

Developing an Integrated Compliance Program

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Defining an Integrated Compliance Program

‘Doing the Right Thing’

- Not only accepted but expected
- Defining the ‘right thing’ with clarity, consistency and purpose
- Ethics and compliance as regular topics in discussion

Challenges of Creating an Integrated Program

Enterprise First

- Compliance role
- Seek and find issues
 - Find issues
 - Fix issues
- Need for independence for Compliance, while...
 - Collaborating with other functions
 - Operating in support with the businesses

Examples of Integrated Compliance Programs

The Boeing Co.

- Office of Internal Governance
- Groups
 - Legal
 - Compliance
 - Security
- Driving Principles
 - Get committed and get aligned
 - Open up the culture
 - Drive ethics and compliance through core business leadership model

Walmart

- Global Governance Group
- Four group report into single EVP of Global Governance
 - Compliance
 - Ethics
 - Legal
 - Security / Investigations

Practical Advice

- Define Roles and Responsibilities
 - Compliance charter – approved by Audit Committee
 - Use of interface charts
 - Defining swim lanes
 - Decrease silos of information
 - Single point of accountability
- Promote Collaboration
 - Monthly meetings of various groups to review matters
 - Importance of remediation
- Penetration within the Business
 - CECO alone cannot ensure compliance
 - Businesses must own risk
- Market Compliance – Advice from Tom Saga ..

“Get out there! Ask questions!”

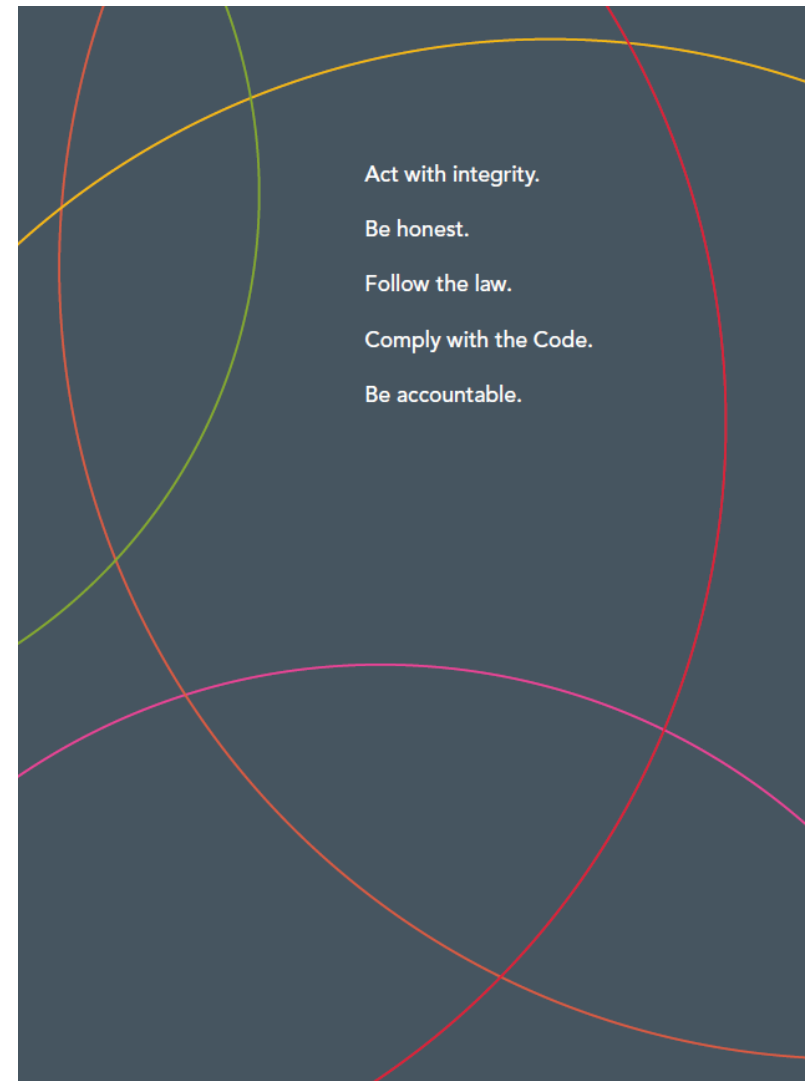
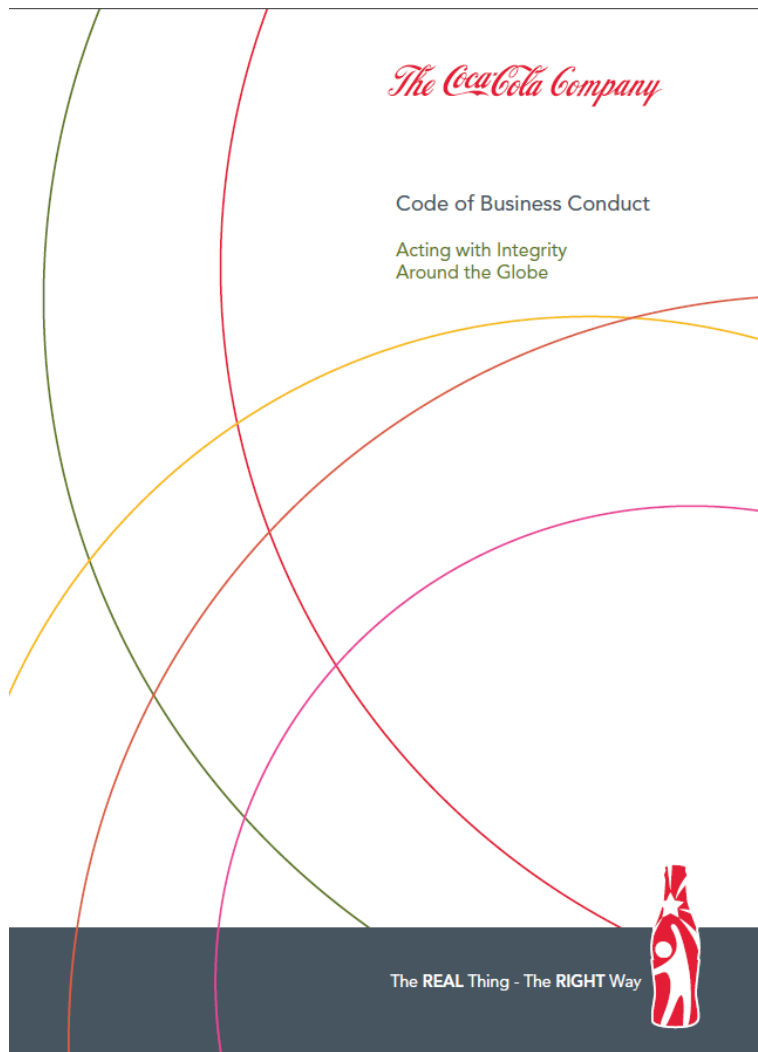
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Defining an Integrated Compliance Program



Challenges of Creating an Integrated Program

Core of TCCC's Ethics and Compliance Program: Code of Business Conduct



What's New

2014 **Consent Order Acknowledgement**

The annual Consent Order Acknowledgement will be launched in May 2014. U.S. and Canada-based employees with Company computers will be required to acknowledge their awareness and understanding of the [Consent Order](#). You will receive an email when the Acknowledgement is available.

Protecting Company Information

The *Protecting Company Information* online course is available in English, French, Japanese, Portuguese, and Spanish. Learn about the revised information protection classifications, how to protect your mobile devices, and how to recognize when you are being "phished." For additional course information, visit our [Course Catalog](#).

Korea Revises Local Rule on Accepting Gifts from Customers or Suppliers

Effective April 9, 2013, Korea BU revised their [Local Rule](#) on acceptance of gifts from customers or suppliers to set more specific limits. Korea BU employees should contact their Local Ethics Officer, [Yeon Su Kim](#), if they have any questions about the Local Rule.

Ethics & Compliance Office 2013 Annual Report

In the [Ethics & Compliance Office 2013 Annual Report](#) you will find information about the Local Ethics Officer Program, Code of Business Conduct trends, and updates on important compliance programs.

Ethics & Compliance Links

- [Local Ethics Officers](#)
- [Real Code Violations](#)
- [Local Rules](#)
- [About Ethics & Compliance](#)
- [For Local Ethics Officers](#)

Local Ethics Officer Approval Tool

An online tool for situations requiring Local Ethics Officer approval under the Code.

Question or concern?

Log on to EthicsLine at [www.KOethics.com](#)

Ethics & Compliance Employee Introduction Video

TCCC's compliance policies detail expectations for employee conduct and address areas of legal or regulatory compliance risk

Anti-Bribery, Competitive Intelligence, Information Protection, Trade Sanctions, Travel & Entertainment, and Workplace Rights Policies

And more than 45 additional specific policies that govern TCCC's 170,000 employees in all 207 countries TCCC currently does business in

Examples of Integrated Compliance Programs

Milk Distribution Regulation

Milk and milk products are heavily regulated at the Federal level, primarily by the FDA, and at the State level by each state's department of health, department of agriculture, or milk marketing board/commission



Federal

- FDA Regulations
 - Final packaged form
 - Description
 - Additives
 - Labeling
- Pasteurized milk ordinance (as adopted by the states)
- Minimum producer prices (raw milk)
- Milk marketing orders (10)

State

- Minimum wholesale and retail prices (finished products)
 - Sales promotions, couponing, slotting, ARP, quick pay discounts
- Licensing
- Assessments
- Label review
- Product composition
- Health & Safety



Examples of Integrated Compliance Programs

Milk Distribution Regulation

Risks of Noncompliance With Pricing/Promotion Regulations

- 17 states have **heavy regulation**
- *Civil and criminal penalties* range from **\$100 to \$5,000 per violation**
- Monetary fines may be accompanied by **one month to one year imprisonment**
- Penalties may be imposed per violation or for each day violation continues



General Enforcement and Legal Risks

- **Government seizure/product impoundment at state border**
- Revocation of distribution licenses
- Litigation

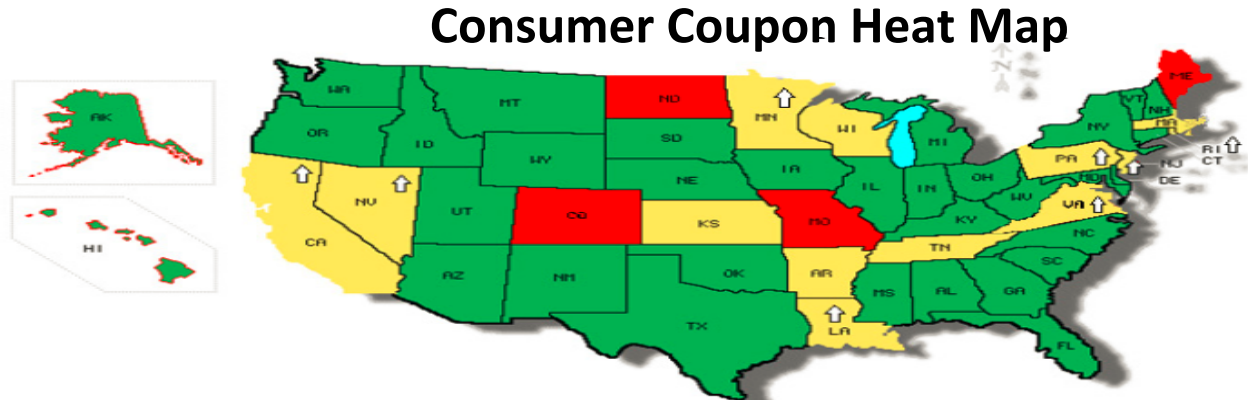


Milk Distribution Regulation

Pricing/Promotions

- 13 states prohibit sales below cost
- Definitions of “cost” vary across states and among processors, distributors, and retailers
- Must include all overhead costs and value of promotions
- Competitor and/or consumer complaints may lead to regulator audits
- Some states average sales over time; others find violation from single sale
- Statutes/regulations are dated, fluid, and subjectively interpreted and enforced
- Maintaining positive relationships with regulators is key

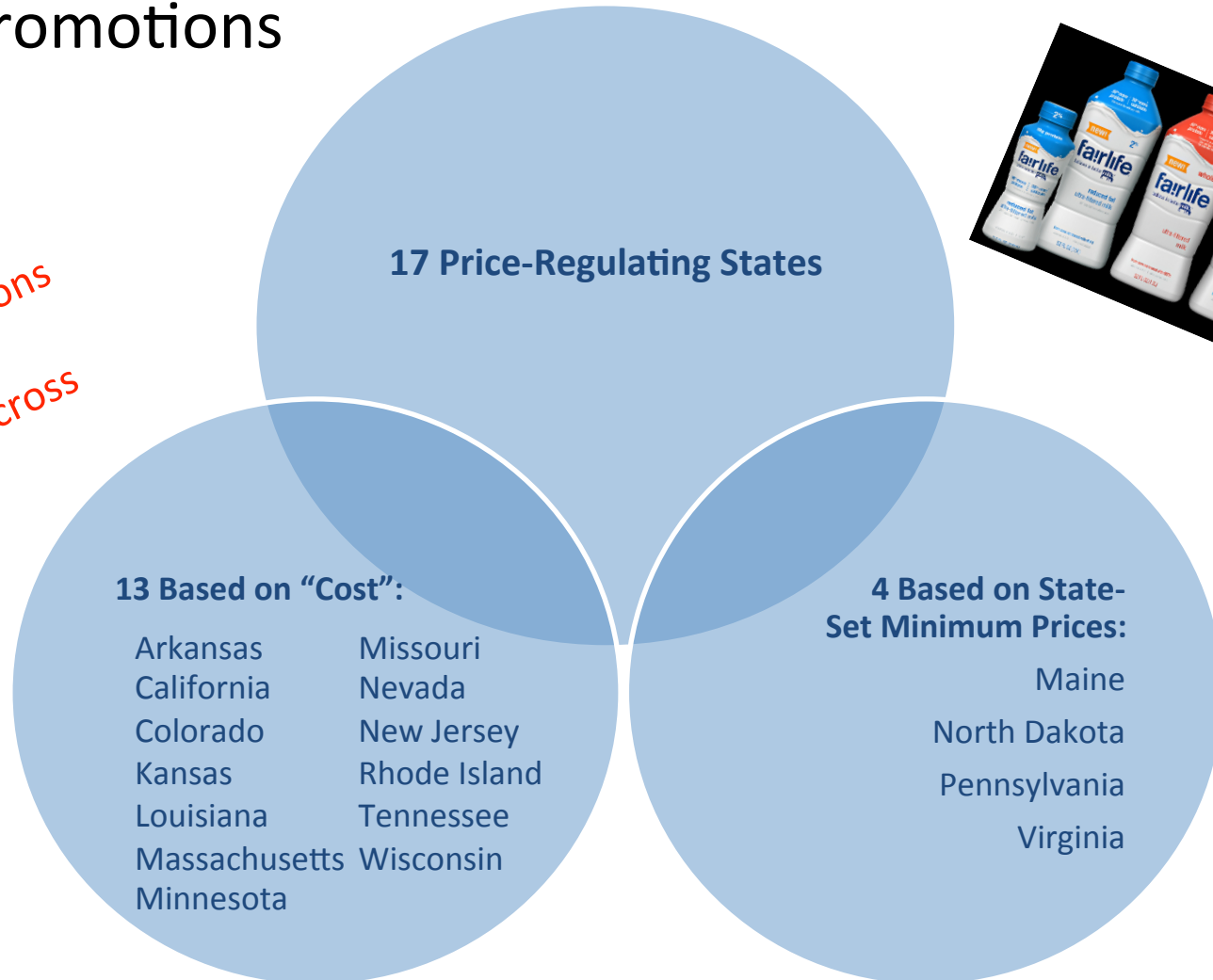
*Graphic renditions
help business
colleagues across
functions!*



Milk Distribution Regulation

Pricing/Promotions

Graphic renditions
help business
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functions!



Milk Distribution Regulation

Pricing/Promotions

Types of Promotional Activities Controlled / Prohibited to Prevent Below 'Cost' Sales:

- Consumer coupons (BOGO, 'cents off,' 'dollars off,' etc.)
- Other consumer discounts/rebates
- Wholesale customer programs (trade spend, etc.)
- Small-size sampling events
- Free product giveaways
- Quick pay wholesale customer discounts
- Volume-based wholesale customer price bracketing/discounts
- Cross-promotions (e.g., milk and cookies)
- Slotting fees/allowances
- Backhaul and ARP 'unsaleables' allowances
- General advertising campaigns

General Guidelines:

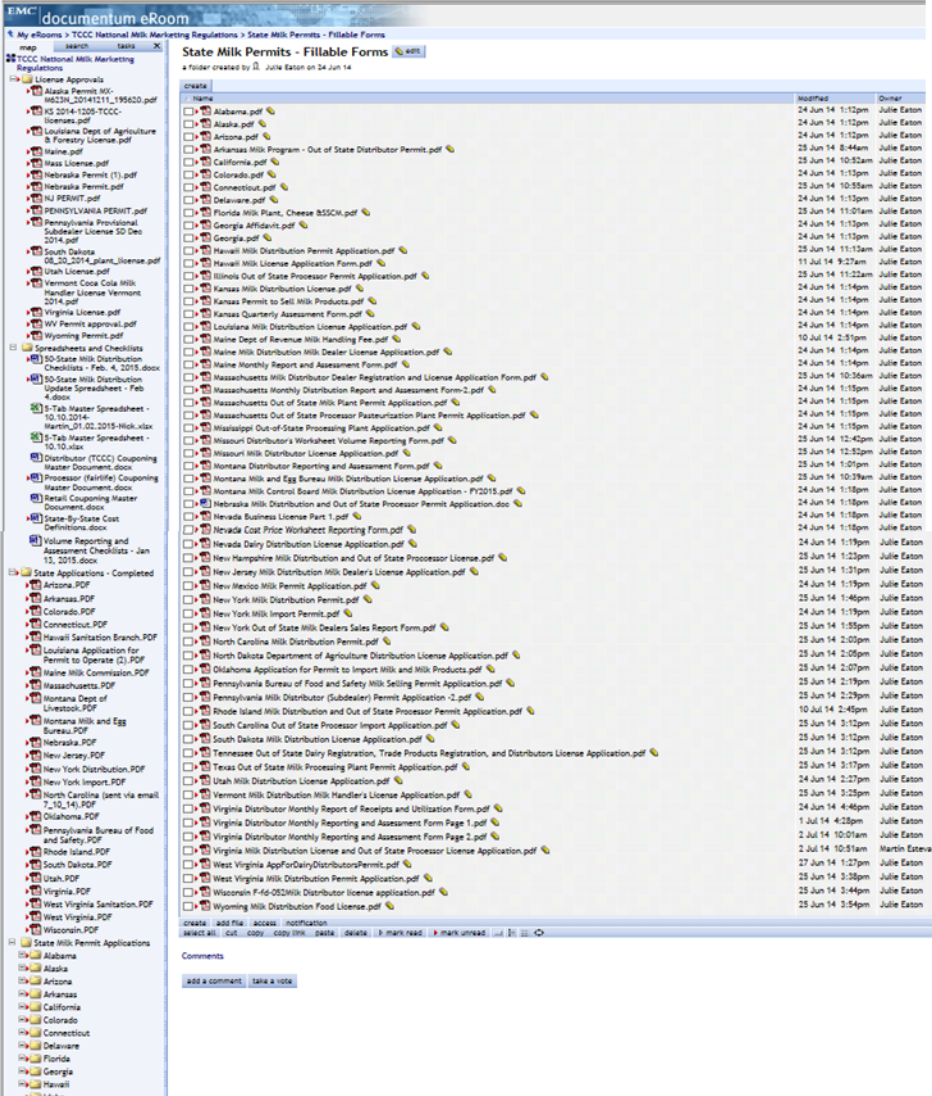
- The entity funding the promotion must capture the values of such promotion in its 'cost'; selling below cost is prohibited.
- Restrictions on specific types of promotions may vary across states and among processors, distributors, and retailers.
- Promotions must be submitted to regulators for approval.
- Promotions must be uniform and not discriminatory.



Practical Advice

Internal Compliance Tracking

- Live database with tracking mechanisms for all 50 states and federal entities
- Strategic timeline revisited weekly with internal and external teams
- Calendar assessments
- Routine maintenance call-ins with federal and state regulators



documentum eRoom

My eRooms > TCCC National Milk Marketing Regulations > State Milk Permits - Fillable Forms

map search tabs

25 TCCC National Milk Marketing Regulations

License Approvals

- Alaska Permit 101
- AKS 2014-1200-TCCC-Licenses.pdf
- Louisiana Dept of Agriculture & Forestry License.pdf
- Maine.pdf
- Mass License.pdf
- Nebraska Permit (1).pdf
- Nebraska Permit.pdf
- NJ PERMIT.pdf
- PENNSYLVANIA PERMIT.pdf
- Pennsylvania Provisional Subprocessor License 30 Dec 2014.pdf
- South Dakota 08_20_2014_plant_license.pdf
- Utah License.pdf
- Vermont Coca Cola Milk Handler License Vermont 2014.pdf
- Virginia License.pdf
- WV Permit approval.pdf
- Wyoming Permit.pdf

Spreadsheets and Checklists

- 50-State Milk Distribution Checklists - Feb. 4, 2015.docx
- 50-State Milk Distribution Update Spreadsheet - Feb 4.docx
- 7-Tab Master Spreadsheet - 10.10.2014-Martin_JT_02.2015-Milk.xlsx
- 7-Tab Master Spreadsheet - 10.10.xlsx
- Distributor (TCCC) Couponing Master Document.docx
- Processor (Fairlife) Couponing Master Document.docx
- Retail Couponing Master Document.docx
- State-by-State Cost Definitions.docx
- Volume Reporting and Assessment Checklists - Jan 13, 2015.docx

State Applications - Completed

- Arkansas.PDF
- Arkansas.PDF
- Colorado.PDF
- Connecticut.PDF
- Hawaii Sanitation Branch.PDF
- Louisiana Application for Permit to Operate (1).PDF
- Maine Milk Commission.PDF
- Massachusetts.PDF
- Montana Dept of Livestock.PDF
- Montana Milk and Egg Bureau.PDF
- Nebraska.PDF
- New Jersey.PDF
- New York Distribution.PDF
- New York Import.PDF
- North Carolina (sent via email 2_10_14).PDF
- Oklahoma.PDF
- Pennsylvania Bureau of Food and Safety.PDF
- Rhode Island.PDF
- South Dakota.PDF
- Utah.PDF
- Virginia.PDF
- West Virginia Sanitation.PDF
- West Virginia.PDF
- Wisconsin.PDF

State Milk Permit Applications

- Alabama
- Alaska
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho

State Milk Permits - Fillable Forms

a folder created by Julie Eaton on 24 Jun 14

name	modified	owner
Alabama.pdf	24 Jun 14 1:12pm	Julie Eaton
Alaska.pdf	24 Jun 14 1:12pm	Julie Eaton
Arkansas.pdf	24 Jun 14 1:12pm	Julie Eaton
Arkansas Milk Program - Out of State Distributor Permit.pdf	25 Jun 14 8:44am	Julie Eaton
California.pdf	25 Jun 14 10:52am	Julie Eaton
Colorado.pdf	24 Jun 14 1:13pm	Julie Eaton
Connecticut.pdf	25 Jun 14 10:55am	Julie Eaton
Delaware.pdf	24 Jun 14 1:13pm	Julie Eaton
Florida Milk Plant, Cheese &SSCM.pdf	25 Jun 14 11:01am	Julie Eaton
Georgia Affidavit.pdf	24 Jun 14 1:13pm	Julie Eaton
Hawaii	24 Jun 14 1:13pm	Julie Eaton
Hawaii Milk Distribution Permit Application.pdf	25 Jun 14 11:13am	Julie Eaton
Illinois Out of State Processor Permit Application.pdf	11 Jul 14 9:27am	Julie Eaton
Illinois Out of State Processor Permit Application.pdf	25 Jun 14 11:22am	Julie Eaton
Kansas Milk Distribution License.pdf	24 Jun 14 1:14pm	Julie Eaton
Kansas Permit to Sell Milk Products.pdf	24 Jun 14 1:14pm	Julie Eaton
Kansas Quarterly Assessment Form.pdf	24 Jun 14 1:15pm	Julie Eaton
Louisiana Milk Distribution License Application.pdf	24 Jun 14 1:14pm	Julie Eaton
Maine Dept of Revenue Milk Handling Fee.pdf	10 Jul 14 2:51pm	Julie Eaton
Maine Milk Distribution Milk Dealer License Application.pdf	24 Jun 14 1:14pm	Julie Eaton
Maine Monthly Report and Assessment Form.pdf	24 Jun 14 1:14pm	Julie Eaton
Massachusetts Milk Distributor Dealer Registration and License Application Form.pdf	25 Jun 14 10:36am	Julie Eaton
Massachusetts Monthly Distribution Report and Assessment Form 2.pdf	24 Jun 14 1:15pm	Julie Eaton
Massachusetts Out of State Milk Plant Permit Application.pdf	24 Jun 14 1:15pm	Julie Eaton
Massachusetts Out of State Processor Pasteurization Plant Permit Application.pdf	24 Jun 14 1:15pm	Julie Eaton
Mississippi Out of State Processing Plant Application.pdf	24 Jun 14 1:15pm	Julie Eaton
Missouri Distributor's Worksheet Volume Reporting Form.pdf	25 Jun 14 12:40pm	Julie Eaton
Missouri Milk Distributor License Application.pdf	25 Jun 14 12:52pm	Julie Eaton
Montana Distributor Reporting and Assessment Form.pdf	25 Jun 14 1:01pm	Julie Eaton
Montana Milk and Egg Bureau Milk Distribution License Application.pdf	25 Jun 14 10:39am	Julie Eaton
Montana Milk Control Board Milk Distribution License Application - FY2015.pdf	24 Jun 14 1:15pm	Julie Eaton
Nebraska Milk Distribution and Out of State Processor Permit Application.doc	24 Jun 14 1:18pm	Julie Eaton
Nevada Business License Part 1.pdf	24 Jun 14 1:18pm	Julie Eaton
Nevada Cost Price Worksheet Reporting Form.pdf	24 Jun 14 1:18pm	Julie Eaton
Nevada Dairy Distribution License Application.pdf	24 Jun 14 1:19pm	Julie Eaton
New Hampshire Milk Distribution and Out of State Processor License.pdf	25 Jun 14 1:23pm	Julie Eaton
New Jersey Milk Distribution Milk Dealer's License Application.pdf	25 Jun 14 1:31pm	Julie Eaton
New Mexico Milk Permit Application.pdf	24 Jun 14 1:19pm	Julie Eaton
New York Milk Distribution Permits.pdf	25 Jun 14 1:46pm	Julie Eaton
New York Milk Import Permit.pdf	24 Jun 14 1:19pm	Julie Eaton
New York Out of State Milk Dealers Sales Report Form.pdf	25 Jun 14 1:58pm	Julie Eaton
North Carolina Milk Distribution Permit.pdf	25 Jun 14 2:00pm	Julie Eaton
North Dakota Department of Agriculture Distribution License Application.pdf	25 Jun 14 2:06pm	Julie Eaton
Oklahoma Application for Permit to Import Milk and Milk Products.pdf	25 Jun 14 2:07pm	Julie Eaton
Pennsylvania Bureau of Food and Safety Milk Selling Permit Application.pdf	25 Jun 14 2:19pm	Julie Eaton
Pennsylvania Milk Distributor (Subdealer) Permit Application - 2.pdf	25 Jun 14 2:29pm	Julie Eaton
Rhode Island Milk Distribution and Out of State Processor Permit Application.pdf	10 Jul 14 2:45pm	Julie Eaton
South Carolina Out of State Processor Import Application.pdf	25 Jun 14 3:12pm	Julie Eaton
South Dakota Milk Distribution License Application.pdf	25 Jun 14 3:12pm	Julie Eaton
Tennessee Out of State Dairy Registration, Trade Products Registration, and Distributors License Application.pdf	25 Jun 14 3:17pm	Julie Eaton
Texas Out of State Milk Processing Plant Permit Application.pdf	24 Jun 14 2:27pm	Julie Eaton
Utah Milk Distribution License Application.pdf	25 Jun 14 3:25pm	Julie Eaton
Vermont Milk Distribution Milk Handler's License Application.pdf	24 Jun 14 4:46pm	Julie Eaton
Virginia Distributor Monthly Reporting and Assessment Form Page 1.pdf	1 Jul 14 4:28pm	Julie Eaton
Virginia Distributor Monthly Reporting and Assessment Form Page 2.pdf	2 Jul 14 10:01am	Julie Eaton
Virginia Milk Distribution License and Out of State Processor License Application.pdf	2 Jul 14 10:31am	Martin Estevez
West Virginia AppForDairyDistributorsPermit.pdf	27 Jun 14 1:27pm	Julie Eaton
West Virginia Milk Distribution Permit Application.pdf	25 Jun 14 3:38pm	Julie Eaton
Wisconsin F-60-OSMilk Distributor license application.pdf	25 Jun 14 3:44pm	Julie Eaton
Wyoming Milk Distribution Food License.pdf	25 Jun 14 3:54pm	Julie Eaton

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Amy Matsuo, National Lead for Financial Services Compliance
KPMG



Developing an integrated compliance program

KPMG's Global Financial Services practice has more than 36,500 partners and professionals across our global network, and we provide leading audit, tax and advisory services to retail banking, corporate and investment banking, investment management and insurance sectors.

Regulatory Centers of Excellence (CoE's), have been established to lead the development of thought leadership pieces on key regulatory issues across multiple service industry, including integrated compliance and transformation.

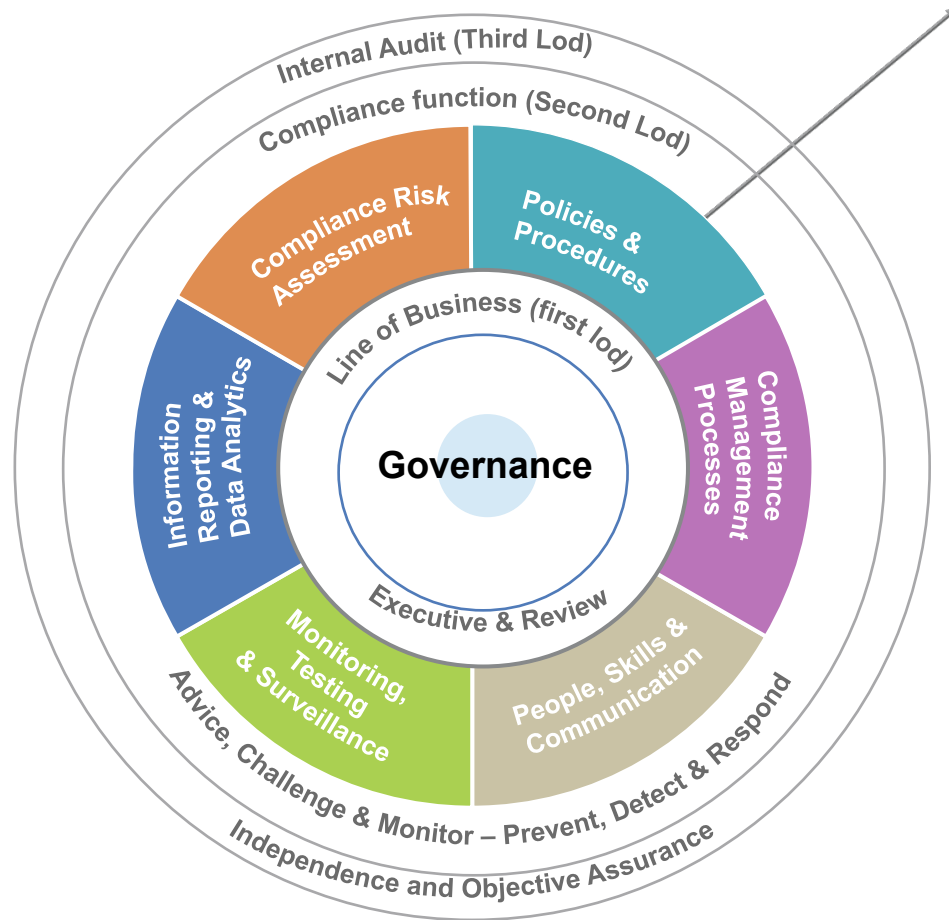
Through the Regulatory Strategic Growth Initiative (RSGI), KPMG is focused on creating high-value cross-functional service offerings to help industry professionals succeed in this rapidly evolving space.

Developing an integrated compliance program

Case For Change – Integrated Compliance



Integrated compliance risk management framework



Case Study 1: We have seen integration in compliance with the development of legal obligations in a centralized repository. The benefits of integration include:

- 1st, 2nd and 3rd Line
- Linkage to policies/procedures, controls and ultimately testing
- Management of regulatory requirement and core business data changes
- Identification and evaluation of potential changes
- Consistency in change requirements
- Management of workflow
- Audit trails
- Detailed reporting capabilities

Integrated compliance risk management framework (continued)

Case Study 2: We have seen integration and transformation of compliance testing technology. The benefits of integration include:

- 1st, 2nd and 3rd Line
- Linkage to regulatory obligations, risks and controls
- Standardize testing methodology
- Testing and monitoring procedures can be performed on a transaction or control
- Management of workflow
- Audit trails
- Centralized repository of testing results and facilitates dashboard reporting, trend analysis, and drill-down reporting

