Re-invigorating SOX Compliance:
A Project Management Approach

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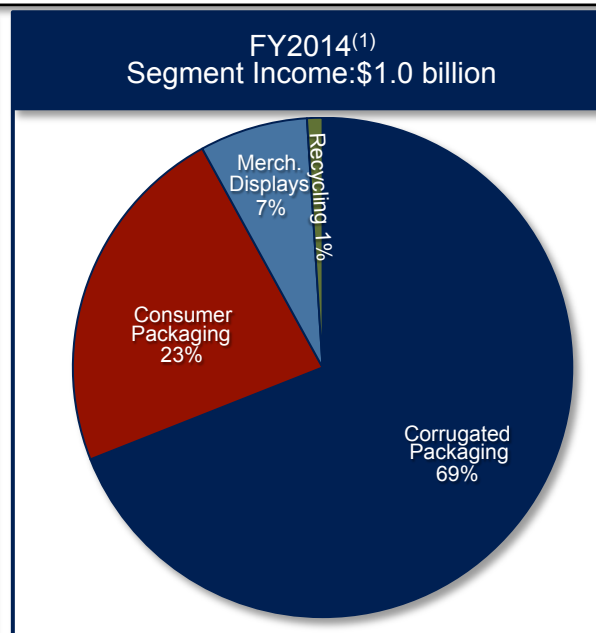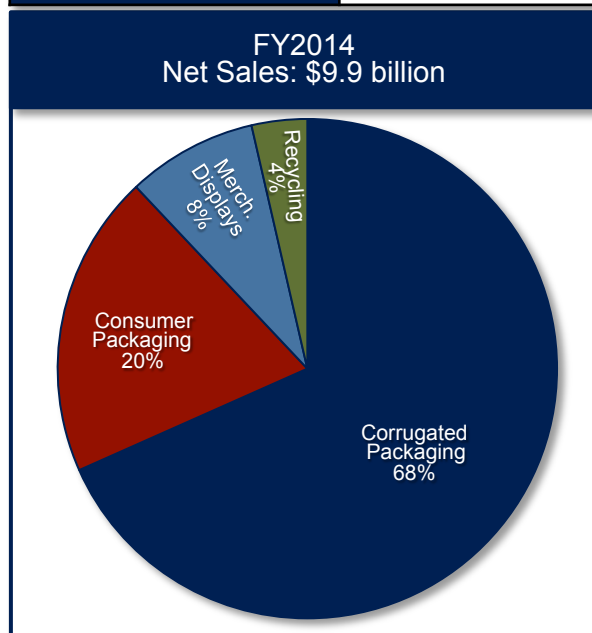
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Who We Are – RockTenn

Overview	• RockTenn is one of North America's leading providers of packaging solutions and manufacturers of containerboard and paperboard.
Employees	• ~27,000
Production	• ~9.9 million tons of mill capacity • ~95 billion square feet of converting production
Locations	• ~200 operating facilities, primarily in North America

FY2014
Net Sales: $9.9 billion

- Recycling 4%
- Merch. Displays 8%
- Consumer Packaging 20%
- Corrugated Packaging 68%

FY2014[1]
Segment Income:$1.0 billion

- Recycling 1%
- Merch. Displays 7%
- Consumer Packaging 23%
- Corrugated Packaging 69%

(1)   FY2014 results as reported. Combined Net Sales and Segment Income of RockTenn and the Tacoma mill for the same period would be approximately $10.1 billion and $1.1 billion, respectively

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Approximately 200 Operating Facilities
As of 01/01/2015

★ RockTenn Home Office

PACKAGING SOLUTIONS
Corrugated Packaging
● Container
■ Sheet Plant
◆ Sheet Feeder
◆ Preprint/Prepress
⬟ Fulfillment
✚ APS

Folding Cartons
● Folding Carton

Merchandising Displays
● Manufacturing
✚ Visual Displays
▲ Permanent Displays
◆ Assembly

RTS
● RTS

PAPER SOLUTIONS
Mill Operations
▲ Containerboard Mill
✚ Solid Bleached Board Mill
◆ Coated Recycled Board Mill
■ Uncoated Recycled Board Mill
⬟ Foodboard Converting Mill

Recycling
● Recycling

NOTE: RockTenn has additional sales/design and engineering offices throughout the U.S.

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RockTenn's Operating Facilities

West Point, VA
Containerboard Mill

New Lenox, IL
Box Plant

Marion, NC
Folding Carton Plant

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RockTenn's Transaction Environment

♦ Has grown primarily through acquisitions

♦ 95% US, Canada and Mexico

♦ 98% on one general ledger system – JD Edwards and Hyperion

♦ Effectively in 7 different "paper-related" businesses

♦ Centralized GL, A/R, A/P, fixed assets, cash management, treasury, taxes, legal, human resources, payroll, risk management, internal audit

♦ Multiple upstream customer order entry to billing, inventory and purchasing systems (placing orders with vendors)

♦ Generally straight-forward agreements (contracts) with customers, but papered in many forms

♦ Significant intercompany transactions

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RockTenn's SOX Environment

♦ Implementing COSO 2013 in fiscal year beginning October 2014
♦ RockTenn's 2012 audit was reviewed by the PCAOB
   – Significant increase in requirements for electronic audit evidence
   – New focus on areas of operations that were considered low risk in the past
   – A need to focus far more on the transactions passing through the upstream systems
♦ New CFO
♦ New Audit Partner
♦ New Internal Audit Lead
♦ New Director of Financial Compliance

Result:
♦ Fiscal year 2014 SOX process underwent significant changes
♦ Fiscal year 2015 SOX process is expected to bring more

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"Projects" are Going to Happen

♦ Growth, downsizing or cost reduction

♦ Acquisitions, business disposal and/or close down

♦ Joint-venture formations

♦ Organization redesign and/or restructuring

♦ Technology changes and upgrades

♦ Consolidation, centralization

♦ Deconsolidation, decentralization

♦ Need for greater speed and/or detail

♦ Demands of a new leader

♦ Customer and/or vendor changes

♦ Regulatory changes (e.g., PCAOB, COSO 2013)

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Why is SOX a "Project"

♦ It is never the same thing twice

- – Any organizational changes (per prior slide) require considering different approaches to the audit

- – Sheer number of stakeholders means that each year there will be changes in perspective and approach

- – Changing audit guidance needs to be incorporated

- – Changes in technology

- – Once control stability is reached in one area of an organization, it is time to look at the next area of importance

♦ SOX is a subset of the annual audit

- – An annual audit is a project in and of itself (for all the prior reasons)

♦ SOX has a beginning, middle and end – so it is not a process

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What Makes a Successful Project?

♦ A well understood strategy, design and goal

    – Understood by all participants

♦ The right team structure and roles

    – The right personality types in the right roles

♦ Accurate data / information

    – Throughout the project

♦ Candid communication

    – Ability to translate conversations into action

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Project Success – Start with a Strategy

At RockTenn, we:

♦ **Develop** a list of Project Pillars that are the criteria for success

♦ **Collaborate** with all stakeholders

♦ **Communicate** to a broad audience

♦ **Re-communicate** often throughout the project

Project Pillars

1. Full scoping and risk assessment will be completed by Financial Compliance in time for Audit.
   • Includes COS 2013 considerations
   • Includes Gap analysis
   • Includes disclosure data (considering EAE)
2. Risk evaluation is based on factual data including GL dollars for previous year and relevant location information.
3. All stakeholders, Business Process Owners and Internal and External Audit, will be appropriately involved in the process.
4. IT Systems will be linked to specific risks and controls as part of that scoping consideration.
5. Scoping/Risk Assessment process will be sustainable and repeatable/ maintainable. Foundational work for the analysis will remain useable for future assessments. All possible improvements may take a few years. It is an iterative process.
6. Rationalization opportunities will be planned where appropriate
   1. Immediate rationalization is more likely from scoping portions of the business out than from elimination of controls
   2. Tools may be needed to facilitate more granular scoping or more widespread analytical monitoring controls to replace transaction controls, and may take time to implement
   3. Transition from current controls to new rationalized controls will be well planned and executed

Approach to Scoping and Risk Assessment – October 29, 2014
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Project Success – "It's All About the People"

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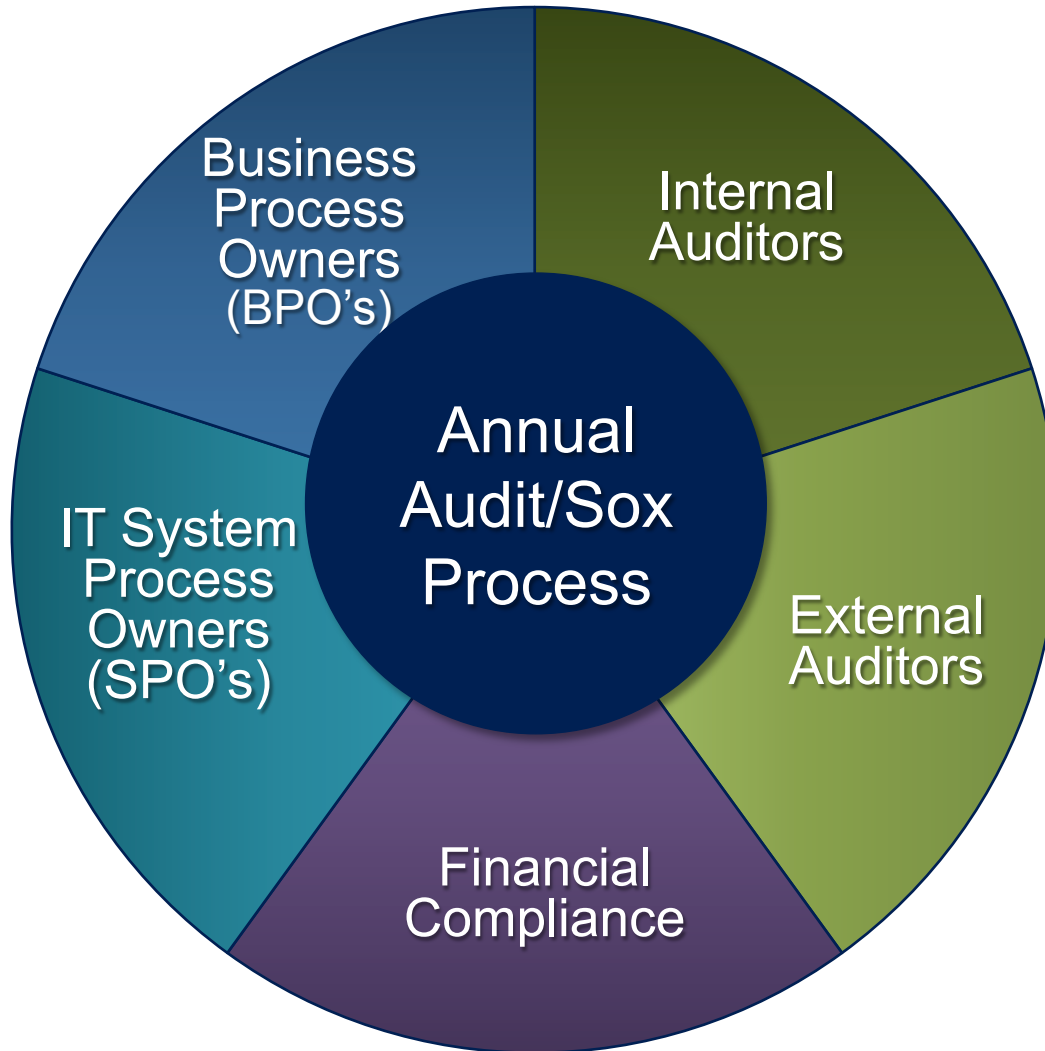
Project Success – "It's All About the People"

♦ Those who are "enthusiastic" to "improve processes" and/or to get "personally involved" in a project

♦ Those who are not "enthusiastic" to "improve processes" and/or to get "personally involved" in a project

♦ People can change their level of enthusiasm during the course of a project

    – From boom to gloom to doom and back again!

Where Are You in this 4 Square?

High

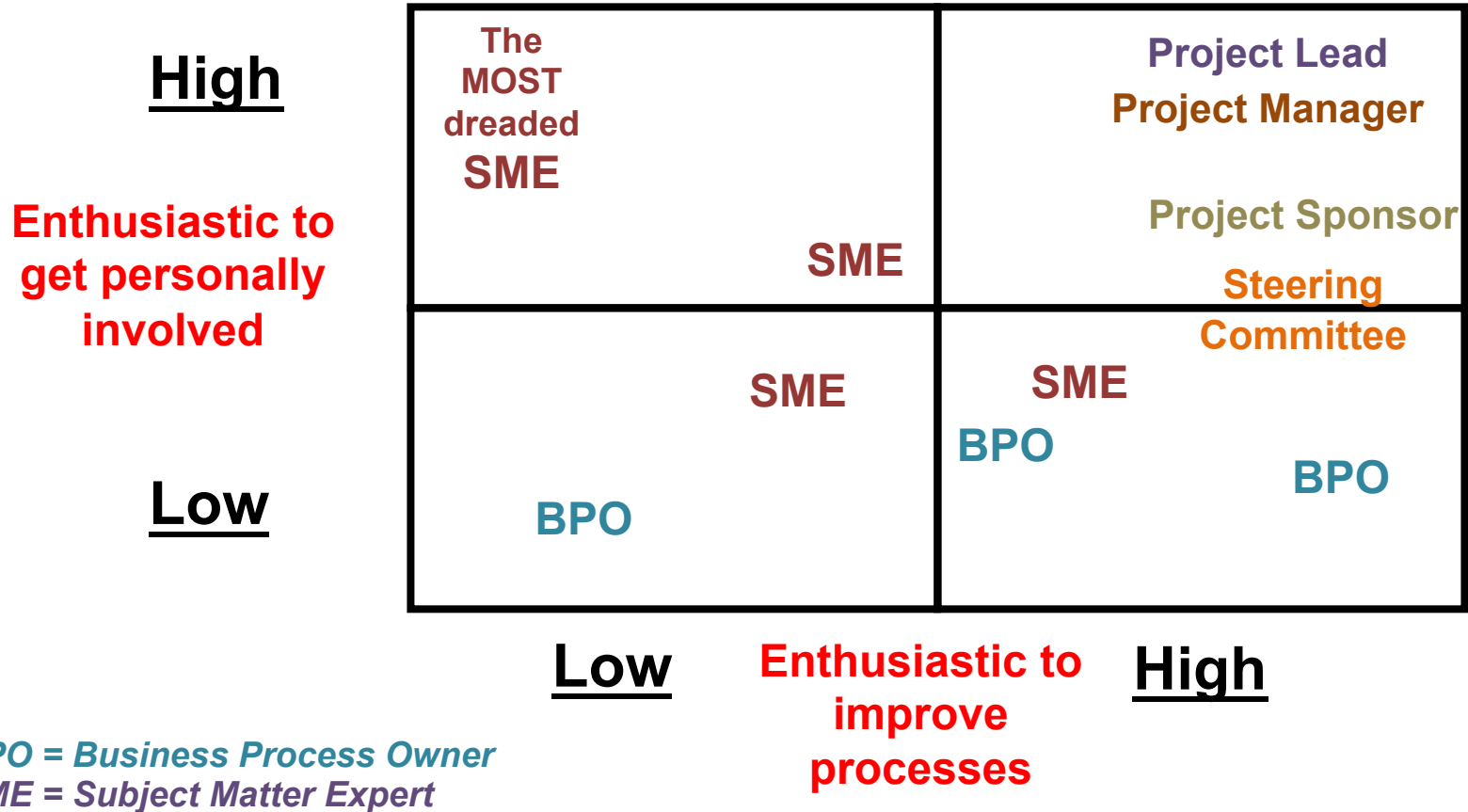**Enthusiastic to get personally involved**

Low

	The Sweet Spot

Low **Enthusiastic to improve processes** **High**
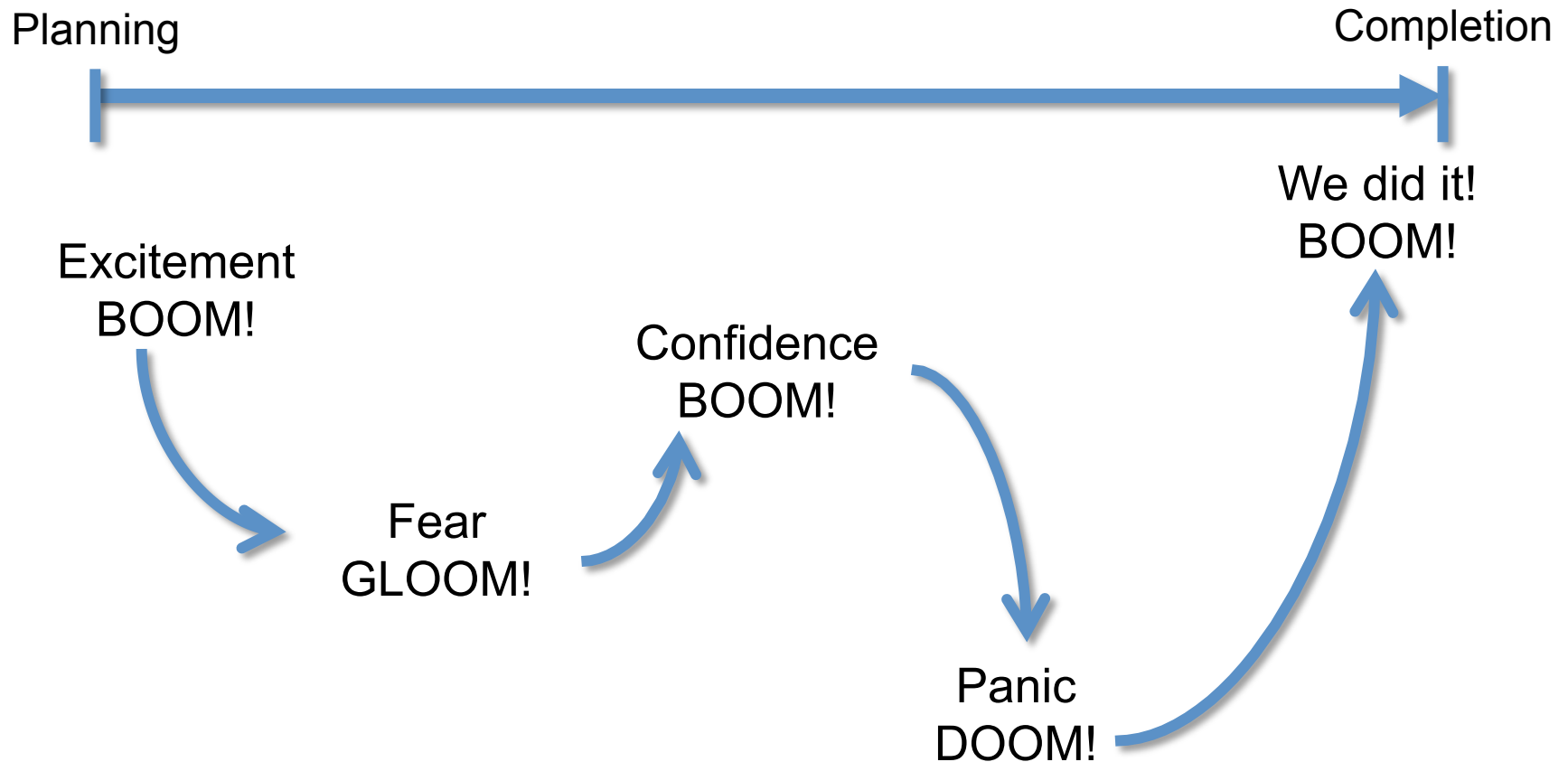
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Project Success – People on the "Team"

♦ Where are the various participants in the 4-square?

♦ How do you move them closer to the top right of the quadrant?

- Sponsor/visionary/"evangelist"

- Steering committee

- BPO's – Business Process Owners

- Other "Interested parties"

  ✓ External audit, internal audit, audit committee, financial team leaders, financial compliance, system owners

- Project Manager

- Project Administrator

- The dreaded "SME's" – Subject Matter Experts

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A Typical SOX Project

High

Enthusiastic to get personally involved

The MOST dreaded **SME** **SME**	**Project Lead** **Project Manager** **Project Sponsor** **Steering** **Committee**
SME **BPO**	**SME** **BPO** **BPO**

Low

Low **Enthusiastic to improve processes** **High**

BPO = Business Process Owner
SME = Subject Matter Expert

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Enthusiasm Levels in a Project Life Cycle

Planning

Completion

We did it!
BOOM!

Excitement
BOOM!

Confidence
BOOM!

Fear
GLOOM!

Panic
DOOM!

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Project Success –It's Also About the "Data"

♦ Accurate data / information

  – Assessment of risks

  – Number of controls, number of tests

  – Timing of tests

  – Status of tests

♦ Accurate data prevents misunderstandings, wasted time catching up on "where we are"

♦ Data facilitates communication, communication facilitates data

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Project Success – Communication Is Key
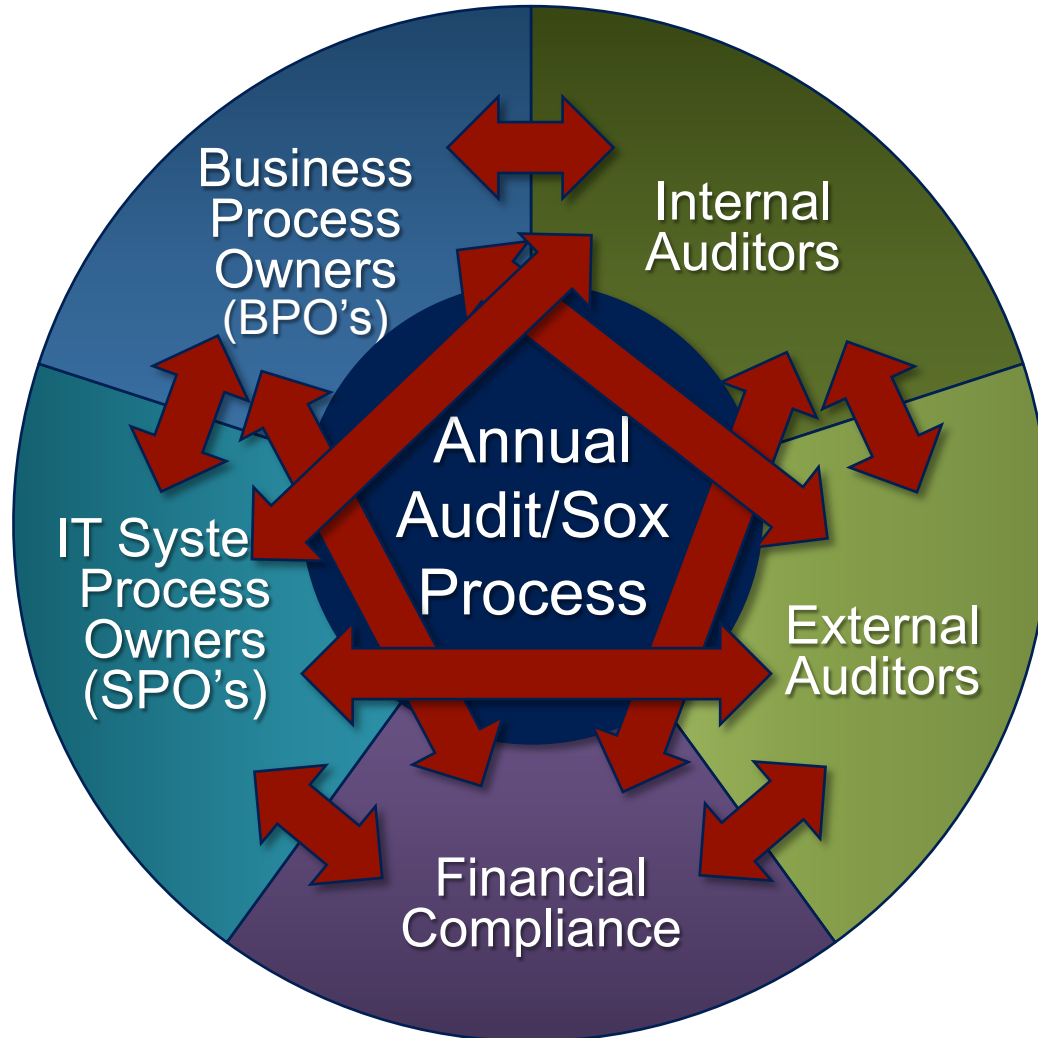
Facilitate dialogue

♦ Right information from the right source

♦ Confront the "elephants in the room"

Maintain "one version of the truth"

♦ Use of consistent data

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Conclusion

♦ SOX is a project

  – Has a cycle (beginning, middle and end)

  – Changes from year to year

  – Requires new strategy every year

♦ Project success is based on

  – Well-defined strategy and goals

  – The People

  – The Data

  – Communication

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