NAVEX GLOBAL®

DEFINITIVE GUIDE SERIES

DEFINITIVE GUIDE TO

Ethics and Compliance Programs

Your essential guide to developing and implementing an effective program

Contents

INTRODUCTION

WHY DOES ETHICS AND COMPLIANCE MATTER?

Ethics and compliance continues to grow in importance for organizations of all sizes, right across the world, as lawmakers seek to tackle the harmful effects of illegal, corrupt and unethical business practices. At the same time, people increasingly expect the companies they interact with and buy from to reflect responsible, ethical and sustainable values. In a globalized economy, understanding these issues and the various national and international rules relating to them could be the difference between an organization's success, or failure.

Defining Ethics and Compliance

Compliance means adherence to, or conformance with laws or regulations and with an organization's standards, policies, and procedures. From a legal perspective, compliance is the way organizations seek to ensure that they, their employees and representatives uphold the applicable laws and internal rules in order to prevent harm to themselves, the organization, or others. Based on this definition, it is evident that compliance is a form of risk management.

Modern organizations are expected to go beyond doing the bare minimum in complying with the law and internal policies. This means taking steps to develop and foster an ethical workplace culture. Ethics forms the foundation of an effective ethics and compliance program because it deals with concepts of right and wrong conduct, and is therefore rooted in "values".

Whether "ethics" precedes "compliance" is a matter of semantics, but one thing is clear: an effective ethics and compliance program today requires a commitment to ethical principles.

By combining the two, organizations can more effectively manage risk and address regulatory compliance requirements.

Key definitions

- **Compliance** implies conformity with applicable laws, regulations and internal standards, policies and procedures.
- **Ethics** are moral principles that control or influence a person's behavior[1].
- **Business ethics** is the application of ethics to business behavior[2].
- **Values** are core ideas about how people should live and what ends they should seek[3].
- **Integrity** is the quality of being honest and having strong moral principles that you refuse to change[4].
- **Ethics and compliance programs** help organizations manage risk, address regulatory compliance and foster an ethical workplace culture[5].

[1] Oxford Online Dictionary >>> 2 Institute of Business Ethics >>> [3] C. Fisher and A. Lovell, Business Ethics and Values: Individual, Corporate and International Perspectives. 3rd ed., Prentice Hall, 2009, p.153 [4] Cambridge Dictionary of English >>> [5] NAVEX Global

Why Develop an Ethics and Compliance Program?

Contrary to being a “nice to have”, an effective ethics and compliance program is critical to running a productive, reputable and successful business. Without one, your business could expose itself to significant risk. When articulating the "whys" that justify investment in your program, the following drivers are a good place to begin.

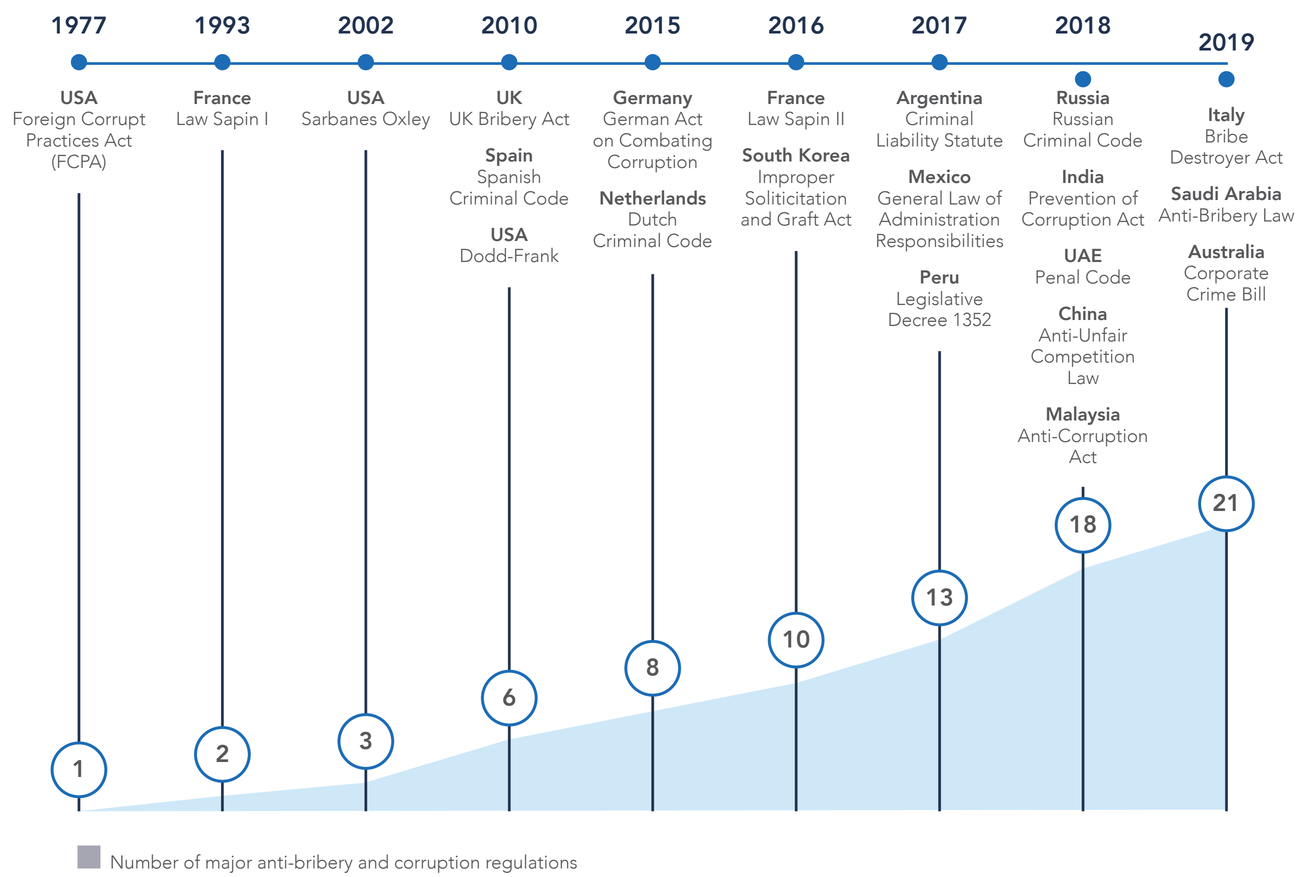
Regulatory pressures

Regulations are numerous and complicated. They of course vary from sector to sector, and across geographies too. But modern organizations are expected to comply regardless.

Since the Enron scandal of 2001 and the introduction of the Sarbanes-Oxley Act (SOX) the following year, the pace and momentum of regulatory change has increased not just in the US, but at a global level. Commencing with the UK Bribery Act (2010), the last decade saw an unprecedented raft of anti-corruption, modern slavery, whistleblower protection and data privacy regulations take effect in Europe, Asia-Pacific and beyond.

Companies in the same industry and/or operating in the same regions face similar regulatory pressures. By managing compliance-related risks more effectively than their sector peers, it is possible for organizations to establish competitive advantage. In fact, data from Ethisphere suggests companies that featured on its ‘Most Ethical’ list – which rates an organization’s ethics and compliance program among its evaluation criteria - perform better financially than their peers[6].

The introduction of global anti-bribery and corruption regulations has accelerated in recent years



[6] Ethisphere, World’s most ethical companies 2020.

Increase in enforcement

Today’s enforcement environment is intense and active on all fronts. Whether it is a new regulation, new interpretation or simply greater enforcement of existing laws, compliance departments must be alert to the real and growing risk of fines and prosecutions.

Statistics relating to Foreign Corrupt Practices Act (FCPA) enforcements bear this out. Between 1977 (when the FCPA was passed into US law) and 2000, no more than 10 cases per year were enforced by the relevant enforcement agencies. Since 2001 an average of more than 30 cases per year have been enforced[7]. The average cost of fines has grown too, from $5m in 2015 to over $116m in 2019[8].

At the same time, global regulators are collaborating more than ever to enforce regulations. This has resulted in organizations being subject to multiple fines, from various regulators, for the same infringement.

Enforcement agencies around the globe acknowledge that ethics and compliance programs are necessary to help reduce the likelihood of legal violations and to educate employees about what is expected of them. Effective ethics and compliance programs (not just those that “tick the box”) can therefore help organizations build critical legal defenses, limit damages and in some instances avoid criminal prosecution altogether.

Higher ethical standards

Up to now, the legal framing of compliance has driven significant progress. However, it’s become clear in recent years that addressing ethics is equally (if not more) important.

The US Department of Justice (DOJ) “Evaluation of Corporate Compliance Programs” guidance underlines how important it is for a company to create and foster a culture of ethics. When assessing the effectiveness of compliance programs, prosecutors are directed to ask:

» How often and how does the company measure its culture of ethics and compliance?
» What steps has the company taken in response to its measurement of the compliance culture?
» Is the program being applied earnestly and in good faith? In other words, is the program adequately resourced and empowered to function effectively?

No longer can organizations apply a “checkbox” approach to their compliance obligations. To drive meaningful behavioral change, an ethical culture is seen as essential.[9]

Stakeholder expectations

Standards of corporate behavior are continuously evolving to reflect society’s demand for greater accountability. The desire to maximize profits is now balanced by a need to act in the best interests of not only shareholders, but of all stakeholders - including employees, suppliers, customers, local communities and society in general. In other words, everyone who they directly or indirectly impact.

To remain successful, organizations have a responsibility to contribute positively to society, in accordance with ethical and moral norms. It implies taking an inclusive stakeholder view to build and retain public trust.

Increased investor attention on environmental, social, and governance (ESG) issues have prompted compliance teams to contemplate the importance of corporate responsibility in the context of organizational success. In the wake of public scandals, financial crises and emergencies like the Covid-19 pandemic, it has become clear that the way in which companies conduct themselves will help determine their future societal value. Those that protect their employees and prioritize longer term over short-term shareholder interests are likely to be more insulated from external economic and reputational threats.

> **“The Department will continue to work aggressively with our partners across the globe to root out corruption.”**
> Brian A. Benczkowski, DOJ Criminal Division.

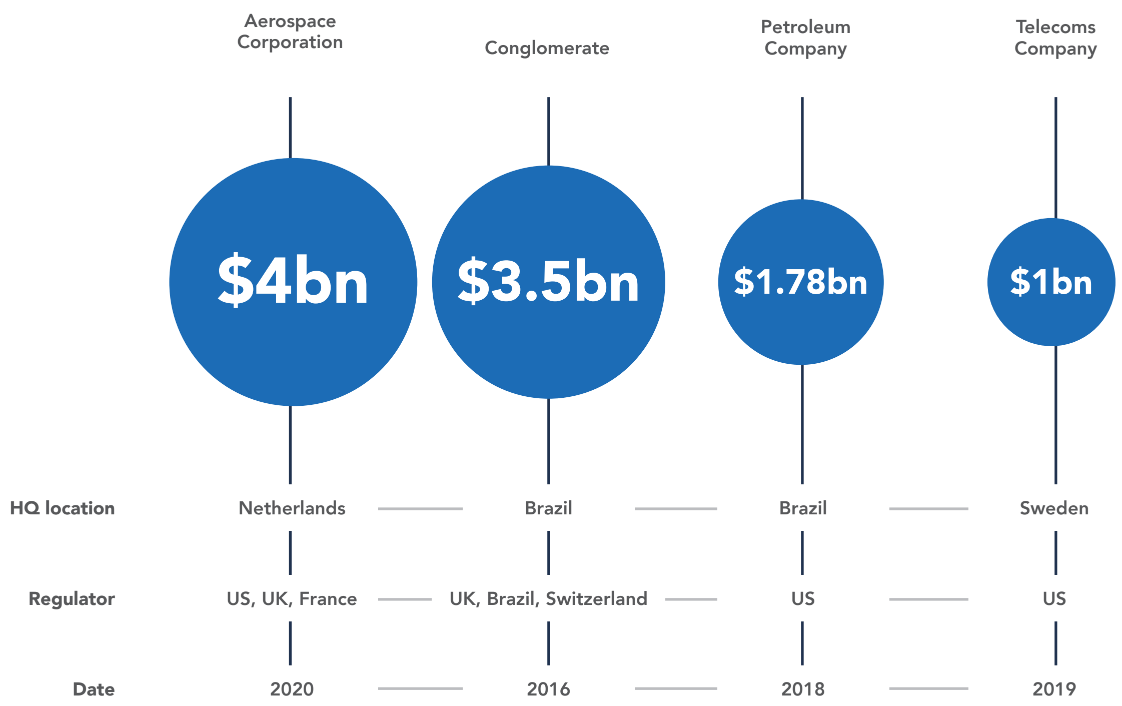
[7] FCPA, 2020 [8] Wilkie, Farr & Gallagher, 2020 [9] DOJ, Evaluation of Corporate Compliance Programs, June 2020, p2, p.16

The Costs of Non-Compliance

Between 2016 and 2020, four companies were subject to corruption fines of more than $1bn each. The largest of these, which involved a major aerospace manufacturer, totalled more than $3.9 billion and related to foreign bribery charges with authorities in the United States, France and the United Kingdom.

While fines and financial penalties might provide sufficient motivation to address compliance risk, they may only represent a fraction of the overall costs associated with non-compliance. Legal and ongoing monitoring costs, falls in the company share price and lasting reputational damage can often have a far greater impact on the organization's bottom line.

Notable recent corruption fines



Benefits of a Strong Ethics and Compliance Program

The immediate benefits of a robust ethics and compliance program include reducing regulatory, legal and financial risk exposure, while creating significant competitive advantage. Longer term, it can significantly improve an organization's capacity to manage compliance-related risks, meet regulatory expectations and foster an ethics-centered culture.

Legal defense

While legal standards vary, there are common strategies organizations can use to build a compliance-based defense should they be faced with prosecution or regulatory enforcement. Courts, juries and enforcement agencies are looking to reward organizations that make a substantial, good-faith effort to comply with the law and encourage their employees to do the same. This can result in non-prosecution or reduced penalties through Deferred Prosecution Agreements (DPAs).

For example, in 2012 the DOJ declined to prosecute a multinational investment bank when its employee violated the FCPA. In explaining its decision, the DOJ highlighted the bank's efforts to regularly update its internal policies, provide frequent training for its employees and conduct extensive due diligence on all new business partners.

In 2017, a global engineering company earned a 50% DPA discount from the UK's Serious Fraud Office (SFO), which referenced "the full cooperation" and "improved due diligence in respect of intermediaries" implemented at the affected organization.

These examples demonstrate how regulatory actions can be tempered in cases where organizations can show that they invest in and take self-directed action to aggressively limit their compliance risks.

How do you earn a declination or a DPA discount?

Have a robust compliance program in place

An effective ethics and compliance program reduces the risk of prosecution or regulatory enforcement in the first place. Should the worst happen, its existence will demonstrate that your organization has taken steps to mitigate compliance risk.

Self-report

Voluntarily disclose the potential violation, all relevant facts and individuals involved to the prosecutors prior to the threat of a government investigation. Timing is critical: if there is an unreasonable delay in reporting an offence to government authorities after becoming aware of it, the company may not receive credit for having an effective program in place.

Cooperate with the authorities

Preserve and disclose all evidence, coordinate the company's internal investigation with the regulator's investigation, and make relevant individuals available for interviews. To ensure cooperation is timely and thorough, the organization should ensure its compliance officer retains an open line of communication with prosecutors.

Acknowledge mistakes

Demonstrate timely and appropriate remediation of the violation by disciplining culpable employees and strengthening the ethics and compliance program to prevent further similar violations.

A more ethical culture

A strong ethics and compliance program is tied to improvements in organizational culture. A program built around a well-defined code of conduct and aligned to the company's values and risk profile can help articulate who the organization is - or aspires to be - and bind stakeholders to that vision.

Not only is a strong focus on ethics likely to reduce the cost of misconduct, but it can also contribute towards a solid corporate reputation, genuine employee compliance, robust governance, and increased profitability.

Many regulations, including those related to bribery and corruption, employment law and privacy, can trace their origins to the concept of ethics. These areas of compliance resonate with employees' personal morals and values, meaning an ethics-based approach to compliance is likely to be more meaningful to them.

Engaged workforce

Ethical business practices help cultivate a culture of trust, goodwill, integrity, and compliance.

Organizational pride and buy-in to an ethical culture often radiates beyond the physical barriers of the office. Rather, it extends deeply into employee communities, across the industry and into positive press and regulatory relationships. Recognition as an ethical place to work tends to be self-fulfilling by attracting and retaining high-quality executives, employees, partners and customers. Employees who are treated fairly have a sense of goodwill and organizational trust, which translates into a happier and more productive workforce.

An ethical orientation in an organization serves as an insurance policy against incivility in the workplace and employee misconduct such as harassment, bullying, and discrimination. Academic research has also shown a correlation between a strong ethics and compliance program and less disciplinary action and employee sick time taken, and a consequent decline in human resource costs[10].

33% of Gen Z workers (born 1995-1999) said that a company's reputation for ethical behavior was "very important" when choosing to work for them, compared to just 22% for their Millennial counterparts (born 1983-1994)[11].

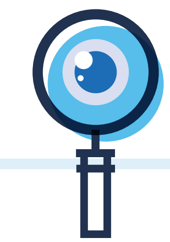
[10] J. Paul McNulty, Jeff Knox & Patricia Harned, What an Effective Corporate Compliance Program Should Look Like, The Journal of Law, Economics and Policy, 9, no. 375 (Spring 2013): 383 [11] Deloitte Millennial Survey, 2018

Healthier bottom line

Ethical companies are more successful and typically out-perform the competition financially, demonstrating the connection between good ethical practices and performance[12]. A strong ethics and compliance program enhances employee morale and increases engagement, which positively impacts productivity and company performance.

Moreover, establishing a reputation as an ethical company helps earn the trust and loyalty of consumers. This is particularly true among younger consumers who are likely to consider a company's ethical values before buying their products[13].

"A strong ethical culture directly supports a strong compliance program."
FCPA Resource Guide



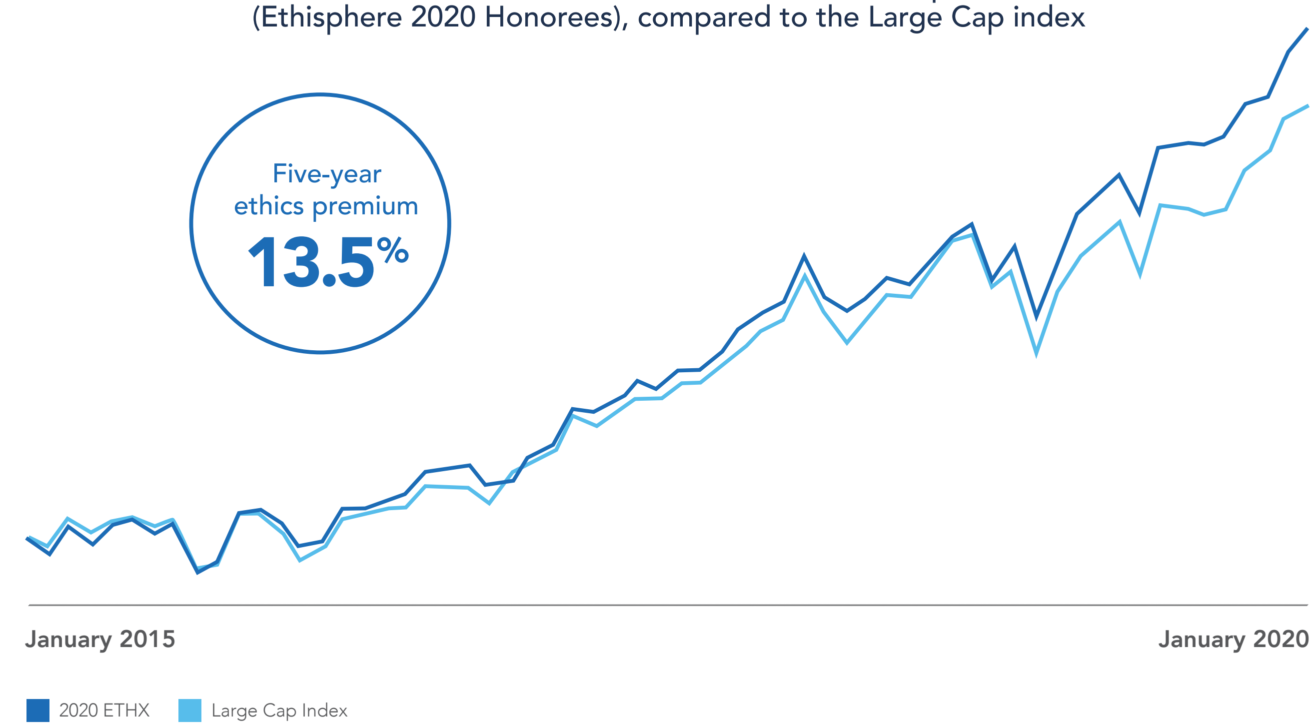
Reputational value

Even a single compliance failure can deeply affect the public's trust in an organization.

News reports frequently highlight how lapses in leadership in managing compliance-related risks have damaged organizations and even exposed them to substantial fines and penalties. The financial penalty can be managed, but the reputational impact can have far-reaching consequences for many years.

Stakeholders, investors and shareholders value companies with reputations for acting ethically. An ethical reputation signals greater transparency, reduced risk of wrongdoing, a stronger compliance culture and, ultimately, future growth and success. "Socially responsible investing" entails investing in well-managed and profitable companies that are also committed to upholding ESG standards that benefit society. Once a niche approach, sustainable investing is gaining momentum with ESG funds capturing record flows in 2019. According to a Morgan Stanley survey, around 85% of investors are interested in sustainable investing[14].

Performance of the 'World's Most Ethical Companies' (Ethisphere 2020 Honorees), compared to the Large Cap index



Source: Ethisphere. World's most ethical companies 2020. Performance of the 2020 honorees as compared to the large cap index. > > >

[12] Ethisphere, World's most ethical companies 2020 [13] Accenture Strategy Global Consumer Pulse Research, 2018
[14] Morgan Stanley Survey Finds Investor Enthusiasm for Sustainable Investing at an All-Time High. > > >

The Evolution of Ethics and Compliance Management

The ethics and compliance management landscape has witnessed rapid and significant development since it originated in the US during the second half of the 20th century.

1977
» Foreign Corrupt Practices Act (FCPA)

1986
» Defense Industry Initiative (DII)

1991
» Federal Sentencing Guidelines for Organizations (FSGO)

1992
» Committee of Sponsoring Organizations of the Treadway Commission (COSO)

1997
» OECD Anti-Bribery Convention

1999
» Medicare 7-Elements

2002
» Sarbanes-Oxley Act

2003
» Thomson Memorandum

2004
» FSGO Revisions

2010
» Dodd-Frank Act

2011
» UK Bribery Act

2012
» FCPA Guidance

2013
» COSO Revisions

2015
» US DOJ Compliance Counsel
» Modern Slavery Act

2016
» ISO 37001
» Sapin II

2017
» US DOJ Evaluation

2018
» General Data Protection Regulation (GDPR)
» Anti Money Laundering Directive 5 (AMLD5)

2019
» DOJ Evaluation revised
» OFAC Guidance

2020
» DOJ Evaluation revised

2021
» EU Whistleblower Protection Directive

1960s
The first compliance programs emerged in the American corporate arena when large contractors in the heavy electrical equipment industry were prosecuted for anti-trust violations. Thereafter, companies began to adopt antitrust training and other compliance measures.

1970s
A series of bribery scandals revealed by the US Securities and Exchange Commission (SEC) and IRS (Internal Revenue Service) led to the passage of the Foreign Corrupt Practices Act (FCPA). Multinationals based in the United States had been caught bribing foreign government officials to gain business advantages, and it became clear that informal compliance programs were no longer enough.

1980s
After a series of defense procurement scandals, 18 defense contractors formed the Defense Industry Initiative on Business Ethics and Conduct (DII). Among the DII recommendations was the need to develop ethical principles for business conduct, increase the effectiveness of internal controls, and enhance senior management oversight and employee training.

1990s
The modern era of compliance and ethics began on November 1, 1991 when the US Federal Sentencing Guidelines for Organizations (FSGO) came into effect. The guidelines were a decisive milestone in the development of a modern approach to compliance. In 1992 The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published its Internal Control – Integrated Framework. The model provided principles-based guidance for designing and implementing effective internal controls. In 1997 the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions was signed by 37 OECD countries and seven non-OECD countries.

2000s
The 21st century began with the Enron and WorldCom accounting scandals and the subsequent passage of the Sarbanes-Oxley Act (SOX) in 2002. The definition of an "effective" program was further expanded in 2004 under the amended FSGO, which now required companies to "promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law"[15]. Since then, regulators around the world began to emphasize the role of ethics in the prevention and detection of criminal conduct.

2010s – Present
The global financial crisis began in 2007. To promote financial stability, the US Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. The Act incentivized organizations to develop formal channels for detecting and reporting violations.

The SEC became authorized to pay awards (10-30% of collected money) to eligible whistleblowers who provide high-quality and original information leading to enforcement actions that yield sanctions of over $1 million[16].

The global compliance landscape has continued to evolve, with major developments occurring in key ethics and compliance areas over the last decade. These have included a significant number of new and updated regulations covering corruption and bribery prevention, modern slavery, whistleblower protection, sanctions, anti-money laundering and data privacy. At the same time, a number of initiatives, guidelines, and standards have been published in an attempt to harmonize the diversity of national legal systems and encourage businesses to commit to ethical practices.

[15] USSC Press release, May 3, 2004 ››› [16] SEC ›››

PLAN

CREATING AN ETHICS AND COMPLIANCE STRATEGY

Getting the most from your ethics and compliance program requires careful planning. Your strategy should be built around a clear understanding of the compliance structure and reporting lines you will have, a secured budget to address the sufficiency of compliance personnel and resources, and visibility of the compliance and ethics-related risks that need to be within your scope.

Establish the Structure and Reporting Lines

The positioning, structure and responsibilities of the compliance function may vary dramatically from one organization to another and are usually determined by organization's size, business model, risk profile and culture. Regulators and prosecutors acknowledge that different structures can support an effective program.

That said, organizations are expected to provide reasons for the structural choices they make. The structures may be centralized or decentralized, functional (i.e. focusing on a specific risk area), attached to a business unit (usually legal), or entirely independent.

For **small and medium-sized organizations** the main structural considerations are likely to be centred around whether the compliance function (or the compliance officer) will have an independent or semi-autonomous status:

Independent structure
The compliance function is a separate operating unit, with the Chief Ethics and Compliance Officer (CECO) reporting into the CEO. Not surprisingly, this structure has been recognized by regulators and enforcement agencies as the most effective for ensuring the program's independence.

Semi-autonomous structure
The compliance function is appended to another department (most frequently, legal) and the CECO reports into the general counsel. Though they do not report to the board of directors, the CECO should provide periodic reports to the board to ensure continued independence of the program. Alternatively, the general counsel performs the role of CECO. Although regulatory compliance can be viewed as a natural subset of an organization's legal unit, this structure may cause compliance to become a "second-rate" issue.

Larger organizations may also wish to consider the differences between a centralized and a decentralized structure:

Centralized structure
Compliance officers have a "dotted-line" relationship with their business head counterparts, but do not functionally report to them. In larger or multinational organizations, they report to a central compliance department, regardless of where they are located or what business function they are assigned to. Advocates of this approach cite the independence of compliance officers from the business units and standardization of compliance activities.

Decentralized structure
Each business unit has a local compliance officer with freedom and authority to develop a program that would meet the business units' own needs and requirements, with a small corporate-level compliance function establishing the minimum required standards. For larger organizations this approach provides flexibility and may be ideal for highly diversified organizations, those that operate across different legal systems or have diverse risk factors between units.

Best Practice: Key Things to Consider

Choose the structure that works best for your organization. If you are just starting out, some of the key questions to address may include:

- Will the compliance program be a separate unit? If so, where will it operate, and to whom will it report (administratively and operationally)?
- Will the compliance program be part of another unit? If so, which unit(s) should take on these responsibilities?
- Are there any recommendations on structuring the compliance function from the organization's primary regulator?

Bear in mind, however, that in order for your ethics and compliance program to qualify as effective, the structure you establish must meet the following regulatory requirements:

- There is a senior manager ("high level person") assigned overall responsibility for the program.
- There are specific individual(s) assigned with day-to-day operational responsibility for the program.
- These individual(s) report periodically to the senior manager and, as appropriate, to the board of directors or an appropriate board committee on the effectiveness of the program[17].
- To carry out their operational responsibility, these individuals have adequate resources, appropriate experience and qualifications, seniority and stature, as well as sufficient direct and indirect access to the relevant sources of data, the board of directors or an appropriate board committee[18].

[17] FSGO, §8B2.1(b) (2) (A) – (C). [18] DOJ, Evaluation of Corporate Compliance Programs, June 2020, page.12.

Define the Function's Scope

It's important to define the scope of your compliance department from the outset. Regardless of who owns what, all risks must be managed effectively across the organization. Gaps or overlaps in compliance management create confusion and could result in new and unforeseen consequences.

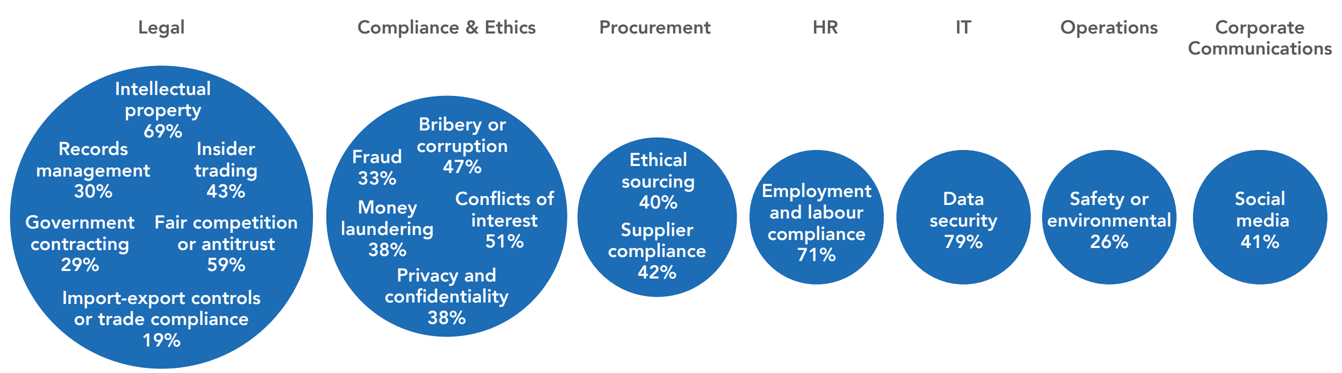
In most companies, many of the compliance responsibilities are fully or partially managed outside the corporate compliance function. For other areas, like anti-bribery and whistleblowing hotline management, the compliance function will assume primary responsibility. Operational areas of compliance – such as data privacy or trade compliance – are more likely to be managed directly by the business, with the compliance function only providing oversight and assistance.

Many compliance areas require collaboration between several competencies. Consider supply chain risk: the compliance function, procurement, distribution, and supply chain managers should all work together to ensure this critical risk is managed effectively.

Communicate your scope to other risk owners to establish a common understanding and clear accountability for compliance obligations throughout the organization. Think about establishing mechanisms to facilitate collaboration and coordination of activities between the compliance function and other units. Your interaction is key to the program's success.

Who "owns" ethics and compliance risks?

This diagram illustrates which department was most frequently selected as the "owner" of compliance and ethics-related risks in a 2016 PWC survey. Figures provided show the percentage of respondents who selected that department as the "owner". The size of the circle depends on the number of risks "owned" (most frequently cited as the leader) by the department or function.



Source: PWC State of Compliance study 2016 > > >

Assemble the Right Team

Staffing your program depends on its scope and the resources available to the organization. The skills, knowledge, and experience of compliance staff are critical drivers of the program's success. You have a variety of choices when building your team: lawyers, auditors, behavioral psychologists, business ethics and educational specialists to name a few.

One option adopted by some organizations is to hire former industry regulators who have extensive knowledge of regulatory issues, investigative practices, and personnel. When faced with a staffing decision, reflect on the following considerations:

Generalist VS technical compliance officer
The generalist focuses on broad issues including ethics, culture, training and communication. A technical compliance officer has eyes on the issues related to technical rules and regulations such as compliance audits, risk assessments and monitoring.

Internal position VS external hire
A current employee may know the organization and its inner workings very well, whereas an outsider will bring new experience and expertise.

Full-time VS part-time staff
For many organizations with geographically dispersed operations (or with limited resources), part-time ethics and compliance "champions" may be the only viable option. These "champions" have a full-time role in their business, typically in finance, HR or procurement, but carry additional compliance responsibilities. In addition to their managerial reporting lines they have a dotted-line reporting to the corporate compliance function.

Chief Ethics and Compliance Officer: Key competencies and characteristics

Adapted from: A. Hayward and T Osborn, The Business Guide to Effective Compliance and Ethics. Why Compliance isn't working – and how to fix it, 1st ed, Kogan Page, 2019.

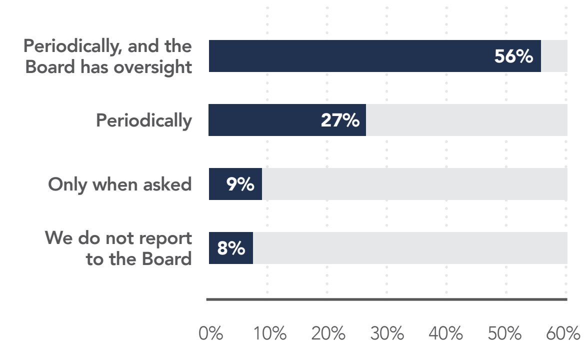
Coordinate the Program

It's critical to ensure that the program components will function effectively when stitched together. Key to this is creating a clear plan for how the program will be coordinated.

The role of the board

With enforcement on the rise, CEOs and board members are under pressure to uphold both compliance and ethics oversight, and company leadership responsibilities. Boards are required give the compliance officer access to them and oversee the implementation and effectiveness of the program – albeit without turning board members into micromanagers. The importance of engaging with the board on a regular, periodic basis, and not only when asked to do so, cannot be overestimated. Working successfully with the board creates opportunities for deeper engagement and improvements in company culture, and can help strengthen trust and respect for the accomplishments of the organization's ethics and compliance program.

How often do compliance functions engage with the board?



	Program maturity level				
	Reactive	Basic	Defining	Maturing	Advanced
Periodically, and the Board has oversight	26%	43%	56%	78%	86%
Periodically	29%	33%	29%	19%	12%
Only when asked	24%	12%	7%	2%	1%
We do not report to the Board	20%	12%	7%	1%	1%

Base: All respondents excluding those responding 'don't know'. n=1,241

Source: NAVEX Global, The Definitive Risk & Compliance Benchmark Report, 2020, page 48 >>>

Collaboration and Networking

Communication and collaboration is key to the effective management of risk – and to the overall success of your ethics and compliance program.

Compliance committees are a popular mechanism for formally coordinating joint efforts between teams. Although they may be established at different organizational levels, they typically include representatives from the key business or operating units and the legal, compliance, audit, risk, HR, finance and procurement functions.

"The board should take an active role in shaping the big picture of ethics and compliance in the company."
Carrie Penman, NAVEX Global

Building Internal Partnerships

Working with the board
Using key regulatory requirements and best practice examples as a basis, ensure you cover the following when engaging with the board:

» Make sure all board members understand their responsibilities with respect to the program, and applicable regulations.
» Report on the content and operation of the program on a quarterly basis.
» Submit the compliance budget and staffing levels for review and approval.
» Establish an escalation process to ensure timely reporting and resolution of matters.
» Provide effective and role-relevant training.
» Make the board aware of risk assessments and board-specific risks to the organization.
» Update the board members on emerging trends and topics of interest.

Engaging other teams
To help build understanding and partnership across all levels of the business, consider the following tactics:

» Demonstrate the relevance of ethics and compliance to the business: reach out and explain what you do, how you do it and why it's important.
» Show genuine interest: talk to the business functions to get an idea of what keeps them busy.
» Create informal lines of communication: socialize and get to know the people you work with.
» Build a network of supporters: cultivate trust, mutual respect and understanding in your interactions.

Develop a Strategy

Once the structure, reporting lines and compliance scope have been defined and established, the planning process can move onto strategy development.

An effective ethics and compliance program must be holistic, risk-based and scalable depending on your organization's size, geography and risk profile. When designing and planning the program, consider the following strategic considerations to help ensure success.

Get leadership and management buy-in

Leadership has traditionally been associated with the ability to influence and motivate others, that's why it plays an important role in organizational culture. Visible support from top executives is critical in any program seeking to influence or modify employee behavior. If a program is seen as unimportant, a nuisance, or a threat to top management, employees will not trust it and will not engage with it.

However, the notion that the ethical culture of an organization is shaped solely by the message coming from the board and CEO is fanciful. While it begins with the "tone at the top", it is the middle managers and line managers that play an equally important role in shaping an environment that fosters and promotes ethical conduct. Through their actions, inaction, choices, decisions and the behaviors they reward, discipline or ignore, leaders and line managers transmit a powerful message on what is really valued, and what is required to survive and succeed.

Secure the budget

Compliance requires investment. But even as regulatory requirements increase, many organizations fail to recognize the value a strong program can deliver. In broad terms, the cost drivers of an ethics and compliance program fall into three categories:

» Headcount
» Administrative expenses (office space, equipment, supplies, travel)
» Program expenses (compliance-related initiatives, systems and tools, consulting fees, conferences, staff training, etc.)

It is important to be aligned with your budget authority. Ideally, this should be the board of directors or an appropriate board committee. Regulators and prosecutors expect compliance functions to be adequately resourced in order to operate their program. But how does one define "adequate"?

The best practice is to base the budget and staffing levels on the identified ethics and compliance risks to ensure they are managed effectively. As part of the board's oversight role, it must ensure that program is fully equipped to address the challenges in relation to staffing and resources.

How to gain budget from your board

Despite the never-ending increase in regulatory requirements, compliance is often seen as a cost center rather than a business enabler. It's the CECO's responsibility to communicate the value of the compliance activities for the business and convince the board to invest in managing risks. Consider the following tactics to make a persuasive business case for your budget request:

Choose the right communication style
Know your audience and tailor your message to fit their expectations with regard to things like data presentation (numbers, graphs, or soft data) and depth of detail (a high-level overview versus a deep dive into facts and details).

Make the business case
Your board does not necessarily live in the world of ethics and compliance. It is therefore your job to prepare and develop arguments using the terminology they are familiar with. Make sure you understand the organization's broader business objectives and can explain how investing in compliance will support the organization in those efforts.

Take a proactive approach to compliance costs
Forty-five percent of organizations with Advanced ethics and compliance programs spend more than a quarter of their budget on technology solutions[19]. With compliance budgets on the rise, one way to manage a growing list of requirements is to leverage the efficiencies of integrated risk and compliance solutions. Show the board that you're not just asking for money, but that you have thought through the calculations. Lay out the cost difference between hiring more staff and using technology. Demonstrate that you are budget-conscious and trying to invest the organization's money wisely.

[19] NAVEX Global, The Definitive Risk & Compliance Benchmark Report, 2020, Page 28 > > >

Review your regulatory environment

While there is no single, standalone piece of regulatory guidance that will cater for all situations or organizations, many of the key guidelines and frameworks align around a similar set of standards – albeit with different levels of emphasis on program components (such as anti-bribery and corruption).

When designing your ethics and compliance program, it may be most useful to start with these guiding measures for a well-rounded program:

» **FSGO** 8B2.1
» **OECD's** 13 Good Practices on Internal Controls, Ethics, and Compliance
» US **DOJ** Evaluation of Corporate Compliance Programs
» UK Ministry of Justice guidance to the **UK Bribery Act**.

Whilst most are country-specific, these measures have ramifications across the globe and they inform elements of the best compliance programs.

Comparison of the key themes across leading compliance frameworks

Is the compliance program well designed?	**UK Bribery Act**	**FSGO**	**OECD**	**DOJ**
Risk assessment	✓	✓	✓	✓
Standards, policies and procedures	✓	✓	✓	✓
Training and communications	✓	✓	✓	✓
Confidential reporting structure	✗	✓	✓	✓
Investigation of misconduct	✗	✓	✓	✓
Third-party management	✓	✗	✓	✓
Mergers and acquisitions	✗	✗	✗	✓
System of internal controls	✗	✗	✓	✓
Is the compliance program being implemented effectively?				
Commitment by senior management	✓	✓	✓	✓
Commitment by middle management	✗	✗	✓	✓
Autonomy and resources of a compliance function	✗	✓	✓	✓
Substantial authority personnel due diligence	✗	✓	✗	✗
Incentives for compliance	✗	✓	✓	✓
Disciplinary measures for non-compliance	✗	✓	✓	✓
Does the compliance program work in practice?				
Continuous improvement, periodic testing and review	✓	✓	✓	✓
Culture of ethics and compliance with law	✗	✓	✗	✓
Analysis and remediation of underlying misconduct	✗	✓	✓	✓

Which laws and standards might apply to your organization?

1. **National laws and regulations** in jurisdictions where your organization conducts business, including those where you use third parties, agents and distributors.

2. **Industry-specific regulations.** These are particularly important for organizations in highly-regulated industries like healthcare, financial services and insurance.

3. **Legislation with extraterritorial reach.** The most prominent examples include the FCPA, the UK Bribery Act, Law Sapin II and the GDPR.

4. **International standards and guidelines.** These voluntary initiatives fall under the category of soft law and are not directly enforceable, but may be expected by some customers or partners – or within your industry. *Example: ISO 37001:2016 Anti-Bribery Management Systems.*

5. **Your legal or contractual compliance obligations.** These may relate to supplier codes of conduct and compliance-related clauses in contracts your organization has signed.

Define stakeholder involvement

Stakeholders in the program should include legal, risk management, internal audit, HR, procurement, finance, information technology, corporate social responsibility and communications. Stakeholders should discuss the implementation plan, timeframe, resources and any enhancements that would make the program more valuable. In addition, the board of directors needs to be aware of the implementation plan and may wish to provide some specific direction regarding operations.

Ensure that each stakeholder has a clearly defined role in the program. If you have already defined the compliance function scope, you will have a better understanding of who is responsible for the risks in your organization and what role they will have in the program's implementation. Develop and document an implementation timeline that specifies who will lead the process, who will coordinate, and who will provide assistance. Create a formal escalation policy that details what the leadership and board of directors needs to know and when.

Plan for known challenges

There are several common organizational challenges that you may encounter when implementing an ethics and compliance program. They include:

» Defining key people and their roles early in the process.
» Communicating effectively with implementation teams and stakeholders.
» Understanding the processes, procedures, data, systems and teams already in place.
» Coordinating teams separated by geographical boundaries.
» Gaining participation and input from all levels of management.
» Keeping up with regulatory change.
» Insufficient or stagnant budgets and limited program resourcing.

By taking actions early on to mitigate these challenges, you can ensure your progress is not disrupted by preventable setbacks.

Focus on ethics

Many companies have compliance-based programs. As the name suggests, these programs focus on specific regulatory risks facing the organization, which may themselves be complex, multi-faceted and ever-changing.

Values-based programs emphasize 'doing the right thing' and are, unsurprisingly, deemed more effective at deterring unethical conduct. By embedding an understanding of general ethical principles, as laid down in your code of conduct, you can be confident that your employees will be able to identify with the values you are asking them to adhere to, and why – as opposed to a set of technical rules and regulations.

Avoid falling into the trap of 'imposing' ethics as a compliance requirement through constant surveillance and tight controls. Employees should be encouraged to consider the ethical implications of a decision when faced with a moral dilemma. Therefore, ethics should be communicated and promoted as a decision-making framework rather than a fixed reference point.

Implement effectively

Regulators and prosecutors require that each company tailor its program to its own needs, size, business model, geographical spread and risk profile. There is no one-size-fits-all solution. What's important is that the program is "implemented, reviewed, and revised, as appropriate, in an effective manner"[20].

Regulators have often expressed their frustration with the "paper programs" they often encounter in the business world. The policies are written, the procedures are adopted – but what's missing is perhaps the most important element: implementation. Your ethics and compliance program should have substance and be embedded in the daily operations of your business.

[20] US Department of Justice, 9-28.000 - Principles of Federal Prosecution of Business Organizations, Corporate Compliance Programs, point B.

IMPLEMENT

ESTABLISHING THE ETHICS AND COMPLIANCE PROGRAM

With a clearly defined strategy and a budget in place, you are ready to begin the process of implementing your ethics and compliance program. In this section you will learn how an effective program should be structured, which elements are essential, and how they need to be tailored based on your organization's industry, size, history, and risk profile.

Best Practice: The Eight Essential Elements of an Effective Program

Regulators and prosecutors across the globe expect organizations to detect and prevent corporate wrongdoing. While their guidance varies, the key requirements can be distilled into eight essential elements that a strong compliance and ethics program needs to address. Successfully incorporating these elements into your own program will help protect your organization's reputation, enhance employee engagement and improve organizational culture.

Risk Assessment

A risk assessment is key to developing your organization's risk profile. It should identify:

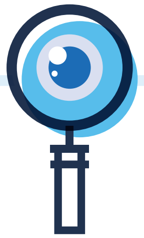
» ethics, compliance and reputational risks your organization may face given its industry and geography
» risks related to your employee population
» your current and planned mitigation strategies to reduce risk to a level deemed acceptable by your organization

Risk assessments should be kept current and be subject to periodic review based upon continuous access to operational data and information from across your organization.

Don't forget about third parties. NAVEX Global's Definitive Guide to Third-Party Risk Management will help you navigate this increasingly important area of compliance risk.

Oversight, Structure and Leadership

Your program needs both appropriate oversight (to protect from risk) and commitment from leadership (to drive behavior and culture). Those who do have key oversight duties, including your board of directors, need to be informed and trained on their roles to help your organization achieve an effective program.

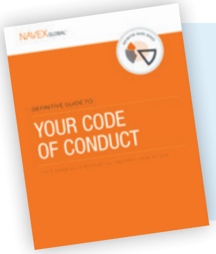


"Even a well-designed compliance program may be unsuccessful in practice if implementation is lax, under-resourced or otherwise ineffective."

US DOJ Criminal Division 'Evaluation of corporate compliance programs'

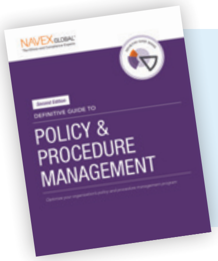
Standards, Policies and Procedures

As you develop your program, policies and procedures will play a critical role. Your code of conduct should be the foundation policy, supported by standards and procedures that drive compliance with internal values as well as applicable laws, rules and regulations.



NAVEX Global's Definitive Guide to Your Code of Conduct explains how to transform your code of conduct into an engaging employee resource.

Beyond the development of these policies, thought must also be given to how you will manage and communicate them. Remember that clear communication of ethics and compliance expectations is a basic step toward creating a culture that supports an effective program.



NAVEX Global's Definitive Guide to Policy and Procedure Management provides guidance on how to optimize your policies and procedure management program.

Alignment with HR Practices

An effective compliance program has many touchpoints and overlaps with an organization's HR department. For example, the individuals an organization chooses to recruit and promote sends a clear signal about its goals and priorities. As well as paying close attention to hiring practices, take care to align performance measures and incentives with ethical and compliant behaviors, and apply consistent disciplinary policies. Developing positive relationships between ethics and compliance and human resources paves the way for an ethical company culture and sends a clear message that unethical behavior will not be tolerated.

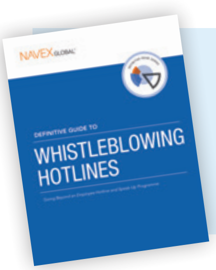
Communications and Training

Organizations are expected by regulators to communicate standards and procedures to the board of directors, high-level personnel, employees and (where appropriate) third parties. Therefore, the policies and procedures in your ethics and compliance program should be accompanied by a strategic communications plan and training program. This will help ensure employees remain informed of, and attest to, the policies that apply to them. A regular and effective training plan will ensure employees understand what is expected of them, help managers understand how to respond to issues raised and ensure lessons learned are consistently used to improve culture.

NAVEX Global's Definitive Guide to Ethics and Compliance Training provides guidance on managing your employee training program.

Reporting and Response

The reporting process enables employees to bring their concerns to the attention of your organization. Every ethics and compliance program must offer ways for employees to easily and comfortably report issues without fear of retaliation. It should also include measured steps to respond to and resolve those reports, including investigations and disciplinary processes.



NAVEX Global's Definitive Guide to Whistleblowing Hotlines provides guidance on how to enhance your reporting and response process.

Monitoring and Assessment

Measuring and monitoring your program is the only way to know whether it is truly effective. Regulators like the DOJ expect organizations to take "reasonable steps" to "ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct," and "evaluate periodically the effectiveness of the organization's program"[21]. You must therefore regularly engage in meaningful efforts to review your ethics and compliance program and ensure it evolves over time.

NAVEX Global's Definitive Guide to Compliance Program Assessment provides guidance on how to evaluate and improve your compliance program.

Culture

Compliance regulations reinforce the idea that in order to have an effective program, you need to foster a culture that promotes compliance and ethics - not just rules and additional layers of controls. Successful programs are integrated efforts that align financial and compliance requirements with an organization's mission and values. Forward-thinking organizations build cultures where employees know that doing the right thing is expected, understand the standards that apply to them, and believe in the integrity of their leaders. These same employees should feel empowered to raise concerns about misconduct with confidence and without fear of retaliation.

Integrated ethics and compliance

While the primary focus of compliance officers may tend to focus on anti-corruption, the eight elements framework can be practically and effectively applied in other areas of your ethics and compliance program, including:

- trade
- antitrust
- conflicts of interest
- data privacy
- anti-money laundering
- anti-discrimination
- modern slavery
- sexual harassment
- cybersecurity
- fraud

[21] US DOJ, Criminal Division, Evaluation of Corporate Compliance Programs, June 2020, page 3.

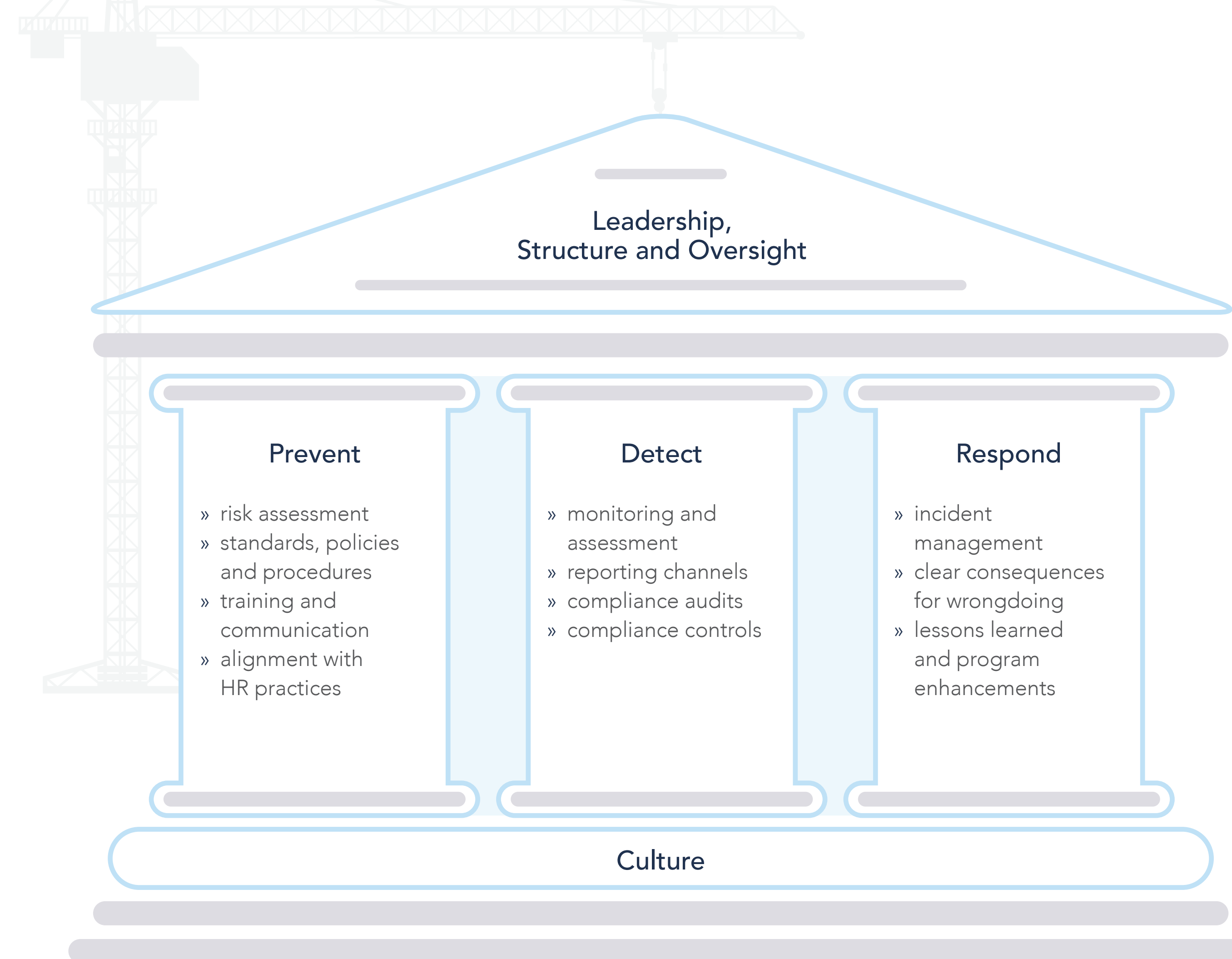
Prevent-Detect-Respond Approach

An ethics and compliance management system can be divided into three levels of action:

- **1. Prevent:** Preventative measures include risk assessments, policies and procedures, training and communication, and alignment with HR practices.
- **2. Detect:** Monitoring and assessment, reporting channels and incident management processes are indispensable in helping to recognize matters of misconduct.
- **3. Respond:** Clear consequences for wrongdoing, as well as lessons learned and program enhancements, form the basis of an effective response strategy.

Leadership, structure and oversight is the overarching element above these three levels.

Culture serves as the foundation of the whole program.



Tailor Your Program

The US Federal Sentencing Guidelines for Organizations (FSGO) commentary states that an effective ethics and compliance program will consider the organization's industry, size and history. It is therefore advisable to contemplate how these parameters could affect the breadth and depth of your own program before the implementation begins.

Industry practices

You can model your program on recognized ethics and compliance industry leaders. Review their codes of conduct and compliance policies, and look for publicly available information around the programs they have in place. Look closely at industry-specific codes too - they are a valuable resource for identifying risks and practices facing your organization and its peers. An organization's failure to incorporate and follow applicable industry practices makes it less likely its program would be considered effective by regulators.

Organization history

Recurrence of similar misconduct creates additional compliance risk and casts doubt over the effectiveness of an organization's compliance efforts. A history of compliance violations would therefore require that greater resources are directed towards the ethics and compliance program.

Organization size

Regulators and enforcement agencies expect large organizations to devote greater resources and take a more formal approach to their programs. By contrast, smaller organizations may take an abbreviated approach provided they can demonstrate "the same degree of commitment to ethical conduct and compliance with the law as large organizations"[22] Examples of informality and use of fewer resources include the following:

» training may take place at informal staff meetings
» monitoring can be done during regular "walk arounds"
» available personnel may be used to carry out the program

[22] FSGO, §8B2.1, Commentary 2(C) (Ch. 1, n. 24). .

The Risk Assessment

An effective ethics and compliance program should be based on a well-informed understanding of the risks facing the organization. A systematic risk assessment is therefore the essential first step. Without it, you may find it difficult to explain why your program has been designed as it has, should you be required to[23].

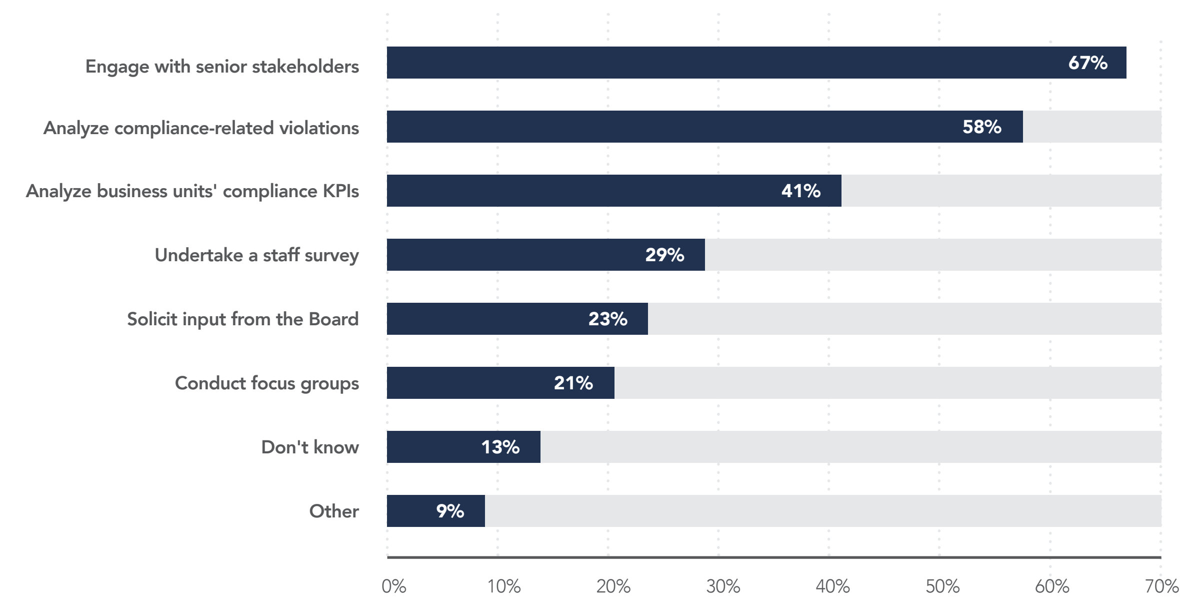
Your risk profile is an evaluation that identifies the unique risks your organization may face given its industry, geography and employee population. In many cases, organizations may be subject to regulations and vulnerable to risks about which they know little. After conducting a thorough risk assessment, you are likely to discover risks that are new, were previously not visible, or which have become more significant since you last completed an assessment.

According to the 2020 NAVEX Global Definitive Risk & Compliance Benchmark Report, risk assessment is a high priority activity among respondents, with 46% of organizations planning to conduct a comprehensive organizational risk assessment in the next 12 months[24].

Key definitions

» **Risk** is defined as the "effect of uncertainty on objectives"[25] and is most often measured in terms of likelihood and impact.
» **Likelihood** is the probability that a risk will materialize.
» **Impact** is the cost of a risk if it does occur.
» **Effective risk management** involves "the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk."[26]
» **An ethics and compliance risk assessment** identifies the organization's ethics, compliance and reputational risks, the employee population that creates the risk, and the current and planned mitigation strategies to reduce risk to a level deemed acceptable by the organization.

How do you conduct your compliance risk assessment?



Source: PWC State of Compliance survey 2015

[23] US DOJ, Criminal Division, Evaluation of Corporate Compliance Programs, June 2020, page 2 [24] NAVEX Global, The Definitive Risk & Compliance Benchmark Report, 2020 >>> [25] ISO 31000:2018 Risk management – Guidelines, page 3.1. [26] ISO 31000:2018 Risk management – Guidelines, page 4

The 10 Key Steps of a Robust Ethics and Compliance Risk Assessment

1. Get leadership buy-in
Active and visible support from senior executives and the board of directors is a key component of a successful risk assessment. Without it, risk assessments can lose momentum, avoid or inadequately deal with certain issues, or have their quality impaired by other executives and managers choosing not to participate.

2. Define roles and responsibilities
Define who should 'own' the risk assessment and who needs to be involved. Clearly delineated roles and responsibilities should be communicated and understood.

A well-informed ethics and compliance risk assessment looks at:

- the organization's business model
- the geographic location of its operations
- the industry sector and the competitiveness of the market
- the regulatory landscape
- clients and customers
- products and services
- supply chain and third parties
- transactions and projects
- the ways in which risks may manifest themselves

3. Secure adequate resources
The function leading the risk assessment, whether it be compliance or another department, is unlikely to have expertise in every area. It will therefore require support from other functions including legal, risk management, internal audit, sales and marketing, procurement, finance, HR, supply chain and corporate affairs (this list is not exhaustive). Stakeholders should discuss the implementation plan, timeframe, resources and any enhancements that could make the risk assessment more effective.

4. Establish your risk appetite and risk tolerance level
Determine your organization's risk appetite and risk tolerances early in the risk assessment process. "Risk appetite" is the amount of risk an organization is willing to accept or retain and represents a broad view of risk. "Risk tolerance" is relative to specific risks and performance targets. It can be defined as the organization's flexibility with regard to specific risks.

5. Understand your environment
You should have a clear understanding of how your organization functions. An organization is expected to analyze and address its unique risks within the context of what it does, its geographic presence, industry sector, competition, regulatory landscape, clients and business partners. By understanding the nature of operations and locations, you will be better able to grasp the types of risks specific to your organization, as well as the potential consequences should a violation occur.

6. Identify risk indicators
Risk indicators are metrics that can be used to measure risks affecting the organization. They can act as predictors and provide early signals of increasing risk exposures. The analysis of risk indicators should be holistic and include both internal and external resources.

7. Collect the data
Interviews, surveys, self-assessments, and brainstorming sessions are different methods to collect the data and information on how and why compliance risks may occur in the organization. Understand the pros and cons of each method before choosing the one that will work best for your risk assessment objectives.

8. Identify the risks
Now that you understand the scope of the business and the risk indicators specific to the nature of its operations and locations, you should break the risks down to a reasonable level of detail. The objective of the risk identification is to create a comprehensive inventory of compliance and ethics risks facing your organization, industry and regions.

9. Rate the likelihood and impact
Rate both the likelihood that each risk might occur and the corresponding potential impact of that occurrence. The aim is to prioritize the responses to the identified risks in a logical format.

10. Develop your action plan
Once the risk assessment is complete, compile your findings and recommendations in a comprehensive report to be presented to the board for review and approval. However, the process should not stop there. An action plan that prioritizes the recommendations from the risk assessment should then be developed to ensure that the necessary enhancements are implemented.

"While there is no "one-size-fits all" risk assessment, the exercise should generally consist of a holistic review of the organization from top-to-bottom and assess its touchpoints to the outside world."
OFAC Guidance

MEASURE

MONITOR, ASSESS AND IMPROVE PROGRAM EFFECTIVENESS

Your ethics and compliance program is an ecosystem of moving parts. New laws and regulations, new lines of business, new geographies, and mergers and acquisitions will all become part of a growing enterprise your compliance ecosystem must support. This requires those in charge of the system to regularly monitor and assess risks and priorities to make necessary adjustments that will continue to deliver an effective program.

Monitoring, Auditing and Measuring

Monitoring, auditing, and measuring are all key to understanding whether your ethics and compliance program is appropriately designed and implemented, and working effectively. The gaps identified by these analyses should then be addressed to ensure continuous improvement.

Monitoring is an ongoing, real-time surveillance or oversight of your program. It is integral to the timely identification of internal control deficiencies. It involves testing daily business activities with the greatest focus on the areas of the business which are exposed to the most significant risks.

Auditing is a periodic, rather than a continuous, retrospective exercise. Although an internal audit function is well-placed to conduct compliance audits, from time-to-time the board is likely to need some more independent assurance. External audit firms or accredited consultants can provide an independent validation of your ethics and compliance program.

Measuring and assessment is a comprehensive evaluation of how your program:

» Measures up against organizations of a similar size, industry and footprint
» Meets globally-recognized or industry-accepted standards
» Helps close gaps in risk mitigation
» Defines improvements in a prioritized manner by way of a multiyear work plan to achieve your organization's desired level of program maturity

Along with assessing for external factors, a robust program must account for an important internal variable - human behavior. Even with strong policies and compliance procedures in place, employee behavior presents the highest risk for your ethics and compliance program. A robust quality assessment will help you understand the impact your current ethics and compliance program is having on employees as well as the overall corporate culture.

What metrics do you use to measure compliance program effectiveness?

		Program maturity level			
		Reactive	Basic	Maturing	Advanced
Employee surveys and other culture assessments	49%	10%	35%	58%	81%
Analysis of internal audit findings	48%	6%	32%	59%	84%
Breaches of the code of conduct/internal policies	48%	10%	35%	57%	85%
Conducting exit interviews and measuring employee turnover	45%	13%	37%	55%	63%
Tracking whistleblowing reports, retaliation and substantiation rates	41%	2%	31%	45%	83%
Employee quizzes on training or policies	39%	9%	29%	47%	60%
Attestation rates on training and policy programs	34%	10%	22%	39%	72%
Comparisons using third party measurements or benchmarks	24%	1%	12%	26%	66%
Case closure times	22%	4%	13%	21%	57%
Independent evaluations by outside counsel and / or consultants	21%	3%	10%	26%	47%
Monitoring reviews on 'Glassdoor' / social media articles / news reports	16%	3%	10%	20%	28%
Reduction or regulatory fines or penalties	14%	3%	7%	15%	40%
We don't formally assess effectiveness	15%	65%	16%	3%	0%

0% 10% 20% 30% 40% 50%

Source: NAVEX Global, The Definitive Corporate Compliance Benchmark Report, 2019, page 19 >>>

A Story of Effectiveness

The results from your monitoring, auditing and assessment activities should tell a story that demonstrates the effectiveness of your program, and how it relates to the mission, values and strategic operating plans of your organization.

Use the data you collect to anchor your story in evidence, while adding the more abstract observations and attitudes as the cultural manifestations of that data.

Your effectiveness story should include a concrete roadmap that illustrates how you will use the results moving forward. One of the main outputs should be the development of an ethics and compliance work plan that will incorporate program improvements – and remedy program gaps or inefficiencies. Along with next steps, your effectiveness story should also include projected dates to periodically revisit and course-correct the program adjustments informed by your monitoring, auditing and assessment.

Example: Ethics and compliance program assessment template

STANDARDS, POLICIES AND PROCEDURES:	NEEDS ATTENTION	PARTIALLY MEETING BEST PRACTICE	BEST PRACTICE	ACTION PLAN	ACTION PLAN OWNER	STATUS
COMPREHENSIVE CODE OF CONDUCT			X	*No action required, the code of conduct is in line with industry best practices.*	*CECO*	*Complete*
POLICIES AND PROCEDURES IN HIGH RISK AREAS		X		*Develop, adopt, and roll out Gifts & Hospitality Policy. Train relevant employees.*	*CECO, middle managers*	*In progress*
POLICY MANAGEMENT PROCESS: REGULAR UPDATES	X			*Design and implement a procedure for periodic reviews and updates to the policies and procedures based on the risk assessment.*	*CECO, business process experts*	*Open*

Benchmarking Your Program

Benchmarking is an important part of the assessment process. Benchmarks can be used to justify your budget or other resource requests, to create a prioritized list of improvement opportunities and to inform the timeline for incorporating those improvements.

Most importantly, benchmarking can help you understand whether your program is within the norms for your company's size and industry – and where the program as a whole (or individual elements) may land on the continuum from substandard to best practice. In addition to using benchmarking to measure your program against peers, it is a critical step in designing your program to better withstand the scrutiny of external, governmental or regulatory parties.

Get the latest Risk and Compliance Benchmarking data from the NAVEX Global website >>>

CONCLUSION

An effective ethics and compliance program is never complete. Instead, it should continuously evolve to take into account the inevitable regulatory, organizational and external developments that will influence its current status and future direction.

Due to the unrelenting pace of such change, it's likely technology will become increasingly important to your long-term success. Unifying your ethics and compliance program within an automated, integrated solution will give you the opportunity to keep pace with new developments, improve effectiveness, and manage and mitigate your ethics and compliance risks.

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Vera Cherepanova is a former Regional Compliance Officer and author of "Compliance Program of an Organization." Vera has worked on the ground in Eastern Europe, CIS and Russia. Taking her experience in addressing the cross-cultural challenges of ethics and compliance, Vera currently consults with international corporations, non-profits, wholesale and retail establishments, and small to large businesses, advising them on ethics and compliance programs. Vera speaks Russian, English, French, and Italian.

Additional Resources

Benchmarking and Market Trends

2020 The Definitive Risk & Compliance Benchmark Report >>>
2020 Third Party Risk Management Top Market Trends & Analysis >>>
2020 Risk & Compliance Hotline Benchmark Report >>>
2020 Regional Whistleblowing Hotline Benchmark Report >>>

Governmental and International Guidance on Ethics and Compliance Programs

US Department of Justice Evaluation of Corporate Compliance Program >>>
2018 Federal Sentencing Guidelines Manual >>>
AFA Guidance on SAPIN II Compliance (in French) >>>
UK Bribery Act Guidance from Transparency International >>>
FCPA Corporate Enforcement Policy >>>
ISO 19600:2014 Compliance Management Systems >>>
ISO 37001:2016 Anti-Bribery Management Systems >>>
ICC Ethics and Compliance Training Handbook >>>
UNODC Compliance Resources >>>
A Framework for OFAC Compliance Commitments >>>

Guidance for Working With the Board

Key Elements for Effective Compliance Program Board Reporting >>>
Four Key Board Responsibilities for Monitoring Risk and Compliance >>>

Risk Assessment Guidance

Risk Assessment Framework >>>
Sample Risk Prioritization Framework >>>
ISO 31000:2018 Risk Management – Guidelines >>>

Compliance Program Definitive Guides

Definitive Guide to Compliance Program Assessment >>>
Definitive Guide to Third-Party Risk Management >>>
Definitive Guide to Whistleblowing Hotlines >>>
Definitive Guide to Your Code of Conduct >>>
Definitive Guide to Policy and Procedure Management >>>
Definitive Guide to Ethics & Compliance Training >>>

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