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Integrating Records Management into Operations and Culture-- Going Mainstream

MER 2008

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Panelists

- Debbie Hennelly
– Compliance & Ethics Solutions LLC
- Janice Anderson
– Access Sciences Corporation
- Jim Coulson
– Huron Consulting Group
- Hon. Ron Hedges
– Nixon Peabody, LLP
- Robert Williams
– Cohasset Associates, Inc.

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2



Expected Outcomes

The panel will provide guidance and share perspectives on:

- Building and sustaining an effective Records Management program
 - Making RM and ERM key components of your organization's compliance program
 - Applying an effective compliance program model to driving best-practice RM performance
- Engaging management support for your RM program
- Integrating RM into business operations and organizational culture

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3

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A “Good Faith” Standard of Performance in Compliance

- The role of “Good Faith” in compliance programs
- A continuous improvement approach to “Good Faith” programs and practices
- The progression from “Reactive” to “Proactive” to “Transformational” programs

A Compliance & Ethics Program is...

...A comprehensive system of policies and procedures “reasonably” designed to prevent—or detect and correct—violations of law (and other “external requirements”) or company policy (and other “internal requirements”).

Best-Practice Program: The Requirements

- **External** – set the “floor” for the program elements
 - US Sentencing Guidelines, Laws and Regulations, Best Practices, Company-Specific Government Requirements
- **Internal** – raise the “floor” based on additional company requirements
 - Company Values, Policies, Procedures, Other Company Commitments

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US Sentencing Guidelines: Required Elements of an "Effective" Compliance & Ethics Program*

1. Risk-based standards, policies and procedures
2. "High-level" person(s) with direct oversight, authority and adequate resources
3. Care in delegating substantial discretionary authority
4. Effective training and communication of standards, policies and procedures
5. "Detection systems"
6. Appropriate, consistent discipline, *including incentives*
7. Appropriate "response mechanisms"

Additions in 2004:

- Promote "culture of ethics" and "commitment to compliance"
- On-going risk assessment as part of program

* <http://www.usesc.gov>; USSC §8B2.1, Nov. 2004

Driving Shareholder Value with an Effective Compliance & Ethics Program

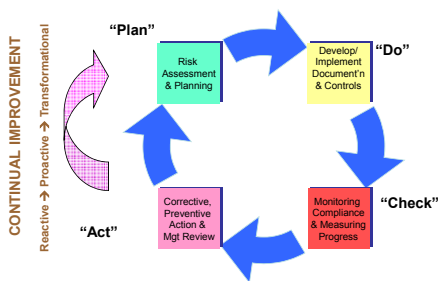
• Protecting the Business

- Protecting Company Reputation and Brand
- Meeting external legal and regulatory requirements proactively
- Avoiding Director and Officer Personal Liability (and Embarrassment)
- Avoid Paying Corporate Fines
- Avoid Costs: Litigation Defense, Higher Insurance Premiums

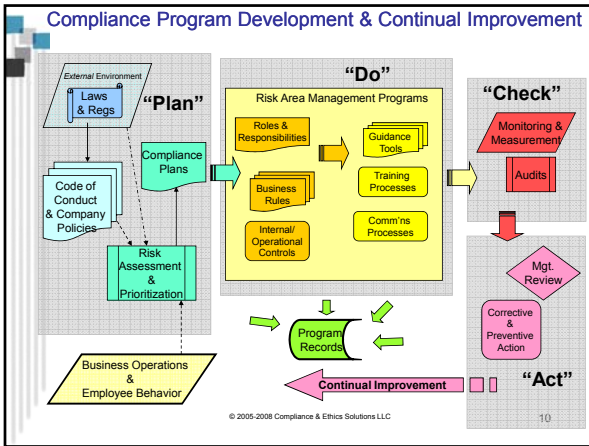
• Enhancing Business Performance

- Create an environment in which employees can prosper, have pride and satisfaction—increasing productivity
- Promote Customer and Investor Confidence
- Attract and retain high-quality Board Members, Leaders, Employees
- Protect favorable credit ratings
- Protect Business Continuity

The Compliance Management Process



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The Dual Roles of Records Management in the Compliance & Ethics Program

- A best-practice Records Management Program is one of the critical tools of a best-practice Compliance & Ethics Program
- Records Management is one of the critical risk areas managed by the company's Compliance & Ethics Program

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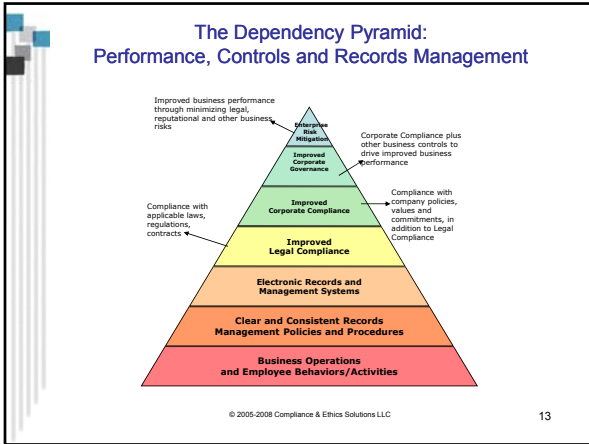
A Records Management Program is...

... A system of policies and procedures designed to ensure that company records are created, managed, and disposed of in accordance with legal record-keeping requirements and business needs.

- All employees in the company, and certain contractors, create and use records every day, from meeting notes to business plans.
- Some records must be retained (by law or company policy), while others do not and should be disposed of in the ordinary course of business.
- Records Management includes the process of determining what records need to be kept and for how long.

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- ### Records Management is a Critical Tool for the Chief Compliance Officer
- All of the legal and business drivers for a “Good Faith” Compliance & Ethics Program require effective Records Management practices.
 - Documenting due diligence and performance metrics for all compliance & ethics risk areas
 - Promoting transparency and accessibility of policies, guidelines, tools and communications
 - Minimizing the dependence on paper records and optimizing the use of electronic records
 - Creating institutional memory (preferably electronically) to support business transactions, personnel changes and continual improvement
 - The Company’s Chief Compliance Officer can be an important and powerful champion of a best-practice Records Management Program.
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- ### Some Examples
- Panel Discussion
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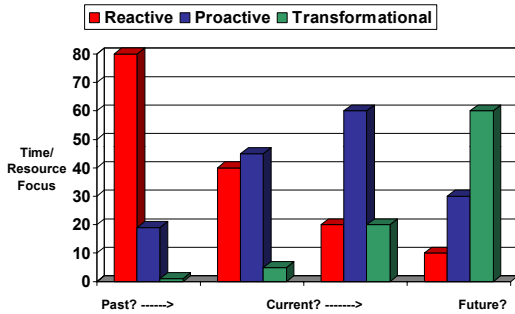
Phases of Compliance & Ethics Program Maturity

- **Reactive:** correcting violations of law or company policy as they arise.
- **Proactive:** a comprehensive system of policies and procedures reasonably designed to prevent—or detect and correct—violations of law or company policy, continually improving year-over-year.
- **Transformational:** a Proactive program integrated into business planning, operations and culture.

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16

Phases of Compliance & Ethics Program Maturity



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17

A Continual Improvement Approach to “Good Faith” Requires...

... Moving “To the Right” from **Reactive** to **Proactive** to **Transformational**...

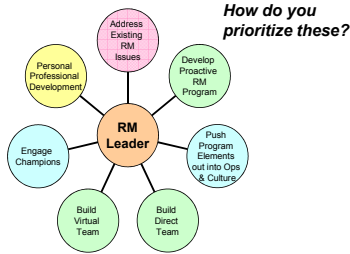
- If mostly **Reactive**: get your programs, training and communications in place.
- If already more **Proactive**: start integrating your program into business planning, operations and culture.

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18

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Competing Priorities



Some Examples

- Panel Discussion

Commitment to Continual Improvement

- **Continual Improvement of your Program**
 - Address Program findings, investigation results and lessons learned
 - Move Program elements from less Reactive to more Proactive
- **Operational and Cultural Integration**
 - Mature Proactive elements to Transformational phase
 - Move away from "command and control" and "policing" by a HQ function
 - to individual and collective ownership of ethical and compliant practices in day-to-day operations and interactions

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Conclusion

Get Started Moving Your Program "To the Right"...

- Commit to a continual improvement cycle
 - "You can't boil the ocean..."
 - "What gets measured gets managed..."
 - "Perfection is the enemy of the good..."
- Get out of your "Silo"
- Be an Integrated Business Partner
- Engage your Champions
- The music is playing... will you have a chair to sit in if/when it stops?

Questions?
