

EVANGELIZING COMPLIANCE



FCPA
COMPLIANCE
& ETHICS
*Business Solutions to
Compliance and Legal Challenges*
POWERED BY ADVANCED COMPLIANCE SOLUTIONS

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THE
COMPLIANCE
HANDBOOK,
2ND EDITION

THE
COMPLIANCE
HANDBOOK

A GUIDE TO
OPERATIONALIZING
YOUR COMPLIANCE PROGRAM

2ND EDITION

THOMAS FOX
THE COMPLIANCE EVANGELIST™



LexisNexis



COMPLIANCE PODCAST NETWORK

INTERNATIONAL SCOURGE



GLOBAL COST CORRUPTION

UN Estimates **\$3 trillion** lost annually to bribery and corruption

GLOBAL SECURITY

Corruption -> Crime -> Terrorism

TOP TEN GLOBAL ENFORCEMENT ACTIONS

1. Airbus-\$3.9 bn-US, UK and France
2. JBF-Brazil-\$3.6 bn-Brazil
3. Goldman Sachs-\$3.2 bn-US, Hong Kong, UK, Singapore, Malaysia
4. Odebrecht/Braskem-\$2.6 bn-US, Switzerland and Brazil
5. Petrobras-\$1.78bn in US and Brazil
6. Siemens-\$1.6bn-Germany and US
7. Telia Company -\$965MM –US and Sweden
8. Alstom-\$814 in US and Switzerland
9. Rolls-Royce-\$809MM -UK, US and Brazil
10. Vimpelcom-\$795MM-US and The Netherlands

THE ROI OF COMPLIANCE



THE ETHICS PREMIUM

FIVE-YEAR ETHICS PREMIUM: 7.1%

According to Ethisphere's Ethics Index, the listed 2021 World's Most Ethical Companies honorees outperformed a comparable index of large cap companies by 7.1 percentage points from January 2016 to January 2021.

ETHISPHERE
GOOD. SMART. BUSINESS. PROFIT.™

*Solactive US Large Cap Index (GTR)



THE ETHICS PREMIUM

- WME companies outpaced everyone else by 10.5 % over the last three years
- 4.5% ten years ago
- WME firms also have a higher average share price than their peers

THE ETHICS PREMIUM

- WME firms also have a higher average share price than their peers
- Share price is a function of expected future profit.
- When a company's stock price is outperforming its peers, the market is saying it expects that company to generate more profit in the future.

ACADEMIC RESEARCH



SEALY AND SERAFEIM-WHAT DID THEY FIND?

1. There is a negative relation between investments and a company's return on that investment in high countries where the company did not have an effective compliance program. This is true even in the face of increased sales growth. For firms that had as high as 10% growth in high-risk countries, if they did not have a robust compliance program in place, the negative ROE was between 24 to 30%

THE BOTTOM LINE

- First, companies that have more robust compliance programs are from countries that have more robust enforcement and monitoring.
- Second, the more robust your compliance program is the lower your sales growth may be but the higher your overall return in a high-risk country will be going forward.
- Finally, even if a company sustains high sales growth in a high-risk country, if it does not have a robust compliance program, the sales will drop off dramatically and may well lead to negative ROE.

REPORTING SYSTEMS



KYLE WELCH

1. More robust whistleblowing systems=material reduction in litigation costs, fines and penalties
2. Higher quality corporate governance in companies with more robust reporting cultures
3. Higher earnings reports
4. Litigation settlements of non-material matters dropped 20% over 3 years

THE BOTTOM LINE

- First, companies that have more robust reporting systems are better run companies.
- Second, the cost savings alone is material.
- Finally, your company will be better run, more efficient and more profitable.

2020 UPDATE TO THE EVALUATION OF CORPORATE COMPLIANCE PROGRAMS



2020 UPDATE TO THE EVALUATION OF CORPORATE COMPLIANCE

1 Compliance Access

Need for the Compliance function to access and use data and information

2 Risk Assessment

Risk Assessments should move from annual or biennial to closer to real time

3 CM/CI

Continuous monitoring and continuous improvement of compliance program in real time

QUESTIONS TO CONSIDER

1 Data and Information

Are there data silos? If so, what data and why do they still exist? What data and information has been used to improve a compliance program?

2 Risk Assessment

Is your risk assessment a one-time snapshot or based on continual access to data across your organization?

3 CM/CI

Does your organization review and adapt its compliance program based on lessons learned from itself and others?

A WORD ABOUT ESG



Framework for ESG

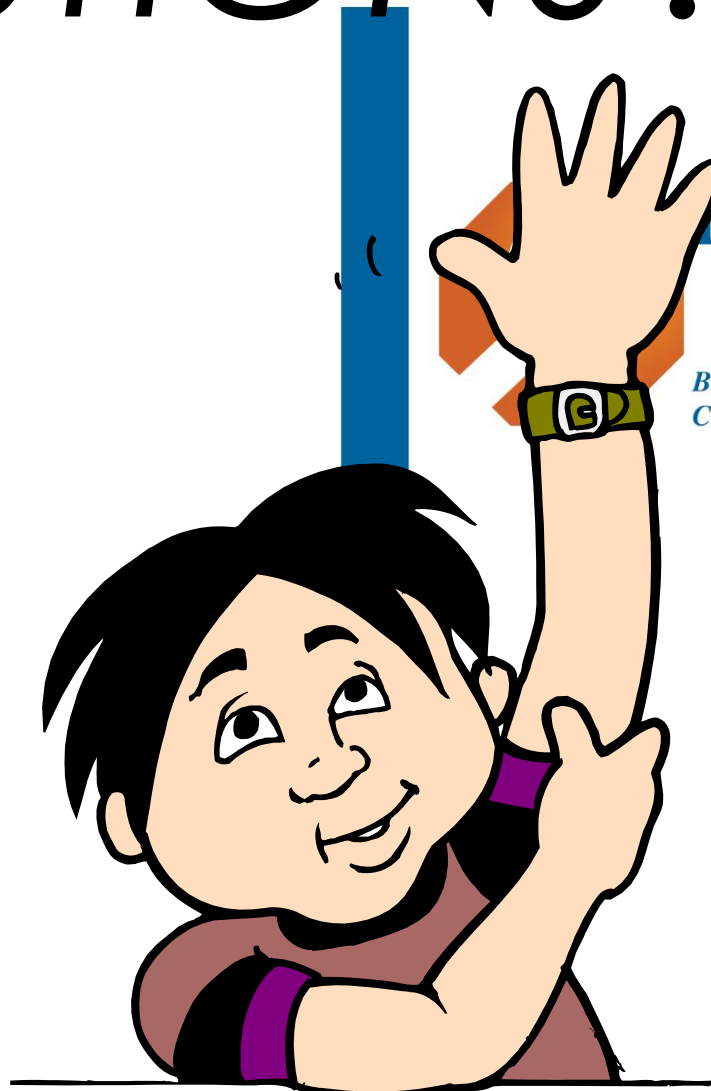
ESG Framework



Compliance Practitioners in the Lead:

The components of a well-designed ESG framework are nearly identical to that of the DOJ's hallmarks of an effective corporate compliance program

QUESTIONS?



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