is to analyze and translate this data for:
  - Reporting to the Board and Senior Management
  - Recommendations for Education and Communications
  - Recommendations for Control Changes


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**HELPLINE - METRICS**


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- Some Metrics to Track and Report:
  - Report Volume (Total, Regional, Country Specific, Other)
  - Types of Reports (Broad Categories)
  - Intake Method
  - Prior Management Notification
  - Anonymous Reports
  - Case Handling
  - Case Disposition
  - Cycle Time
  
- All Third Party Solutions include some form of Reporting Function
  - Key function to review when deciding on a vendor
  - Most solutions permit some customization of reports
  
- Sample Reporting on Next Slides and in Template Slide Set

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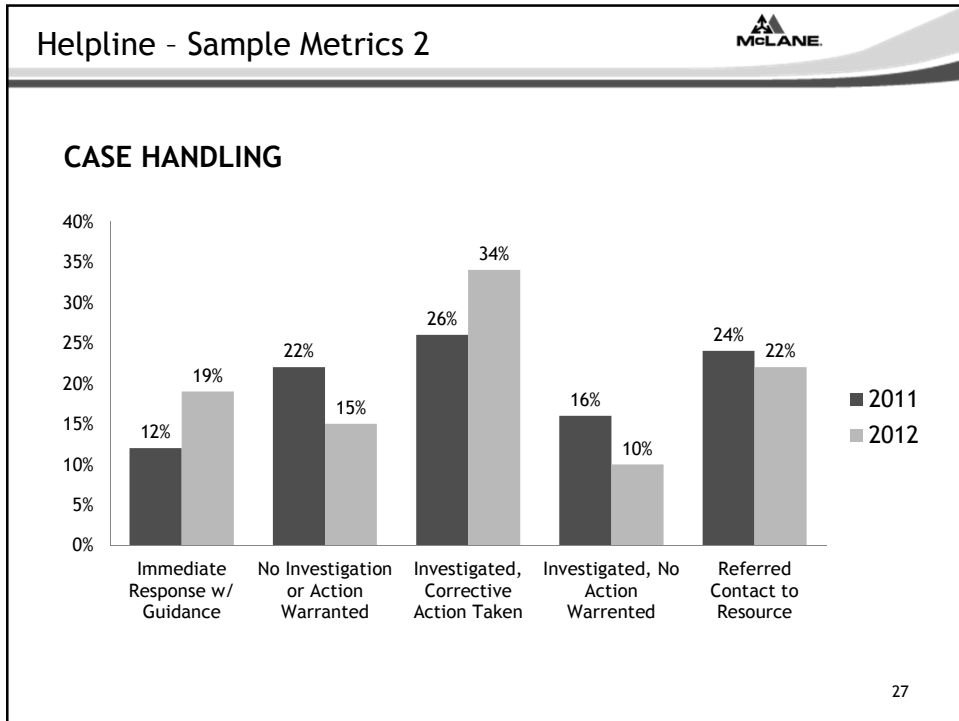
Helpline - Sample Metrics 1



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**HELPLINE CONTACTS**

OBCE Contact Statistics	2008	2009	2010	2011	2012
<b>Total Helpline Contacts</b>	<b>174</b>	<b>266</b>	<b>196</b>	<b>184</b>	<b>312</b>
Anonymous Contacts	24%	33%	29%	26%	21%
Anonymous – No Action or Investigation Warranted	n/a	n/a	n/a	n/a	25%
Prior Management Notification	n/a	n/a	n/a	56%	66%

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- ### HELPLINE - SAMPLE METRICS 3
- 
- #### Sample Metrics Analysis
- **Cycle Time**
    - 2008 - 2010: More than 65% took more than 15 days; some were still open in 2011
    - 2012 - 90% closed in 14 days or less; 39% in 2 days or less
  - **Contacts Requesting Guidance or Approval**
    - 2008-2010: Less than 2% of contacts
    - 2012: 21% of contacts
  - **2011 New CEEO**
    - Changes in cycle time, types of contacts and disposition (hopefully)
  - **2012 All Employee Code of Business Conduct and Ethics Training**
    - Significant increase of contacts following training - anticipated
  - **New metrics not previously tracked**
    - Prior management notification
    - Anonymous - no investigation or action warranted
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## RISK ASSESSMENT



The Federal Sentencing Guidelines, § 8B2.1(c) provides:

### **Risk Assessment:**

In implementing subsection (b), the organization shall periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process.

“Subsection (b)” referenced above is § 8B2.1(b) of the Sentencing Guidelines. This subsection is the part of the Sentencing Guidelines that details the seven elements of an effective ethics and compliance program.

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## RISK ASSESSMENT (CONT.)



- In sum: The requirement to conduct a periodic risk assessment overlays and impacts each of the seven elements of an effective ethics and compliance program described in the Sentencing Guidelines
- The Risk Assessment serves several purposes:
  - At its simplest level, it identifies risks faced by your company
  - At its next level, it quantifies the likelihood of the risk occurring
  - At its next level, it quantifies the impact to the company if the risk occurs (severity of risk)
  - At another level, it can help quantify the velocity of the risk (speed of onset, speed of impact, speed of company reaction)
  - What is the company’s risk appetite
  - What controls are in place to mitigate existing risks
  - What additional controls should be put in place to mitigate unacceptable risks (based on likelihood, severity, velocity and risk appetite)
- Consider whether to conduct the assessment under the privilege

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## RISK ASSESSMENT (CONT.)



- Mitigation decisions generally impact one or more of the seven elements of your program
  - e.g. the creation and communication of additional policies
  - e.g., focused training on a specific compliance area for an at risk group of employees
  - e.g., closer monitoring of a particular business activity
  
- Specific expectations listed in Sentencing Guidelines comments;
  - Assess periodically the risk that criminal conduct will occur;
  - Assess the nature, seriousness and likelihood that conduct will occur;
  - Evaluate prior history of issues within the company;
  - Prioritize program activities based on this information; and
  - Modify program to address results of risk assessment.

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## RISK ASSESSMENT - RESOURCES



- Resources for conducting a risk assessment
  - Many vendors offer risk assessment solutions
  - Sharing with colleagues
  - Coordination with company's enterprise risk management process (caution: generally focused more on operational risk)
  - In year one, consider an informal risk assessment process developed through interviews with key work partners
  
- Sessions at this year's CEI applicable to Risk Assessment process:
  - 106 Automation Tools for Compliance 2013
  - 704 Emerging Markets and Integrity Risk Management
  - W1 Risk Management and Technology

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YOUR FIRST 100 DAYS	
<ul style="list-style-type: none"> <li>➤ “100 Days” - Arbitrary, but what I have used in a couple of roles</li> <li>➤ Everything presented so far has been focused on what you should consider doing during your first 100 Days</li> <li>➤ Important to have a specific plan about what you will do and to communicate that plan to the CEO, Board and your manager (if not the CEO or Board)</li> <li>➤ Confirm that they understand your plans and agree with your proposed actions</li> <li>➤ Communications regarding progress to your 100 Day Plan               <ul style="list-style-type: none"> <li>➤ Regular (I suggest weekly) with your direct manager - what you have done in past week and plans for upcoming week</li> <li>➤ Leading to presentation on initial assessment of program and recommendations to CEO and Board (governing authority)</li> </ul> </li> </ul>	33

TABLE EXERCISE #2 - 100 DAY PLAN	
<ul style="list-style-type: none"> <li>➤ Suggest that you develop a draft 100 Day Plan within your first week or two in your new role. Really suggest you have a draft created prior to your first day</li> <li>➤ The plan can be a living document - revise as you learn more about the company</li> <li>➤ We have provided a template 100 Day Plan based on our own experience and what we have presented today</li> <li>➤ Work as a group at your table to identify additions to 100 Day Plan (5-7 minutes)</li> <li>➤ Identify spokesperson to share up to three additional questions with entire group</li> <li>➤ Take notes on your copy and keep for your use following the conference</li> </ul>	34

## INITIAL PRESENTATION TO CEO AND BOARD



- Soon after completion of first 100 days (doesn't have to be 100 days, but should certainly be within first six months), meet with CEO and Board to present initial findings and recommendations
- We have provided a template presentation for you to use in presenting the information
- We are not going to go through the entire presentation, but instead will go through a few of the key sections and provide some recommendations on the process
- This is a key opportunity for you to both show the value you are/will bring to the organization and to market the ethics and compliance program

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## THOUGHTS ON INITIAL PRESENTATION



- What meeting?
  - Is there already a forum for this presentation? Board meeting? Risk Committee meeting? CEO Staff meeting?
  - More than one presentation? To CEO Staff meeting and then Board?
- Who?
  - If there is an obvious venue (e.g., CEO Staff meeting and/or Board meeting), those attendees
  - Since this session is focused on creating a program from scratch, part of your recommendations might include creation of a Compliance Committee
  - Audience for your presentation
    - *Board of Directors*
    - *Senior Management - CEO, COO, CFO, GC, Head of Internal Audit, Head of HR, EHS, Communications and Marketing*

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## INITIAL PRESENTATION (CONT.)



- Socialize all or part of presentation prior to meeting(s)
  - With your direct manager
  - With the CEO
  - With any function head impacted by your recommendation (i.e., does your recommendation appear critical of an existing process)
    - *You still need to make the hard recommendations, but avoid appearance of an ambush*
- The following slides are representative of key sections of a typical presentation
- Reminder - the metrics and other data included in this sample presentation were made up by the presenter. The information was not collected from nor intended to represent findings at any actual company or organization.

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## SAMPLE PRESENTATION - OBJECTIVES



### Objectives of First Part:

- ❖ Review the current compliance and ethics landscape
- ❖ Provide an overview of data collected in initial assessment of existing program

### Objectives of Second Part:

- ❖ Provide an assessment of current program against attributes of an effective ethics and compliance program
- ❖ Provide initial recommendations for enhancing the current program

### Objectives of Third Part:

- ❖ Identify the specific actions for the next 12 months
- ❖ Propose timeline for remaining actions

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**SAMPLE PRESENTATION - BUSINESS CASE****The Business Case For Ethics and Compliance**

- A targeted, well-resourced ethics and compliance program delivers results in lower misconduct instances and higher detection rates
- Building a strong culture that includes everyone encourages reporting and discourages misconduct through transparency
- Understanding compliance risks is key to marshaling resources effectively

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**SAMPLE PRESENTATION - BUSINESS CASE**

**76% of employees in business have observed a high level of illegal/unethical conduct at work in the last 12 months**

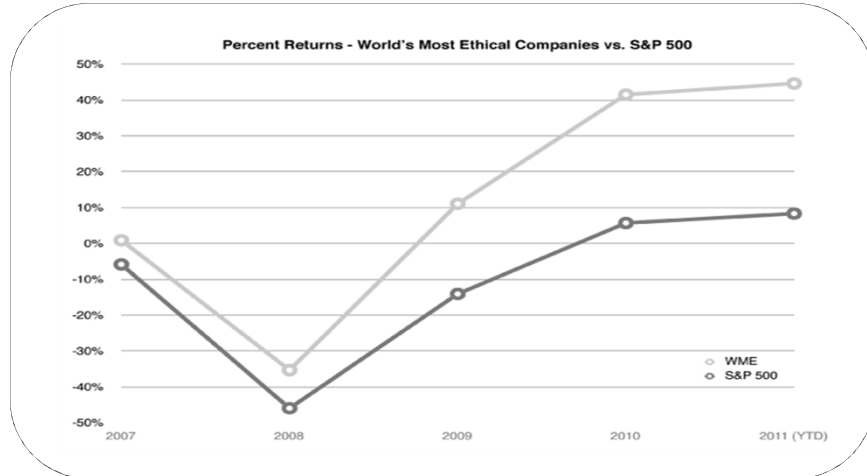
KPMG Organizational Integrity Survey

**75% of hotline calls to organizations using a leading service provider were classified as violations of law or policy.**

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## A FOCUS ON ETHICS DRIVES RETURNS



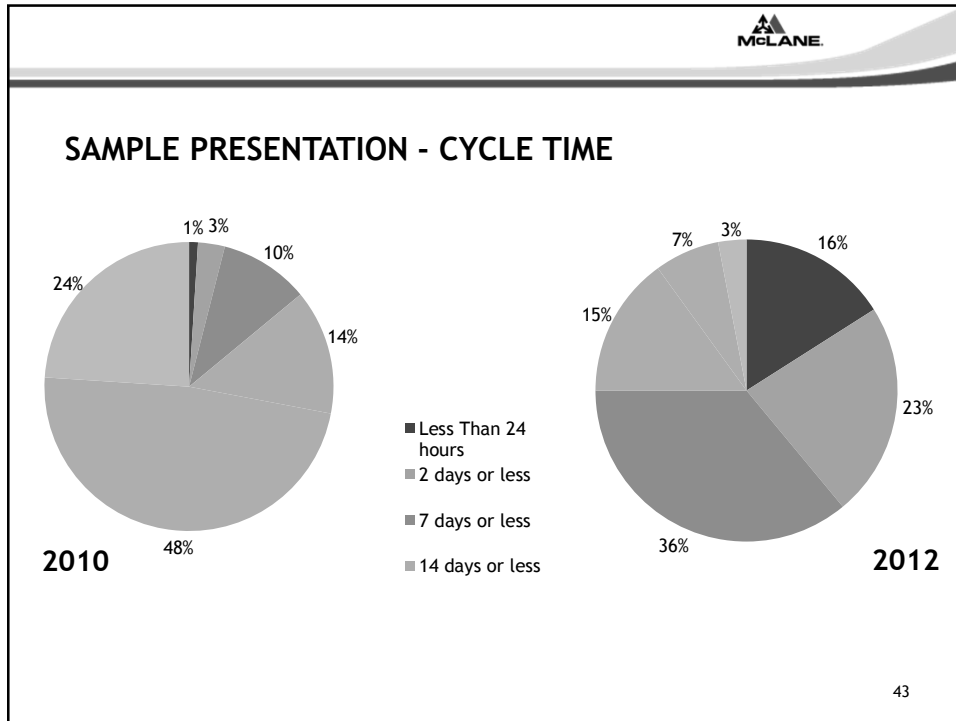
Source: Ethisphere Institute


## SAMPLE PRESENTATION - PROGRAM ASSESSMENT




### Items Considered:

- ✓ Helpline Contacts
- ✓ Employee Engagement Survey
- ✓ Employee Focus Groups
- ✓ Senior Management Meetings
- ✓ Training Records
- ✓ Compliance and Ethics Communications
- ✓ Best Practices



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- ### SAMPLE PRESENTATION - HELPLINE TRENDS
- 2008 Internal Hotline
    - Recordkeeping inconsistent
    - Case follow-up missing or unclear
  - 2009 Reduction in Force
    - Increase in contacts - particularly human resources
    - Highest level of Sarbanes-Oxley type complaints - none validated
  - 2010 Implementation of Third Party Helpline Services
    - Shift of primary intake method from phone/email to web form
  - 2011 New CECO
    - Changes in cycle time, types of contacts and disposition
  - 2012 All Employee Code of Business Conduct and Ethics Training
    - Significant increase of contacts following training - anticipated
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**SAMPLE PRESENTATION - EMPLOYEE ENGAGEMENT SURVEY** 

Note 1 - Survey data is more than four years old  
 Note 2 - Only 64% of employees completed the survey  
 Note 3 - Conducted focus groups at 12 locations in late 2011: validated the key findings below  
 Note 4 - Recommend conducting a new engagement survey in early 2014

Key Findings:

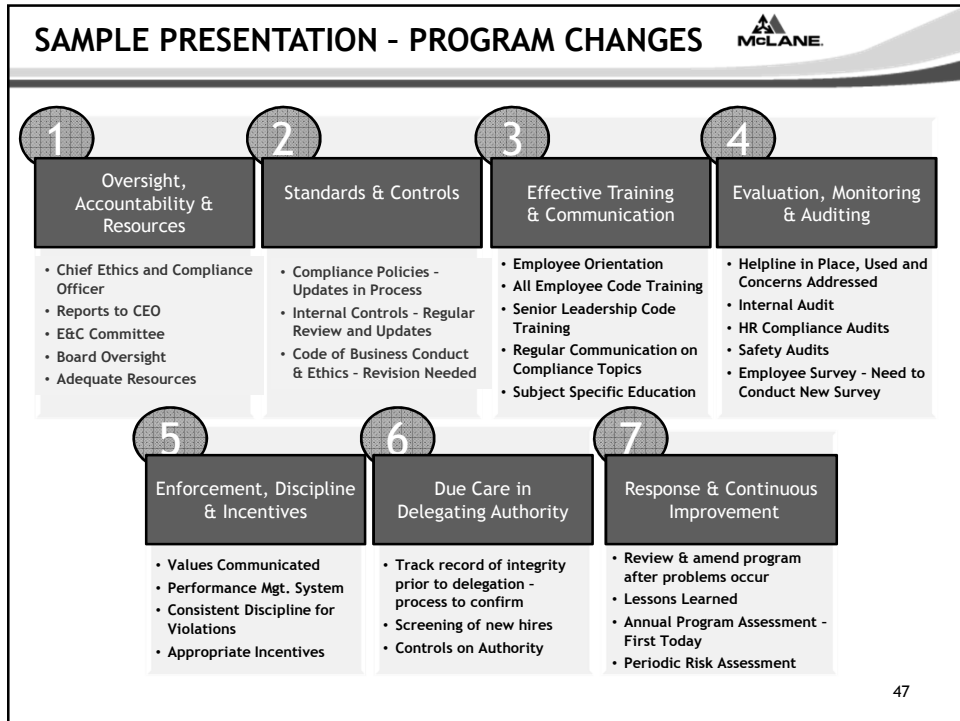
- I know where to seek advice if I have questions about the ethics of a specific action?
  - Employees generally knew that there was a Code of Business Conduct and Ethics*
  - Employees not sure where to find a copy of the Code*
  - Employees knew of the Helpline, but thought it was only to report theft.*
- I believe that all employees (including senior management) are held to the same ethical standards?
  - In both survey results and focus groups, employees skeptical that both groups treated equally*
- I believe that senior management behaves in an ethical manner?
  - Employees believe that their own managers acts ethically, but senior management in general does not*
- I have not felt pressure to compromise values, company policy, or the law to achieve financial goals?
  - Significant response rate that employees have felt pressure, or knew someone who has been pressured to compromise standards to meet financial goals*

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**SAMPLE PRESENTATION - EDUCATION** 

<b>2008</b>	Code of Business Conduct and Ethics Training Online course delivered to all employees worldwide: 20686 Completion rate: 62% (but recordkeeping not clear). Limited follow-up to ensure completion.
<b>2009-10</b>	Virtually no Compliance or Ethics Education courses delivered. Reasons: Reduction in Force/general economic conditions.
<b>2011</b>	Insider Trading for Managers. Employees enrolled: 1896. Completion percentage: 66%. Minimal follow-up to ensure completion.
<b>2012</b>	Code of Business Conduct and Ethics Training All employees worldwide: 20436 In person for senior management. Enrolled: 312. Completion Rate: 99% Online course for remaining employees. Enrolled 20124. Completion Rate: 93% Reasons for completion rates: Tone at top and significant follow-up

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## SAMPLE - EVALUATION, MONITORING & AUDITING

<i>As Is:</i>	<i>Future State:</i>
<p><b>Helpline:</b> Hotline. Communicated at Orientation and in Handbook and policies. Monitored by HR and Internal Audit</p> <p><b>Audits:</b> Internal Audit, HR Audits, Safety Audits, Food Safety Audits</p> <p><b>Program Assessment:</b> Internal Audit Process</p> <p><b>Employee Survey:</b> None</p>	<p><b>Helpline:</b> Same plus: Prominent Link on Intranet for "Ways to Get Help" (supervisor, HR, Open Door, Hotline). Monitor Hotline and analyze for trends, follow through, documentation and closure of matters.</p> <p><b>Audits:</b> Same plus: Expanded audits on compliance issues. Goal will be to combine with existing audits as appropriate.</p> <p><b>Program Assessment:</b> In progress. This is part of that process. Will develop a metrics set for use in evaluating the program.</p> <p><b>Employee Survey:</b> Work with HR to obtain/analyze existing data. Consider additional questions or modification of existing questions related to ethics and compliance</p>

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**SAMPLE PRESENTATION - KEY INITIATIVES THIS YEAR** 

**Code of Business Conduct and Ethics Revision**

- ❖ Conduct Employee Focus Groups
- ❖ Benchmark Codes of Other Companies
- ❖ Engage Internal Partners - HR, Legal, Communications
- ❖ Identify and Engage External Partners

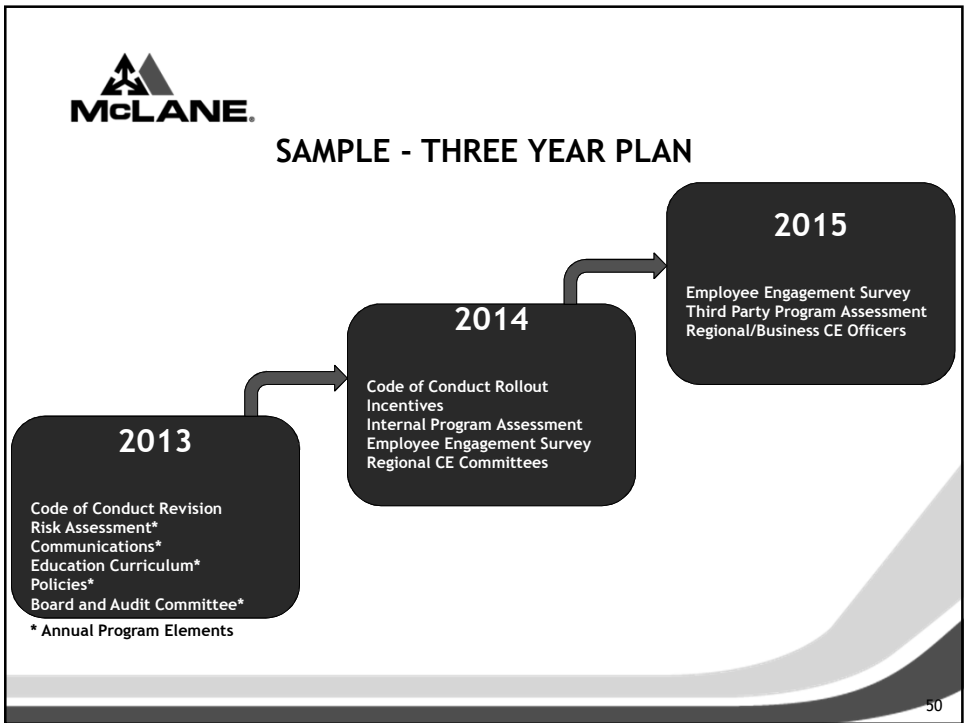
**Conduct Risk Assessment**

- ❖ Identify and Obtain Risk Assessment Tool
- ❖ Implement Risk Assessment
- ❖ Analyze Results and Develop Mitigation Plan
- ❖ Use Results in Code Drafting Process, Education Curriculum and Communications Plan

**2013 Communications Plan**

- ❖ Develop and Implement Communication Plan for Year

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## CLOSING THOUGHTS



*Glass, china and reputation are easily cracked, and never mended well.*

- Benjamin Franklin

*It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you will do things differently.*

- Warren Buffett

*Prosecutors always - and I mean always - look through a company's compliance program. Examining a company's compliance program is one of the most significant areas of inquiry.*

- Michael Volkov  
Former Federal Prosecutor

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- *Ethics is knowing the difference between what you have a right to do and what is right to do.*

Potter Stewart  
U.S. Supreme Court Justice

- *Laws control the lesser man; right conduct controls the greater one.*

Mark Twain  
Author

- *Whenever you do a thing, act as if all the world were watching.*

Thomas Jefferson  
Author of the Declaration  
of Independence and  
Third President of the U.S.



QUESTIONS...



BACK-UP MATERIALS



BACK-UP MATERIALS

## FEDERAL SENTENCING GUIDELINES



Federal Sentencing Guidelines, §8B2.1(b)

1. [STANDARDS AND CONTROLS] - The organization shall establish standards and procedures to prevent and detect criminal conduct.
2. [OVERSIGHT, ACCOUNTABILITY AND RESOURCES]
  - (A) The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.
  - (B) High-level personnel of the organization shall ensure that the organization has an effective compliance and ethics program, as described in this guideline. Specific individual(s) within high-level personnel shall be assigned overall responsibility for the compliance and ethics program.
  - (C) Specific individual(s) within the organization shall be delegated day-to-day operational responsibility for the compliance and ethics program. Individual(s) with operational responsibility shall report periodically to high-level personnel and, as appropriate, to the governing authority, or an appropriate subgroup of the governing authority, on the effectiveness of the compliance and ethics program. To carry out such operational responsibility, such individual(s) shall be given adequate resources, appropriate authority, and direct access to the governing authority or an appropriate subgroup of the governing authority.

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## FEDERAL SENTENCING GUIDELINES





Federal Sentencing Guidelines, §8B2.1(b)

3. [DUE CARE IN DELEGATING AUTHORITY]
 

The organization shall use reasonable efforts not to include within the substantial authority personnel of the organization any individual whom the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.
4. [EFFECTIVE TRAINING AND COMMUNICATIONS]
  - (A) The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program, to the individuals referred to in subparagraph (B) by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.
  - (B) The individuals referred to in subparagraph (A) are the members of the governing authority, high-level personnel, substantial authority personnel, the organization's employees, and, as appropriate, the organization's agents.

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<p><b>FEDERAL SENTENCING GUIDELINES</b></p>	
<p>Federal Sentencing Guidelines, §8B2.1(b)</p> <p>5. [EVALUATION, MONITORING AND AUDITING]                      The organization shall take reasonable steps—</p> <p style="padding-left: 20px;">(A) to ensure that the organization’s compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct;</p> <p style="padding-left: 20px;">(B) to evaluate periodically the effectiveness of the organization’s compliance and ethics program; and</p> <p style="padding-left: 20px;">(C) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization’s employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.</p> <p>6. [ENFORCEMENT, DISCIPLINE AND INCENTIVES]                      The organization’s compliance and ethics program shall be promoted and enforced consistently throughout the organization through</p> <p style="padding-left: 20px;">(A) appropriate incentives to perform in accordance with the compliance and ethics program; and</p> <p style="padding-left: 20px;">(B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.</p>	
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<p><b>FEDERAL SENTENCING GUIDELINES</b></p>	
<p>Federal Sentencing Guidelines, §8B2.1(b)</p> <p>7. [RESPONSE AND CONTINUOUS IMPROVEMENT]                      After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization’s compliance and ethics program.</p>	
<p>Federal Sentencing Guidelines, § 8B2.1(c)</p> <p><b>Risk Assessment:</b>                      In implementing subsection (b), the organization shall periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process.</p>	
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