

Aligning Compliance Program Priorities with Business Objectives

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We live in a world where nothing is hidden
anymore...

... and where information travels at the speed of light!

Three Compelling Reasons Why Acting Legally and Ethically Matters

1. Acting legally and ethically is the right thing to do
2. Acting legally and ethically is good for business
 - Nobody budgets for illegal and unethical behavior
3. Acting legally and ethically leads to happier, more sustainable workplaces

What are we seeking to achieve?

Start with the goal of “principled performance”

- To reliably achieve business objectives, while addressing uncertainty and always acting with integrity – this is “Principled Performance”

Good Place to Work/Good Place to Invest

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Value of \$1,000 invested in the S&P 500 Index and invested in companies that were rated the "Best Places to Work" by Glassdoor.



Source: Glassdoor | WSJ.com

Top Fines, Records, and Penalties in 2014 for Anti-Corruption, Antitrust, False Claims Act, and Sanctions Offenses

Amount	Industry	Area	Date
\$1.85 billion*	Finance	False Claims Act	08/21/2014
\$1.02 billion	Finance	Market Manipulation	11/12/2014
\$1.01 billion	Finance	Market Manipulation	11/12/2014
\$963.6 million**	Insurance	Sanctions	06/30/2014
\$799 million	Finance	Market Manipulation	11/12/2014
\$772.3 million	Energy & Transport	Anti-bribery (FCPA)	12/22/2014
\$634 million	Finance	Market Manipulation	11/12/2014
\$618 million	Finance	Market Manipulation	11/12/2014
\$614 million	Finance	False Claims Act	02/04/2014
\$489 million	Healthcare	Anti-bribery (China)	09/19/2014
\$434.4 million	Logistics	False Claims Act / Fraud	12/08/2014
\$418 million***	Finance	False Claims Act	06/17/2014
\$425 million	Manufacturing	Antitrust	02/13/2014
\$384 million	Metals	Anti-bribery (FCPA)	01/09/2014
\$370 million	Finance	Antitrust (LIBOR)	07/28/2014
\$350 million	Healthcare	False Claims Act	10/22/2014
\$315 million	Finance	Banking / Sanctions	11/18/2014

* Part of an overall \$25.66 billion settlement to resolve federal and state claims

** Part of an overall \$8.9 billion settlement with various state and federal agencies

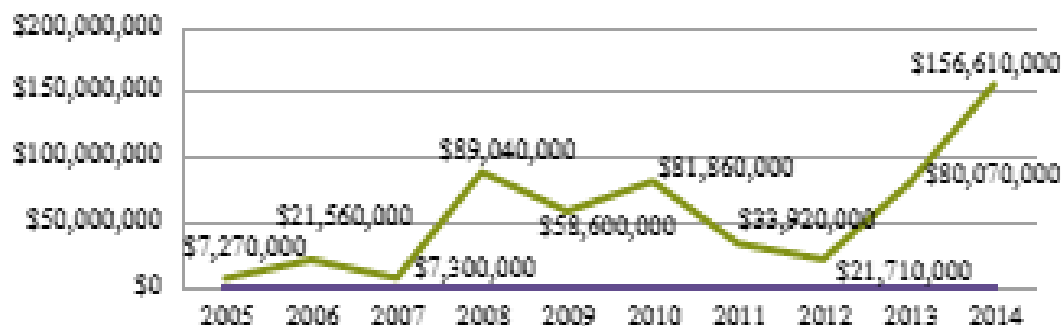
*** Part of an overall \$228 million settlement with various state and federal agencies

FCPA (SEC and DOJ) Statistics

2014 Fines and Penalties

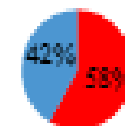
- In all, the DOJ brought 17 enforcement actions against corporations and individuals, two less than it did in 2013. The SEC brought nine enforcement actions, one more than it did in 2013.
- The fifth highest monetary settlement in FCPA history was imposed on an aluminum producer at the beginning of the year. The company paid \$384 million to resolve the allegations. Alstom's settlement ended the year on an even more expensive note. At \$722 million, the Alstom settlement is the DOJ's biggest win to date.
- In 2014, companies paid an average \$157 million to settle FCPA investigations, almost twice as much as they did in 2013, when the average settlement was \$80 million.

Average Total Value of Monetary Resolutions in Corporate FCPA Enforcement Actions



The fines and penalties imposed for FCPA violations continue to increase, demonstrating that foreign bribery may be too costly for business to bear.

336 Total FCPA Enforcement Actions: 2005 - 2014



■ DOJ (196)
■ SEC (140)

Acting illegally and unethically can have serious consequences

- Death or serious injury
- Criminal liability – fines and prison
- Civil and administrative penalties
- Financial loss
- Interruption or loss of business opportunities
- Reputation damage
- Change of law

Employee Compliance Survey and Potential Responses

- Have you observed any of the following types of misconduct in the past year? (Select all that apply.)
 - Accounting irregularities
 - Alcohol or drug abuse
 - Business information violation
 - Conflict of interest
 - Data privacy or information security violation
 - Discrimination
 - Fraud
 - Harassment
 - Improper payments
 - Inappropriate behavior
 - Inappropriate giving or receiving of gifts
 - Insider trading
 - Misuse of time or resources
 - Preferential treatment
 - Stealing of company property
 - Violation of environmental regulations
 - Violation of health and safety regulations

Triggers Signaling Need for New or Updated Compliance Policies

- Risk Assessment Results
- Update or Revision of Code of Conduct
- Internal Audit Findings
- Publicized Failure in the Same or Similar Industry
- Shift in Business Strategy
- Mergers, Acquisitions, and Other Organizational Changes
- Geographic Expansion

Compliance Department Mission

- A Compliance Department is a central organization that integrates compliance programs and provides oversight to existing programs to provide a reasonable assurance of compliance.
- The elements that make up the program are...
 - User-friendly – clear, concise and understandable
 - Tailored to business needs and objectives
 - Business ownership of compliance activities
 - Focused on compliance points and adaptable to business/regulatory changes
 - Collaborative process with key stakeholders – Business, Finance, Internal Audit, IT, HR & Security
 - Sustainable and deployable across the organization
 - Communicated so that employees are aware of and fully understand their compliance responsibilities down to desk level
 - Periodic compliance assurance reviews to assist the Business with compliance oversight

Compliance Program Objectives and Goals

- Ethics, Compliance and Risk Program will operate to accomplish the following high-level strategic objectives and goals:
 - Develop, enable and manage a framework that promotes an ethical culture and a commitment to compliance with the law; establish, manage and monitor mechanisms and infrastructure that prevent and detect wrongdoing
 - Establish a framework to identify, prioritize and enable the effective and efficient management of compliance risks facing the organization
 - Align and integrate compliance risks into other programs that address operational, financial and strategic risks; partner with risk management function and Internal Audit to establish and manage enterprise portfolio view of risks

Compliance Programs Outcomes and Benefits

- Ethics & Compliance Framework:
 - Encourages and reinforces a culture of ethical behavior and compliance with the law and corporate policies
 - Helps prevent and detect wrongdoing
 - Meets or exceeds requirements of the U.S. Federal Sentencing Guidelines, Sarbanes-Oxley, EU laws & standards, and other governing guidelines and mandates
 - Reduces risks and liabilities associated with government inquiries and prosecution
 - Limits exposure to lawsuits, financial losses, sanctions and fines while remaining compliant with laws and standards
 - Promotes good controls and integrity in financial accounting/reporting
 - Fosters respect and admiration from the business community including customers, business partners, competitors, and shareholders

Compliance Program Outcomes and Benefits (cont'd.)

- Compliance Risk Management Framework
 - Portfolio view of compliance risks; allows for effective identification, prioritization and management of risks
 - Shared vision with leadership on top risks, resource allocation, focus and ownership; promotes dialogue and synergies among business leaders in managing risk
 - Facilitates stronger change management effectiveness across the organization from a compliance and operational view
 - Improves and enhances regulatory compliance and risk responses both internally and externally; reduces operational losses and surprises
 - Integrates and assures key compliance risks are managed and an input to corporate strategies and operational objectives
 - Assures the organization is working on the right stuff, at the right time, and with the right resources; protects brand, reputation and assets

Steps for Successful Implementation of Compliance Program

- Learn the corporate culture, leadership vision, people, and business strategies; establish and build relationships
- Assure value and importance of program is supported at highest levels; assure shared vision on objectives and direction of program
- Assess current programs and infrastructure for effectiveness and opportunities for improvement
- Develop, build and implement centralized Ethics & Compliance Framework infrastructure and foundation
- Create, build and implement Compliance Risk Management Framework infrastructure and foundation
- Manage and administer day-to-day activities related to overall Ethics, Compliance and Risk Program
- Monitor, audit and report on ethics, compliance and risk effectiveness

4 Step Approach to Successful Implementation of Compliance Program

1. Analysis
 - Clear understanding of the compliance requirements
 - Clear understanding of how the requirements impact the Business
 - Clear understanding of how the Business currently manages compliance
 - Clear understanding of business objectives
2. Design
 - Collaboration with the business
 - Translation of legal requirements into compliance points
 - Design that supports business objectives and structure
 - Business aligned and agreed upon compliance plan
3. Implementation
 - Support Business in operationalizing program via
 - People
 - Process
 - Technology
4. Assurance
 - Periodic evaluation of compliance program
 - Facilitate audit preparedness
 - Facilitate remediation of audit findings
 - Facilitate the implementation of changes to the compliance program
 - Possible identification and monitoring of key metrics

Compliance Function Activities



Compliance capability of a Company develops and supports the essential characteristics that are the building blocks of confidence

- Awareness
- Alignment
- Responsiveness
- Agility
- Resiliency
- Lean Build
- Modernity

Key Takeaways

- Ethics and Compliance is a bottom-line issue and program costs are minimal compared to fines and associated losses
- Ethics and Compliance is part of any strategic plan for performance and can be a driver for recruitment, reputation, partnership and investment