Embracing the Challenge of Compliance: Driving an effective compliance program

September 18, 2014
Questions? Let us know!

Questions? Submit them using the questions or chat feature. We will address questions during the Q&A portion at the end of the webinar.

You’ll receive a recording of this presentation and a copy of the slides via email following the webinar (within a few days).

If you have any questions after the webinar, please email Jamie Saine at jamie.saine@convercent.com.
Presenter: Joe LeBas

Joe is a leader in the governance, risk and compliance technology space. Prior to joining Convercent, Joe served as President, North America for BWise, a global GRC management software firm. At BWise, Joe built and directed North American operations, and played a key role in the company’s 2012 acquisition and integration into the NASDAQ OMX group.

Previously, Joe helped build Big Data software pioneer Vivisimo (now part of the IBM Watson group), PolyServe (now part of HP Software) and ERP leader PeopleSoft. Joe is an active practitioner in the GRC space, with memberships in the Institute of Internal Auditors (IIA) and National Association of Corporate Directors (NACD).

In contrast to his colleagues at Convercent, Joe enjoys hobbies closer to zero feet sea level, such as fishing, boating and trips to the Florida Keys with his family near their home in South Florida.
Agenda and Objectives

- The state of compliance today
- Need for transparency and visibility
- Real world challenges and examples
- Approaching compliance in a different way
Risk has been making headlines in compliance for some time ...

**RISKS IN OVERSIGHT**

*BNP Paribas pleaded guilty Monday to criminal charges for breaching U.S. sanctions and will pay a record penalty of almost $9 billion.*

The settlement concludes a long-running criminal investigation into allegations that BNP Paribas (BNPQF) violated U.S.

**SUPPLIER/SUPPLY CHAIN RISKS**

*Group Says Deaths Show Problems Remain at Foxconn*

SHANGHAI — Three Chinese employees at Foxconn, one of the world’s biggest contract electronics manufacturers, died in what were believed to be suicides in.

**RISKS OF NON-COMPLIANCE**

*Alcoa Inc. (AA), the largest U.S. aluminum producer, agrees to pay $384 million.*

To resolve U.S. criminal and civil probes, after a unit admitted paying tens of millions of dollars in bribes to members of Bahrain’s royal family and officials at a state-owned company to win business.

**OPERATIONAL RISKS**

*BP agrees to pay over $13 million and abate violations in settlement agreement with US Department of Labor*

The U.S. Department of Labor’s Occupational Safety and Health Administration today announced that OSHA and BP Products North America have reached an agreement.

**LEGALISATIVE RISKS**

*After Four Years Of Dodd-Frank, Bank Regulation Is Still A Guessing Game*

Frank maintained that Dodd-Frank would accomplish its goal of averting a repeat of the Great Recession … the crux of the issue; with more than 3,000 pages of federal regulations, not much has changed.

**REPUTATIONAL RISKS**

*JPMorgan Chase – Should Jamie Dimon Get the Boot?*

Dimon probably deserves one of JPMorgan’s 10,000 upcoming pink slips, but that doesn’t keep JPM from looking like a buy. The “Volcker rule” of the Dodd-Frank overhaul essentially killed JPMorgan’s proprietary
As such, a lack of transparency, visibility and connectivity has led to increased board and executive participation. Have BoDs and CEOs become Risk Managers?

**Q to BOD:** Where should risk oversight responsibility be allocated?

**Q to CEO:** In order to capitalize on trends which you believe will most transform your business over the next five years, to what extent are you making changes, if any, to the following areas?
The industry is taking notice of the need for risk-oversight

From the most recent publication of National Association of Corporate Directors periodical – July / August 2014:

No less than half the articles/themes were on risk-oversight related topics.

In addition, recent data is showing that Boards are asking for either reporting lines or separate sessions with compliance officers, similar to what the audit function has had in past years.
Optimizing programs and addressing risk are top of mind for the CFO as well, especially post financial crisis.

**Q to CFO: Which of these tasks are more important than 3 years ago?**

- Cost management: 65%
- Improving risk management: 63%
- Cash flow: 59%
- Improving financial controls: 50%
- Advising management/board on growth: 43%
- Corporate governance: 38%
- Project management/ transformation programs: 35%
- Financial reporting: 34%
- Fundraising: 30%
- Investor relations & stakeholder management: 30%
- Regulatory compliance: 29%
- Focus on emerging markets: 24%

Source: EY DNA of CFO Study, Amended 2011
Where does this leave the CCO and the Compliance Function at large?

- “We must be a part of the overall ERM solution – we can’t live in a vacuum from it.”
- “Recognize our impact on multiple dimensions of enterprise value.”
- “Focus on a risk-based approach to compliance.”
- “Need to leverage technology and dashboards so we can play ‘money ball’ with our limited resources.”
- “Need to look ahead to what’s coming down the compliance pipeline – not behind.”
- “My technology consists of spreadsheets and the ‘guys in the green visors’ – needs to change!”
- “My Exec Band and BoD is looking for confidence and comprehensiveness. If I can’t provide, they’ll look for it in the other traditional governance roles – risk, audit, finance.”
The “10 Hallmarks of an Effective Compliance Program” (DOJ/SEC)

| 1. Tone at the Top | 6. Incentives & Disciplinary Measures  
(“from the board room to the supply room”) |
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<td>4. Risk Assessment</td>
<td>9. Continuous Improvement</td>
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| 5. Training & Continuing Advice  
(to business partners) | 10. Pre-acquisition Due Diligence & Post-acquisition Integration |
Real World Example: Implementing an Initial Compliance Program (while dealing with scale)

A US-based manufacturer found itself with a fast growing employee base quickly approaching 10,000 people. The newly formed compliance department desired a technology-based solution that would keep up as the company continues to grow.

The Business Problem
By undergoing a corporate risk assessment with an outside auditor, the company knew that a central place to store and disseminate corporate policies was the first priority.

Why It’s an Issue
As a manufacturer, policies, issue tracking and remediation all fall within various jurisdictional law, as well as the code of conduct of the company. The new compliance department as well as executive management also wants the company to maintain its strong ethical heritage as it continues its rapid growth.
Real World Example: Implementing an Initial Compliance Program (while dealing with scale)

The Solution
The company selected Convercent because of their confidence in Convercent's domain expertise and simplicity of the user experience. The company worked with Convercent to outline a phased 2-24 month deployment roadmap, starting immediately with Policy and Learning Manager and Risk Manager. Convercent Case and Hotline Manager will come in later stages.
Real World Example: Implementing an Initial Compliance Program (while dealing with scale)

Part of the Solution: Convercent Policy & Learning Manager
Real World Example: Implementing an Initial Compliance Program (while dealing with scale)

Part of the Solution: Convercent Policy & Learning Manger
Real World Example: Implementing an Initial Compliance Program (while dealing with scale)

Part of the Solution: Convercent Hotline & Case Manager (to be implemented at a later date)
Real World Example: Managing Disclosures with a Global Workforce

A long-established global organization with a presence in 27 countries has a large compliance department but still struggled to find a good solution for disclosure management.

**The Business Problem**
No effective way to track and manage organizational risk pertaining to employee self-disclosures of relationships and potential conflicts of interest. The company was dealing with two separate, outdated and cumbersome systems for managing conflicts of interest and allegations of compliance violations. These systems made it hard to track the current state of disclosures and did not allow or updates or changes to previously filed disclosures.

**Why it’s an Issue**
Conflicts of interest are a major driver of risk. Collecting data in an inconsistent and infrequently updated manner makes it difficult for organizations to properly assess and mitigate this risk and leaves companies open to financial and reputational damage.
Real World Example: Managing Disclosures with a Global Workforce

Solution
Convercent’s Disclosure Management software provides an easy way for employees to disclosure relationships and directors to approve disclosures. It also enables easy communication and updates. Convercent provided a “true partnership,” delivering a product that solves for the true business needs with an ease of use that drives employee adoption and value. Providing full access to data with configurable dashboards allows for easy access to key organizational insights appropriate for different audiences.

Ultimately, by offering an integrated, easy-to-use product with multi-lingual options to accommodate employees globally, Convercent is able to provide a unique and sensitive approach to disclosure management to help the company mitigate the risk presented by conflicts of interest.
Real World Example: Managing Disclosures with a Global Workforce

Part of the Solution: Disclosure Manger

Centralized platform for filing, editing and tracking relationship disclosures
Real World Example: Managing Disclosures with a Global Workforce

Part of the Solution: Disclosure Manager

Facilitates easy two-way communication between compliance professionals, supervisors and employees filing a disclosure. Quickly seek clarification in a centralized, auditable manner.
Real World Example: Managing Disclosures with a Global Workforce

Part of the Solution: Disclosure Manager

Track the status of disclosures and set automated reminders for yearly updates.
Effective Compliance Program defined by:

- **UK Bribery Act**
  - 6 Principles

- **U.S. Sentencing Guidelines**
  - 7 Elements

- **DOJ-SEC Resource Guide to the U.S. FCPA**

### RISK-BASED GLOBAL COMPLIANCE SOLUTION

**Real-Time Dashboard**

**DESIGN**
- Business Objectives
- Regulatory Exposure
- Regulatory Updates
- Risk Assessment
- Risk Thresholds
- Program Planning

**IMPLEMENT**
- Policy Management
- Education
- 3rd Party Risk Management
- Conflicts of Interest
- Case Management
- EE / Supplier Hotline

**MEASURE**
- Reporting & Intelligence
- Actionable Analytics
- Benchmarking
- Trending
- Key Risk Indicators
- Continuous Monitoring

**CONTINUOUS IMPROVEMENT**

- Business Objectives
- Regulatory Exposure
- Regulatory Updates
- Risk Assessment
- Risk Thresholds
- Program Planning
- Policy Management
- Education
- 3rd Party Risk Management
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Convercent Delivers
The market’s most innovative GRC solution through thoughtful, unique, and differentiable characteristics.

**OWNERSHIP EXPERIENCE**
Providing time-to-value, ease-of-use, always ready customer service, and passionate leadership.

**ACTIONABLE REPORTING & INTELLIGENCE**
Driving visibility and transparency from board to business line.

**MODERN TECHNOLOGY**
Developed to augment the pace of global, secure, dynamic enterprises.
Take command of your entire compliance program

- **Risk Manager**: Prioritize initiatives based on risk severity.
- **Policy & Learning Manager**: Communicate expectations to employees.
- **Disclosure Manager**: Pinpoint and minimize conflict of interest risk.
- **Hotline & Case Manager**: Manage and respond to incident reports.
Embracing the Challenge of Compliance

Convercent Risk Manager

Risk Manager
Prioritize initiatives based on risk severity.

1. Critical Severity
Corruption Risk in Brazil and China
Data Identified: August 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.

2. High Severity
Conflicts of Interest (Third-Party Vendors)
Data 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.
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Policy Health

Recently Distributed Policies

Code of Conduct
Sent: May 1, 2014
88% Attestation
View Campaign

Cell Phone Policy
Sent: May 1, 2014
40% Attestation
View Campaign

Anti-Bribery Policy
Sent: May 1, 2014
10% Attestation
View Campaign

12 days remaining
12 days remaining
12 days remaining

82%
Overall atestation rate across your organization
View the Policy Library

16
Total Policies
Go to Policy Library

3
Policy Sets
Go to Policy Library

3
Active Campaigns
View the Campaign Manager

2
Expired Policies

Lowest Attestations by Location
From campaigns over the last 6 months

Shanghai
View location detail

Lowest Attestations by Department
From campaigns over the last 6 months

Sales
View department detail
Embracing the Challenge of Compliance

Convercent Disclosure Manager

Discipline Manager
Pinpoint and minimize conflict of interest risk.

COJ2014-237654-Rel2
Close friend with another person working for an existing or potential customer (Bob Turner)
Last updated on April 14, 2014

I am a finance analyst and a very close friend of mine, Bob Turner opened a bar recently. We see one another every weekend. We is my neighbor and my.

COJ2014-237654-Rel2
Romantic relationship with another person working for Greenbone or its affiliate (Peter Page)
Last updated on April 14, 2014

I am a finance analyst and for about 3 weeks I have been in a romantic relationship with Peter Page, the manager of the Operations department. We do not work together directly but sometimes he does request data from me for his cost center.

Parties Named
Peter Page, Operations Manager

Relationship Disclosed to Supervisor
Yes

COJ2014-23784-Rel2
Close relative with another person working for Greenbone or its affiliate (Larry Brown)
Last updated on April 14, 2014

I am a new employee and my brother Larry works in the accounting department. He's been with the company since September of 2015. He voluntarily disclosed the role in the compliance training.

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Convercent Hotline & Case Manager

Manage and respond to incident reports.

Embracing the Challenge of Compliance
In Summary: Points to Consider

• For those of us who choose to work in this market, great opportunity exists to make a difference.

• Compliance Technology **CAN** be modern, elegant, secure and as easy to use as consumer technology.

• We can support the Board, CEO and CFOs as Risk Oversight dominates more and more of their mindshare.

• The *right* technology can be an equalizer as requirements and measurements become more obtuse and sophisticated, leveraging a risk-based approach.
Thank you.

Questions?

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