

STITCHING THE SILOS BY BREAKING DOWN OPERATIONAL AND DATA BARRIERS

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Getting Started – Identification of Status Quo

WHO?

- Compliance Managers
- Key staff
- Operations executives and managers
- Legal

WHAT?

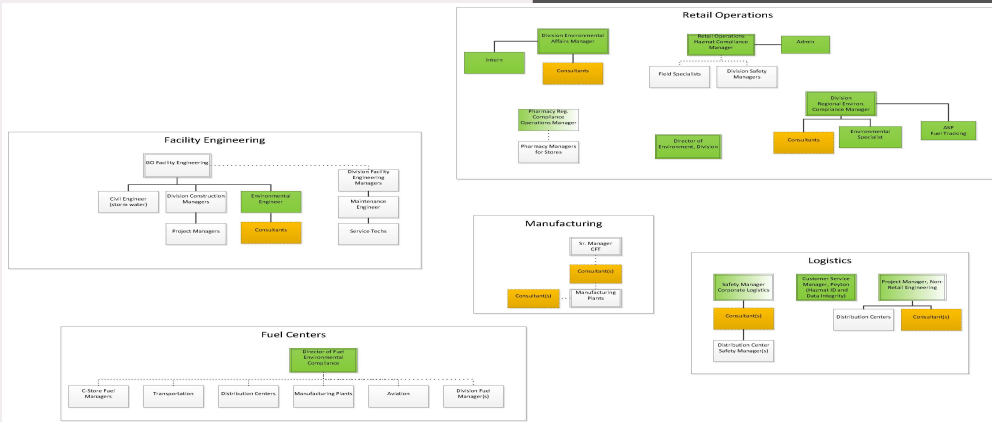
- Scope – subject matter
 - Areas covered & excluded
- Scope – enterprise
- Monitoring
- Auditing
- Day to day activities
- Staffing, budget & other resources
- Areas of concern
- Areas for improvement

Documentation of Current State

List of Compliance Areas

- Responsible compliance manager

Organization Chart



- Brief job description
- Reporting relationships
- Dotted & solid line
- Scope of responsibility
- Consultants

Compliance Management Map

Compliance Responsibility	Ralph/AL	Fred Meyer/QFC	Other Supermarket	Pharmacy	C-Stores	Fuel Centers	Manufacturing	Logistics
Hazardous Materials								
Hazardous Waste Identification								
Hazardous Waste Segregation & Disposal								
EPA Site Identification Numbers								
Universal Waste Identification and Disposal								
Asbestos Identification & Removal (PCB, ACEM)								
Tier II Chemical Inventory, TFI Emissions Reporting (EPCRA/SARA)								
Hazardous Material Business Plans								
Water/Soil								
Storm Water Pollution Prevention Plan								
Underground Injection Control - Drainage (UIC)								
Wetlands Protection								
Oil Spill Plans (SPCC)								
Waste Water Discharge Permitting (POTW)								
Hazardous Material Permits (Fire Marshals)								
Spill Cleanup (surface)								
Soil and Ground Water Remediation								
Wetland/Aquifer Protection Plans								
Air								
Permitting								
Recordkeeping, Reporting, Testing/analysis								
Clean Air Act (Title V/Responsible)								
Lead								
UST Permitting/Registration								
UST Inspections, testing, inventory control, and recordkeeping								
Training and Recordkeeping								
Other								
Corporate Brand Insecticides and Rodenticides Labeling and Registration (FIFRA)								
Acquisition Environmental Due Diligence (Phase 1 & 3)								

Individual Program Monitoring & Development

When a program exists and is functioning

One on one meetings with responsible executive or compliance manager



Compliance Program Binder



Individual Program Monitoring & Development

When a program does not exist or where significant deficiencies

1

- Ensure compliance department or COE for each critical compliance area

2

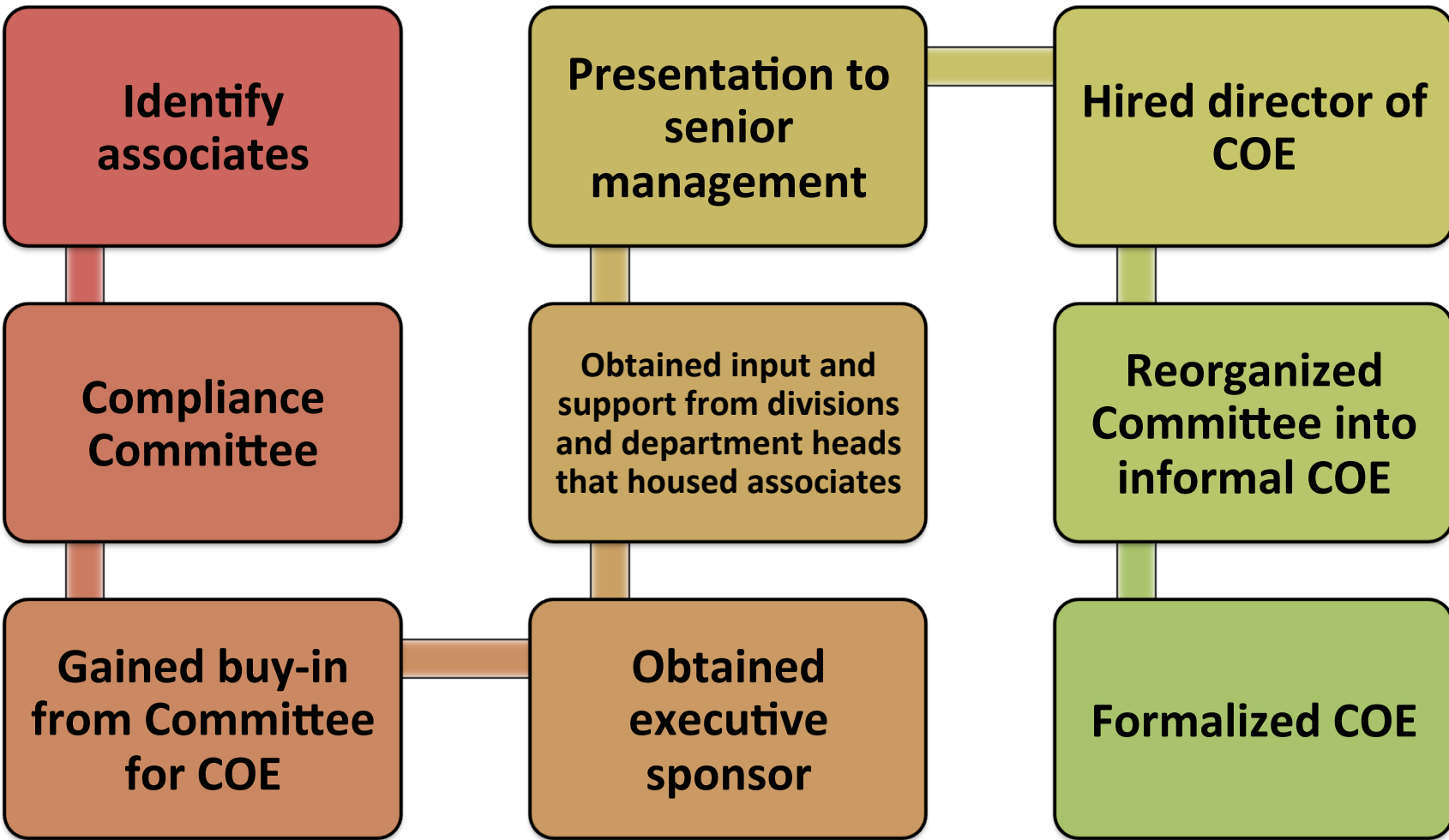
- Additional staffing/expansion of existing programs

3

- Development of new department or COE

Individual Program Development

Selling change by documenting benefits



Individual Program Development

Selling change by documenting benefits

Identification and implementation of best practices

Sharing of knowledge and systems

Single point of data capture and reporting

Improved corporate oversight of compliance/elimination of gaps

Better utilization of staffing expertise, systems and reduction of redundancies

Development of in-house expertise in subject matters

Leverage company size and expertise with vendors

An effective compliance management program can be built and sustained by leveraging a basic framework

Establish and communicate a clear Risk Appetite, so business areas can evaluate risks against the appetite and report accordingly.



Create a framework that can be applied to all areas of the organization and drive a consistent evaluation of the state of compliance.



Develop a set of performance expectations and tolerances that facilitates an accurate assessment of where the organization stands.



Periodically report to a Compliance Committee using a consistent methodology for evaluating performance against all framework elements.



CCO can then provide a summary of risk aggregation to the Board, if needed

A clear Compliance Risk Appetite should be established in conjunction with the Board of Directors

Organizations must establish and communicate a clear Risk Appetite, evaluate risks and performance against that appetite, and subsequently report assessments to stakeholders

Example Compliance Risk Appetite:

<Company> expects full compliance with all applicable laws and standards. We made the strategic choice to be in an innovative financial business that achieves competitive advantage through disruptive technology in a fast-paced digital environment where the regulatory expectations are rapidly evolving. We recognize that unintended exceptions in intent and executions may occur in the normal course of our business.

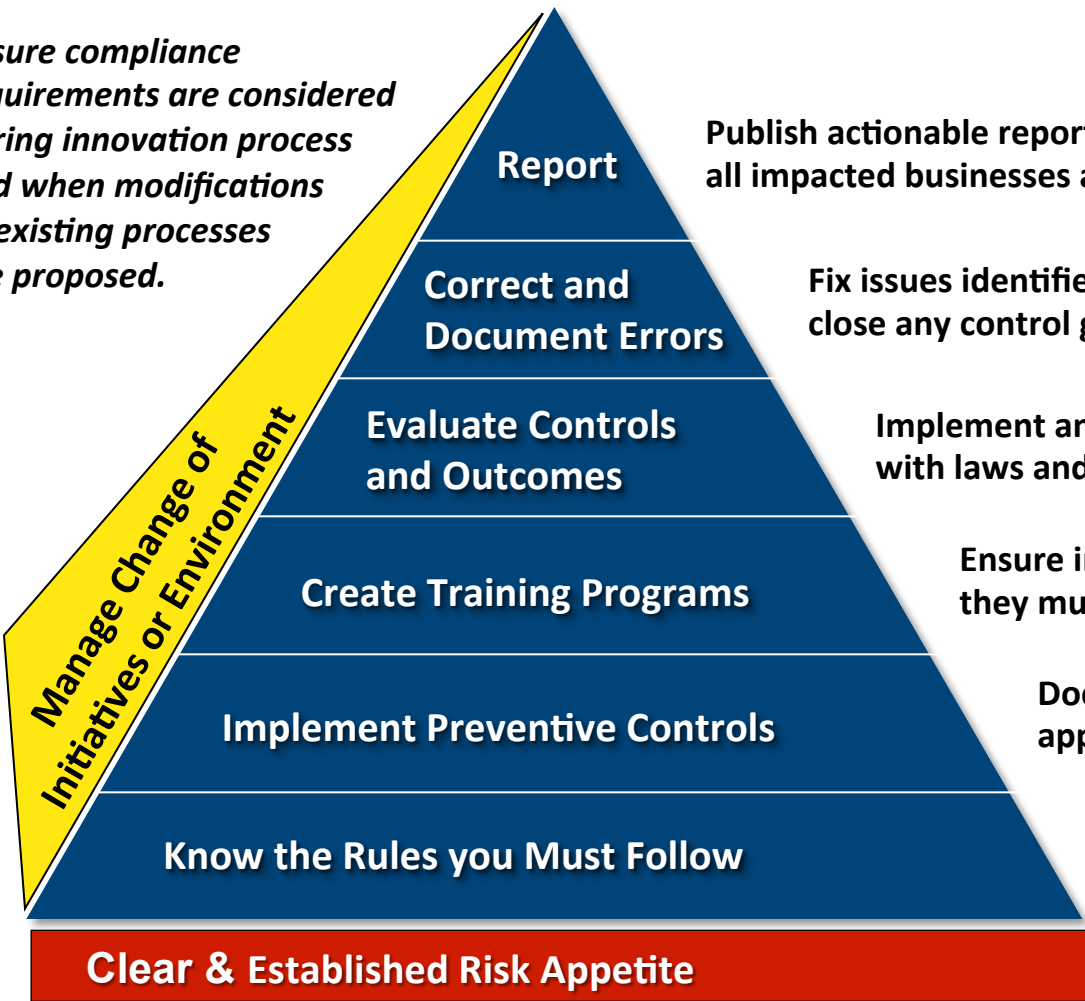
<Company> expects any such exceptions to be:

- Infrequent and low impact;
- Identified through formal internal monitoring and testing methods; and
- Promptly remediated to remove harm and avoid reoccurrence

A simple compliance program framework allows risks to be managed, evaluated, and communicated

Sample Program Elements

Ensure compliance requirements are considered during innovation process and when modifications to existing processes are proposed.



Publish actionable reporting on the state of compliance across all impacted businesses and processes.

Fix issues identified through monitoring are fixed and close any control gaps.

Implement and monitor controls to ensure compliance with laws and regulations; perform risk assessments.

Ensure impacted associates understand what they must do, why, and how to do it.

Document and maintain controls appropriate to risk appetite.

Identify and document laws / regulations with which business areas must comply.

A clear reporting tool is essential to communicating compliance performance and facilitate an informed assessment of the aggregate level of risk

- Timely, accurate data management and reporting empowers leaders to become predictive, proactive, data-driven decision makers
- Reporting should reflect underlying data, enable data-driven decisions and actions, and align with organizational communication “norms”
- Advanced data visualization and analytics can accelerate review/discovery of valuable insights, while text-based reports allow for detailed explanations of data drivers and resulting work

Illustrative Risk Dashboard – Summary

Risk Category	Risk Appetite	Current Risk Levels	Risk Trend	Comments
Credit – Exposure to loan and fixed income investment losses	Low - Medium	●	↔	
Interest Rate – Market rate changes that impact capital and earnings	Low - Medium	●	↑	
Liquidity – Ability to meet financial and depository obligations	Low	●	↔	
Regulatory/Legal – Exposure to breach of regulations, laws and legal agreements	Low	●	↔	
Reputation – Impact on member, public trust and confidence resulting in loss of business and member attrition	Low	●	↑	
Human Capital – Impact of misaligned competencies, staff disengagement, and loss of knowledge capital	Low - Medium	●	↓	
Operational – Exposure due to weak processes and controls, technology failure, information loss and/or missed commitments to members/staff	Low - Medium	●	↑	

● Comfortably within Risk Appetite

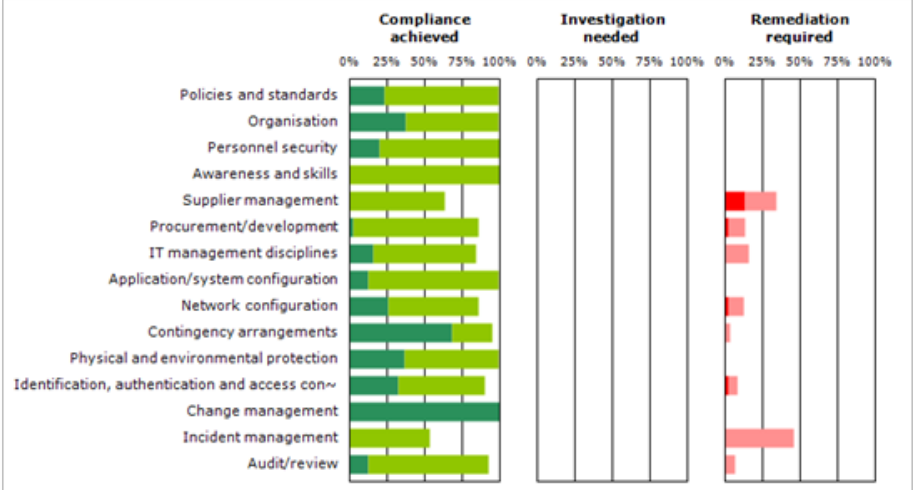
● Nearing Boundaries of Risk Appetite

● Exceeding Boundaries of Risk Appetite

↑ Increasing Risk

↔ Stable Risk

↓ Decreasing Risk



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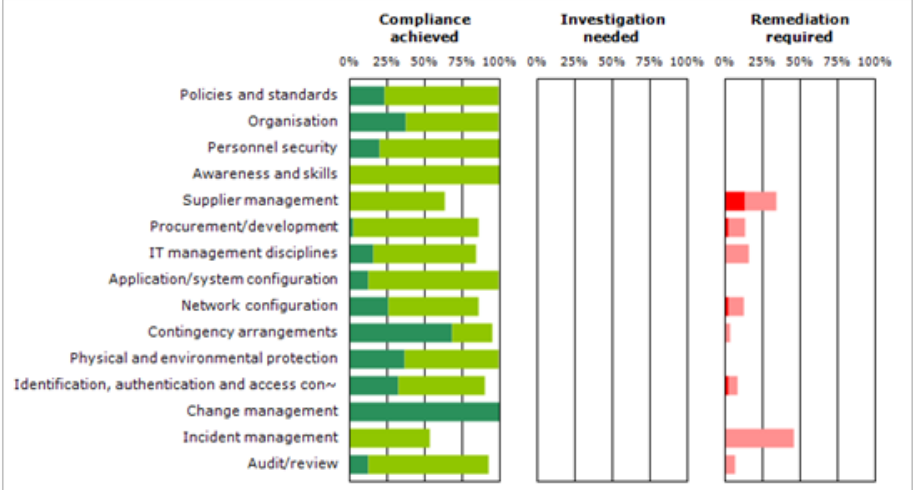
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Minimal Data Management

The screenshot displays a web application titled "Risk Manager". The browser's address bar shows "convercent". The application has a purple navigation bar with menu items: Policies, Education, Cases, Risk, Disclosures, Values, Campaigns, and Reports. Below this is a breadcrumb trail: Dashboard > Design > Risk > Risk Register. The main content area is titled "Risk Register" and shows "Current version 2.1" and "Last updated September 23, 2014 by Jennifer Davidson". A green button labeled "Add a new risk" is in the top right. Two risk entries are listed:

- 1 Critical Severity**
Corruption Risk in Brazil and China
Date identified: September 23, 2014
This risk addresses international concerns related to FCPA, bribery and accounting transparency based on activity recently identified in our Brazil and China locations.
Likelihood: Medium | Impact: Critical | Velocity: Rapid | Treatment Type: Mitigate | Linked Compliance Programs: FCPA Program, 2014 3rd Party Compliance (+2 more)
- 2 High Severity**
Conflicts of Interest (Third-Party Vendors)
Date identified: August 1, 2014
This risk is meant to address clarity or lack thereof regarding conflicts of interest based on prior incidents, specifically related to employee commitments and third-party vendor relationships.
Likelihood: High | Impact: Medium | Velocity: Moderate | Treatment Type: Mitigate | Linked Compliance Programs: FCPA Program, 2014 3rd Party Compliance (+2 more)

Show Progress, Not Snapshots

Risk Manager

Dashboard > Design > Risk > Risk Register > Corruption Risk in Brazil and China

Corruption Risk in Brazil and China

This risk addresses international concerns related to FCPA, bribery and accounting transparency based on activity recently identified in our Brazil and China locations.

Displaying related incident activity for the **entire company**.

Severity: **Critical Severity**

Status: **Active**

Treatment Type: **Mitigate**

Risk Owner: **Jennifer Davidson**

Likelihood: **Medium**

Impact: **Critical**

Velocity: **Rapid**

Tags: **Add**

Related Compliance Programs

FCPA Program
15 tasks **20%**

2014 Third-Party Compliance Audit
4 tasks **100%**

2014 Code of Conduct: Revisions & Distribution
18 tasks **100%**

Gifts & Entertainment Registry
7 tasks **50%**

[View all compliance initiatives](#)

Critical Policies Associated with this Risk

POLICY FCPA Requirements
Due 10/31/14
25% Attestation

POLICY Gifts & Entertainment
Due 10/31/14
32% Attestation

Critical Courses Associated with this Risk

COURSE Anti-Bribery
Due 10/31/14
12% Completion

Critical Disclosures Associated with this Risk

COI2014-237654-Rel2: Anna Smith
Last updated September 12, 2014
Close friend with another person working for an existing or potential customer (Gao Lu)
High Risk Jeff Marques

Recent Incident Reports Associated with this Risk

Bribery & Kickbacks - Sales, Beijing, China
Submitted Saturday September 27, 2014
High Risk Unassigned

Gifts & Entertainment - Sales, Sao Paulo, Brazil
Submitted Friday August 1, 2014
Medium Risk Assigned to me

Investigation initiated on August 8, 2014

[View all related incident reports](#)

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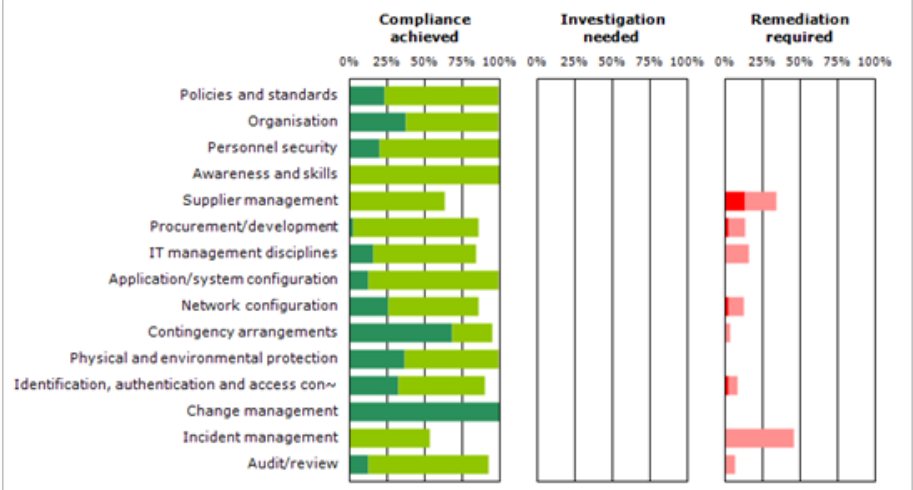
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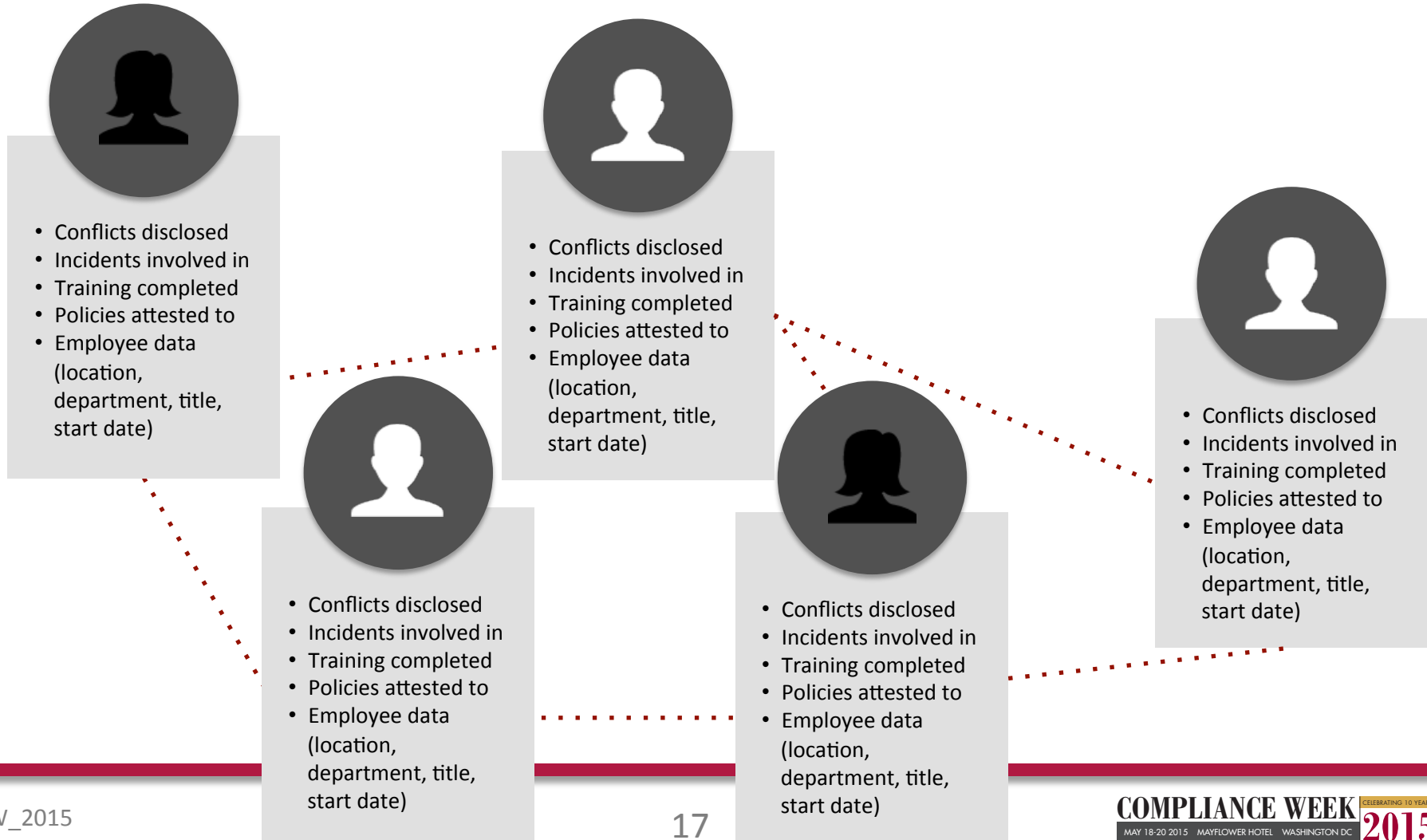
What Needs to Be Done

Information access isn't enough...



What Should Be Done

Intersection of information provides actionable insight



More Data = More Context

COMPLIANCE DATA

- **[Case Management]** Bribery alleged against EMEA sales director
- **[Disclosure Management]** Sales director's disclosure of ties to executive at Chinese state-owned enterprise



COMPANY DATA

- **[ERP System]** Red flags in EMEA expense reports
- **[HRMS]** Sales directors approve own expense reports



EXTERNAL DATA

- **[Politically Exposed Person (PEP) Database]** List of PEP in China includes individual named in incident, disclosure and expense reports
- **[Regulatory Feed]** PRC law prohibits gifts to state employees for unjustified benefits



FASTER AND EASIER RESPONSE AND REMEDIATION

Intersection of Information = Actionable Insight

- **You can't say you didn't have the information; only that you didn't do anything with it**
- **Relating information and data sets:**
 - Adds real value to the business
 - Helps secure and defend budgets and resources
 - Align to strategic business objectives
 - Become a business leader and enabler