



Board Reporting: Elevating Your E&C Program & Engaging the Board

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P R E S E N T E D B Y

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Agenda

- I. The Board's Roles and Compliance Responsibilities
- II. The Board Report & Briefing vs. Training
- III. Important Considerations for your Board Report
- IV. Case Study
- V. How Can I Tell if my Board is Engaged?
- VI. Key Takeaways
- VII. NAVEX Global Resources
- VIII. Questions



Roles & Compliance Responsibilities of the Board



U.S. Sentencing Guidelines: Determining “Reasonable Oversight”

- Is the board of directors knowledgeable about the content and operation of the program?
- Does the board exercise reasonable oversight of the implementation and effectiveness of the program and the organization’s culture?
- Does the organization have a high-level person and a person with day-to-day responsibility assigned to manage the program? Is there a defined relationship to the board of directors?
- Is the board (or a committee thereof) accessible to individuals with day-to-day responsibility including meeting with them in executive session?
- Does the board (or a board committee) receive timely reports of significant issues and investigations involving the company or any officers?
- Do board members and others receive “effective training...appropriate to such individuals’ respective roles and responsibilities.”

The Board Meeting: Reporting & Briefing vs. Training



Board Briefing Is Not Board Training

Briefing is not the same as training. And all-employee training is not sufficiently role-relevant for board members.



Board Meeting Type 1: Program Reporting & Briefing

Frequency

Periodically through the year and often only with a board committee

What to Cover

Risk assessment and risk areas (ethics/compliance/reputational); changes in risk; and implementation of mitigation efforts

Benchmarking

Top concerns raised through the program

KPIs against your program plan

Deep dive session on a select topic

Executive session



Board Meeting Type 2: Board Training

Frequency

Every 1-2 years for the full board

What to Cover

Roles and responsibilities

Role relevant issues they may face

Includes case studies



Important Considerations to Create an Effective Board Report



Key Elements of the Board Report

Executive Summary

Benchmarking—internal and external

Status of the company's relationships with regulators

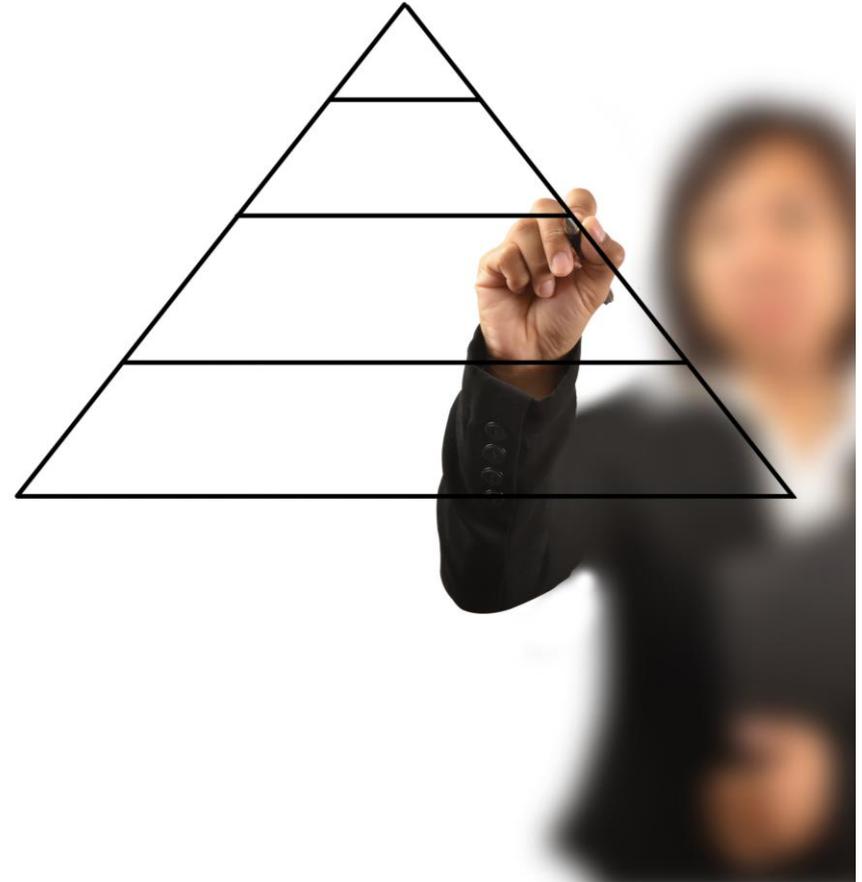
Full ethics, compliance, and reputational risk universe and any anticipated changes

Audit and monitoring coverage

KPIs against your plan

Issues and trends

Emerging risks or other insight to what's coming in the future



Organizational Risks & How Your Program Handles Them

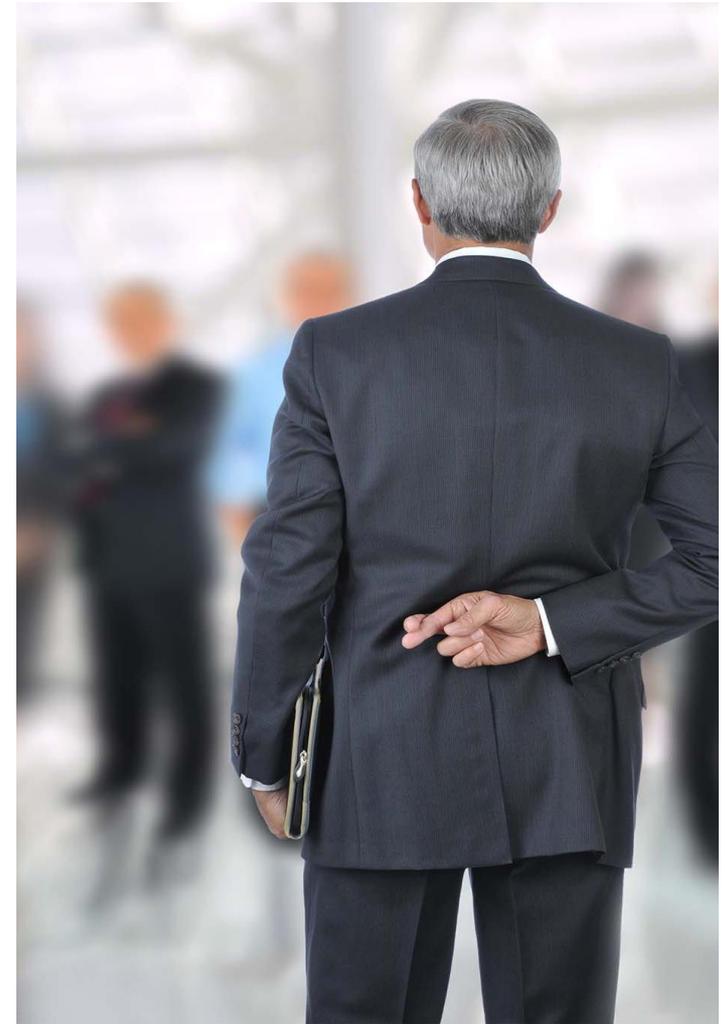
Bribery and Corruption Issues

Dealing with Whistleblowers

Product Safety

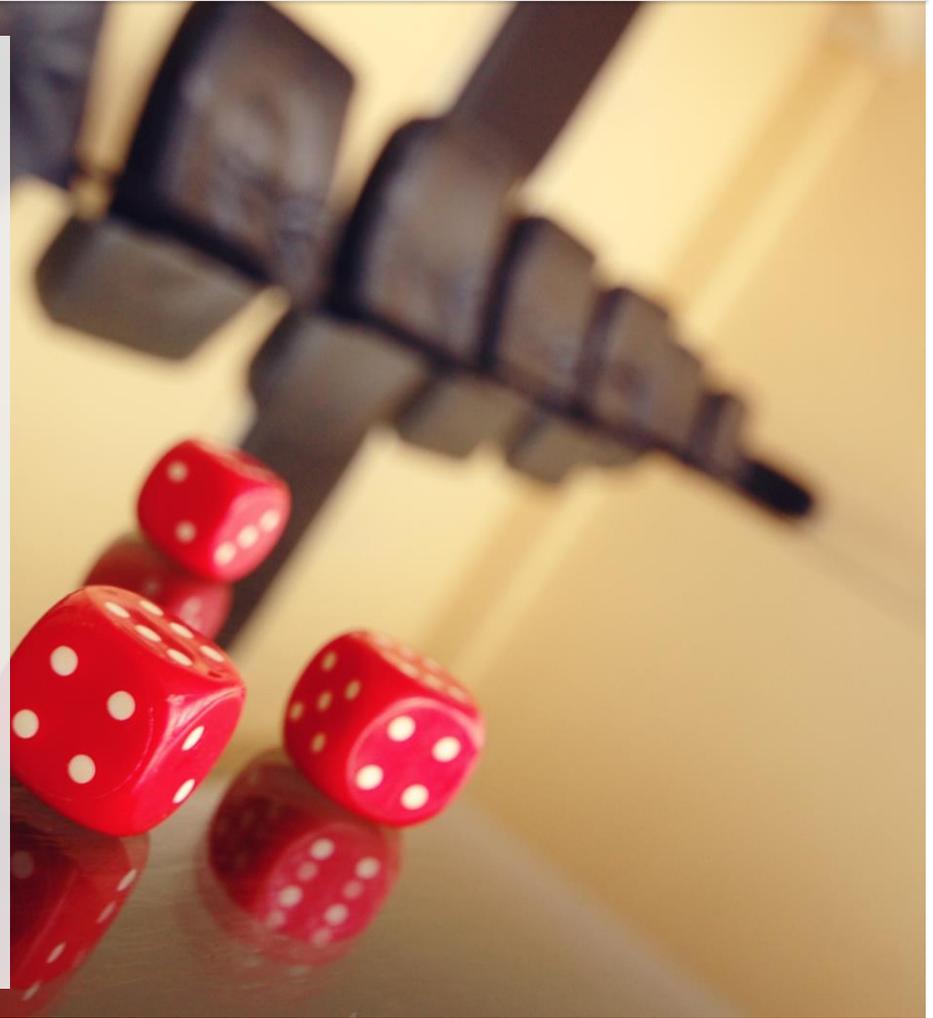
Impact of Subcontractors on Reputation

Hackers and IT Security



Five Best Practices for Effective Board Reports

1. Create a Compelling, Professional **Format & Structure** for Board Reports
2. Deliver Reports at the Right **Frequency**
3. Include (Only!) the Most Crucial, Relevant **Content**
4. Address **Risk Assessment**, Emerging Trends and Current Events of Interest
5. Elevate **Board Engagement**



1. Formatting a Board Report

Consistent

Strategic

Provides Context

Use of Benchmark Data

Outcome driven

Avoid “Form Over Substance”



2. Frequency & Method of Delivery for a Board Report

Frequency

Yearly

Quarterly

Monthly

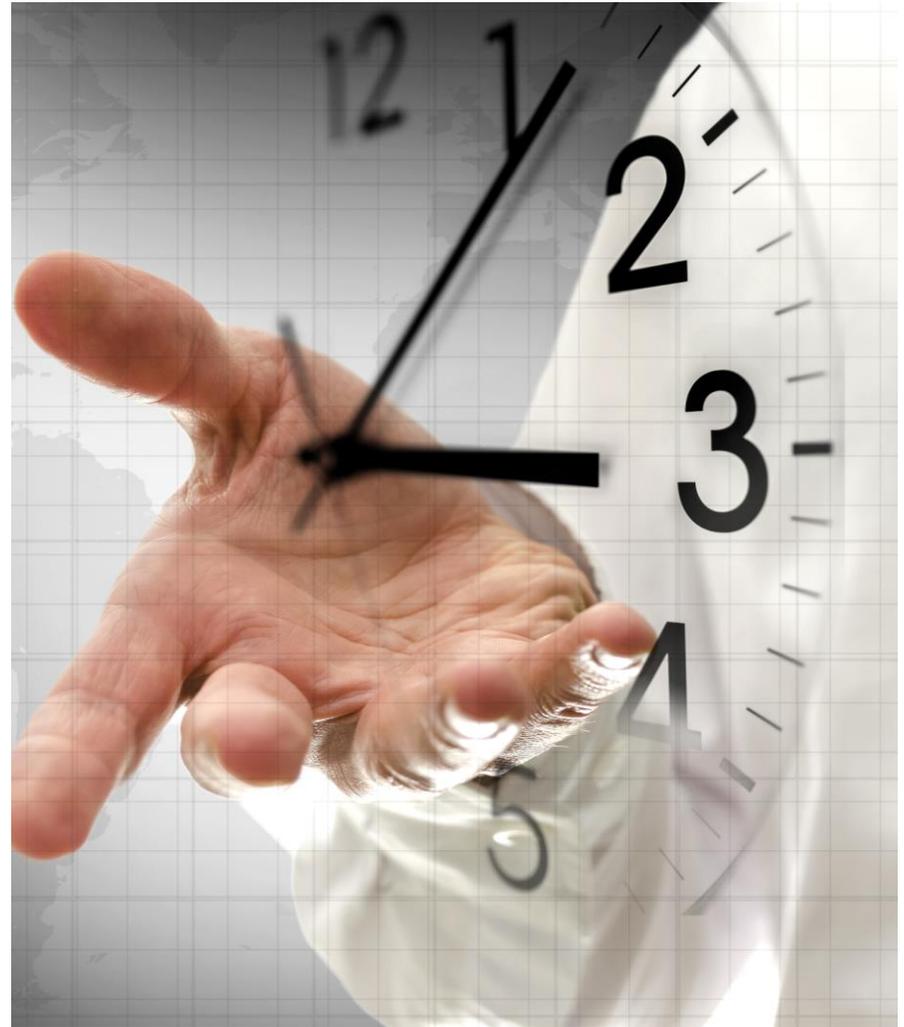
Method of delivery

In person with discussion

Burst learnings

No context - included in Board binder

Choose Meaningful Timing and Method



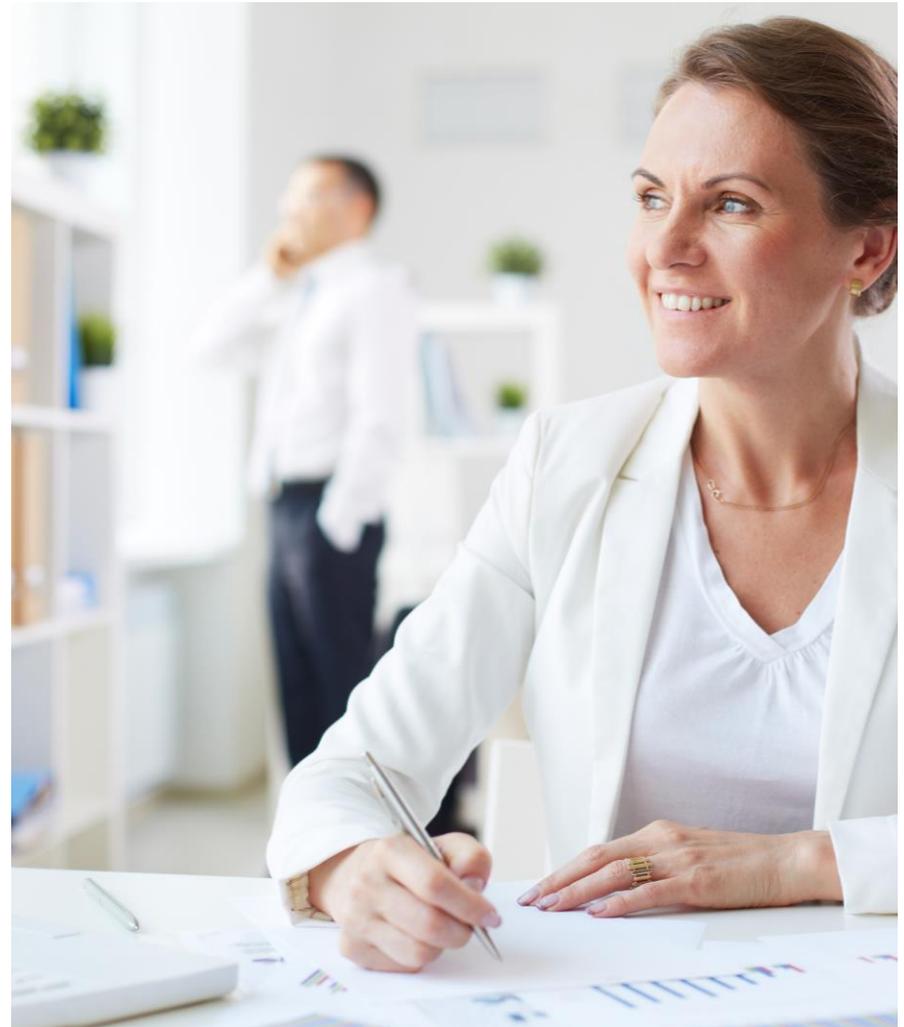
3. Relevant Content for a Board Report

Communication/Training

Compliance Program Elements

Culture and Support

Period Over Period Comparisons



4. Addressing Risk Assessments in a Board Report

Risk Assessment (Compliance-related, not an Enterprise Risk Assessment)

Summary of high level risks

Summary of Policy exceptions

Summary of effectiveness and significant gaps in capabilities for managing key risks

Emerging risks

Periodic overview of management's methodologies to assess; prioritize and measure risk

Case law updates

Summaries of articles or news stories of interest



5. Elevating Board Engagement

Board makeup and participation

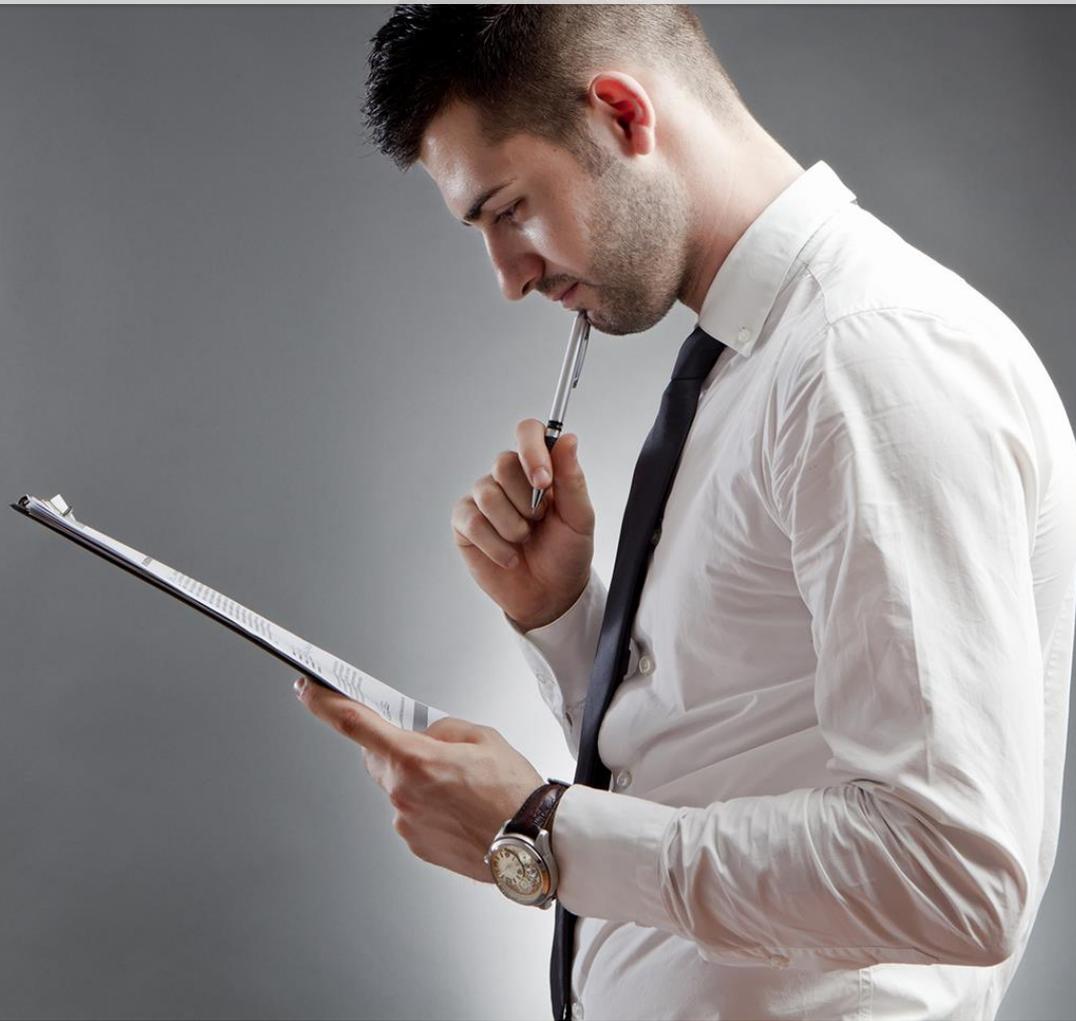
Engaging, content driven,
strategic discussions

Contact and communication
outside of formal board meetings

Board interest and participation in
outcomes



Data Dump vs. Data Driven - Case Study

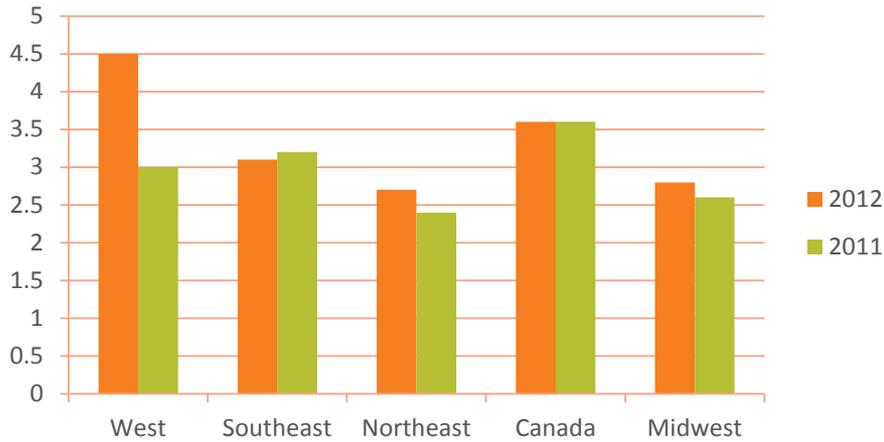


1Q Compliance Board Report for BIG MANUFACTURING, INC.

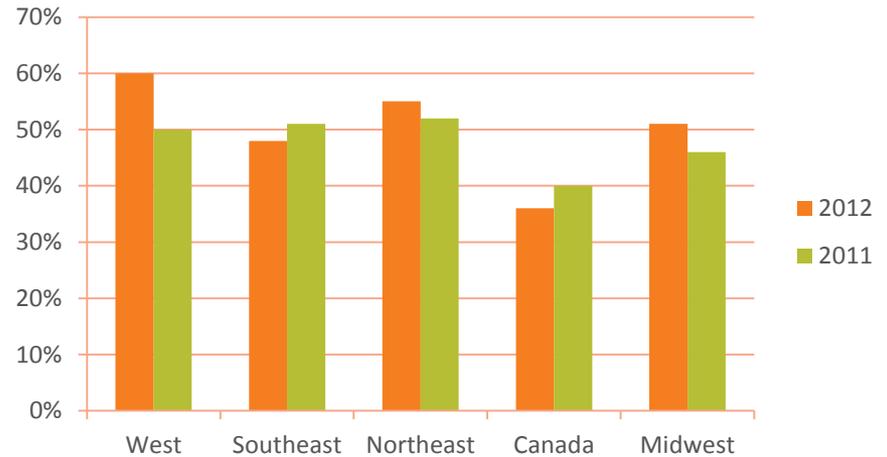
SpeakEZ Helpline Statistics



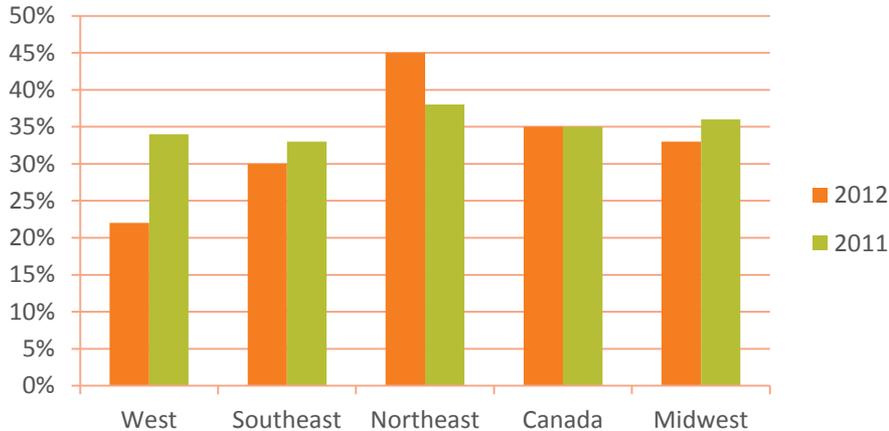
Reports per 100 Employees



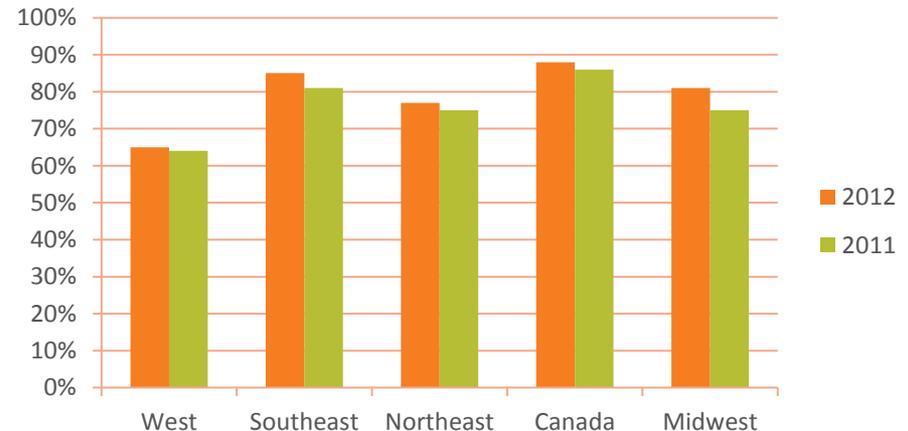
Anonymous Reports



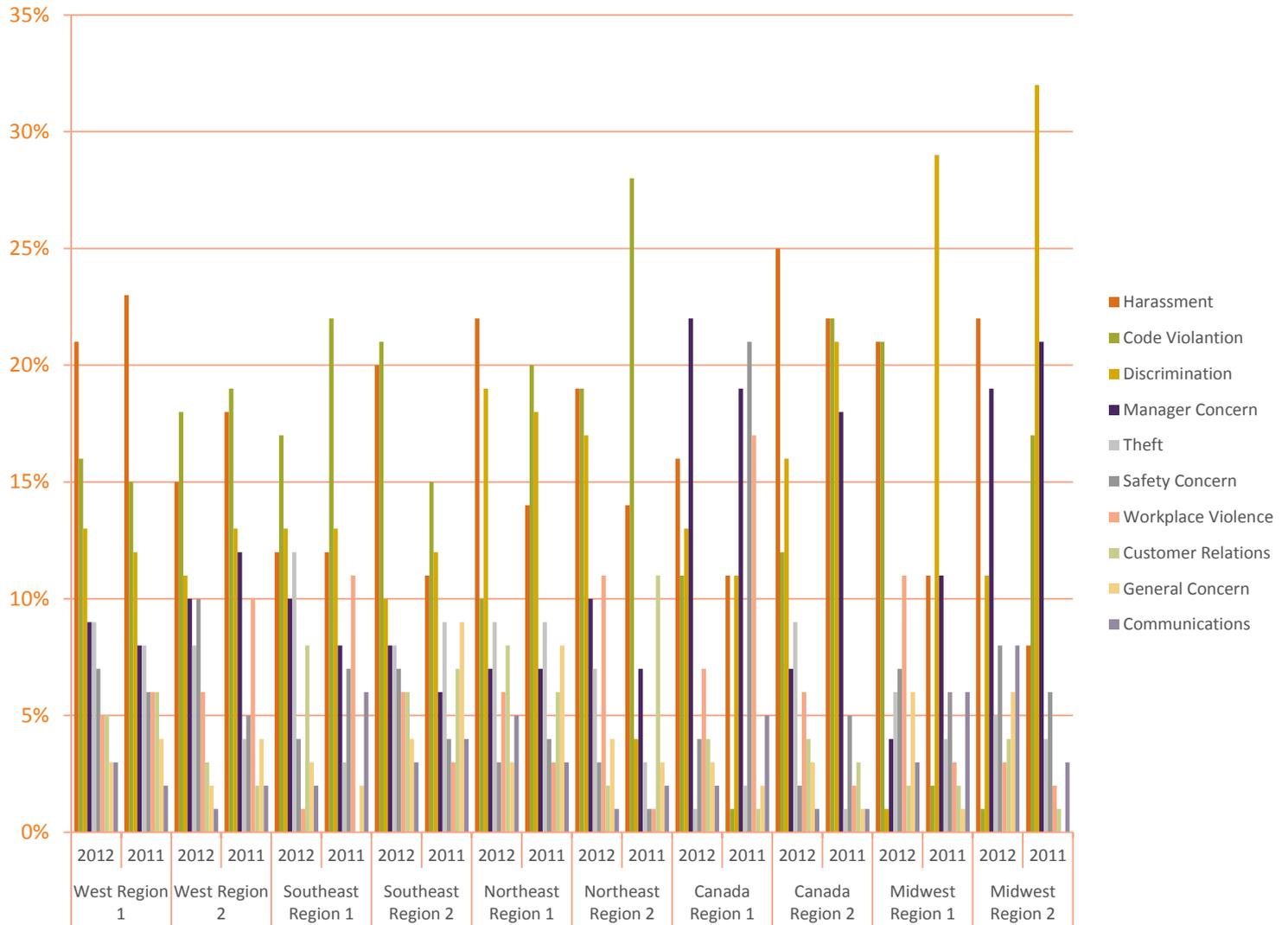
Substantiated Reports



Employees Trained



Allegation Types by Sub-Region



Example of Critical Context

“While our current percentage of anonymous calls is 33%, the goal is to reduce the percentage to less than 25%, which represents the industry median for our peer group. Anonymous calls are more difficult to properly and completely investigate. By using more awareness and anti-retaliation training, we hope to empower employees to be more comfortable identifying themselves when they call.”

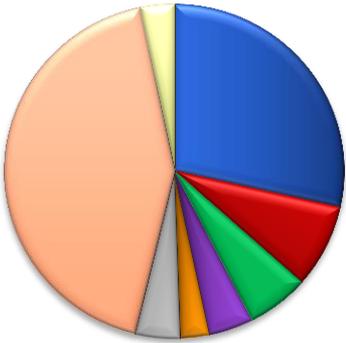
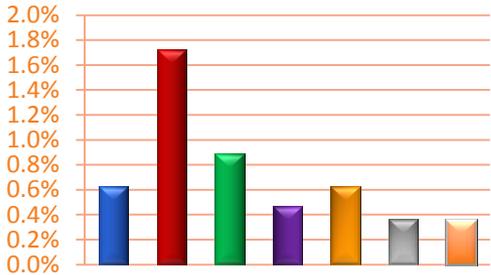
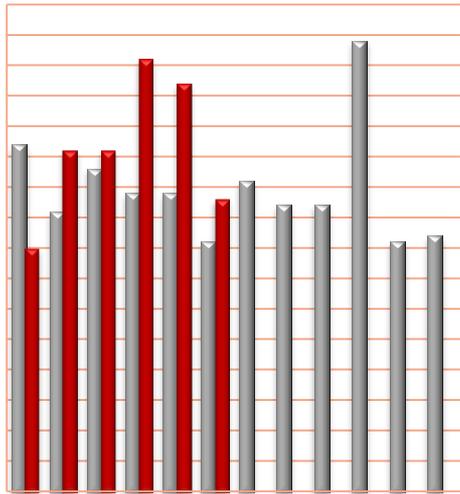
Note: Certain countries in the EU limit our ability to collect identifying information. Those calls have been removed from the overall percentage calculations for the purpose of this report.

Ethics Report Activity

April - June, 2014

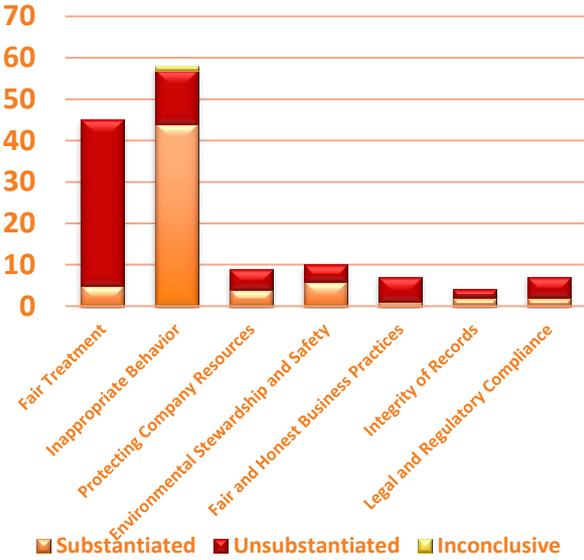
INITIATED

- compared to 129 for Q2-2013



COMPLETED

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EthicsLine Benchmarks

	Duke Energy EthicsLine Only	Utility Industry		All Industries	
		Median	Range	Median	Range
Reports per 100 Employees	0.9	1.2	0.3 - 3.6	0.9	0.3 - 4.5
Online Reports	25%	36%	6% - 47%	22%	5% - 59%
Anonymous	67%	62%	18% - 93%	63%	23% - 88%
Substantiated	15% *	40%	25% - 67%	41%	17% - 67%
Substantiated Anonymous	9%	31%	20% - 50%	32%	16% - 58%
Days To Close	52	40	25 - 70	33	15 - 85
Outside Industry Range					

Notes: Data from NAVEX, Q3 2013 Benchmarking Metrics.

EthicsLine sourced cases only excludes cases sourced by Human Resources (HR) and Enterprise Protective Services EPS.

*Overall substantiation rate including cases sourced by HR and EPS is 34%

How Can I Tell if My Board is Engaged?



Questions Engaged Boards Should Ask You...

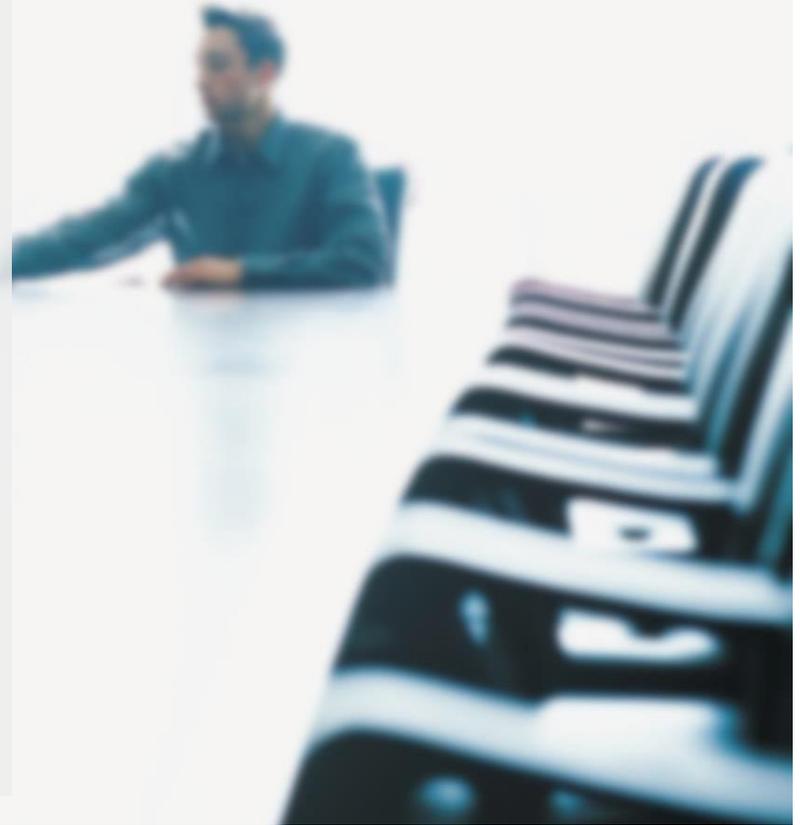
- What **information** do you get to give you comfort that compliance risks are covered? In other words, “How do you know?”
- Do leaders set the **right tone**? How are they perceived by employees?
- Do we have a **“make plan at all costs culture?”** Is candor rewarded or punished? What about fear of **retaliation**?
- How are we at **discipline**? Are top performers and high level people held accountable to the Code of Conduct in the same way as other employees?
- Are there any **risks** that aren't being addressed as they should be?
- Do you have **visibility** to business unit compliance?

Questions Engaged Boards Should Ask You...(cont.)

- Do your businesses/functions have the **resources** you need to do your job appropriately?
- Do you feel you have **access to the CEO and us** whenever you need it?
- What **trends** in issue types or company locations are you seeing?
- Is there anything we should know? **What keeps you** [ethics officer] **up at night**?
- If you had another **\$1 million** to spend, what would you do with it?

Key Takeaways

- Board Reporting is a critical opportunity to enhance the E&C program. Don't just go through the motions.
- Having KPIs and meaningful content with context help you demonstrate program effectiveness to the board.
- An outside assessment of your program and board reports could help validate your approach with the board.
- Up-leveling your thinking—ensuring the effectiveness of your program is clear to the board, and is clearly supporting your organization's strategic business goals.
- Above all, make sure the board is engaged and active in your program.

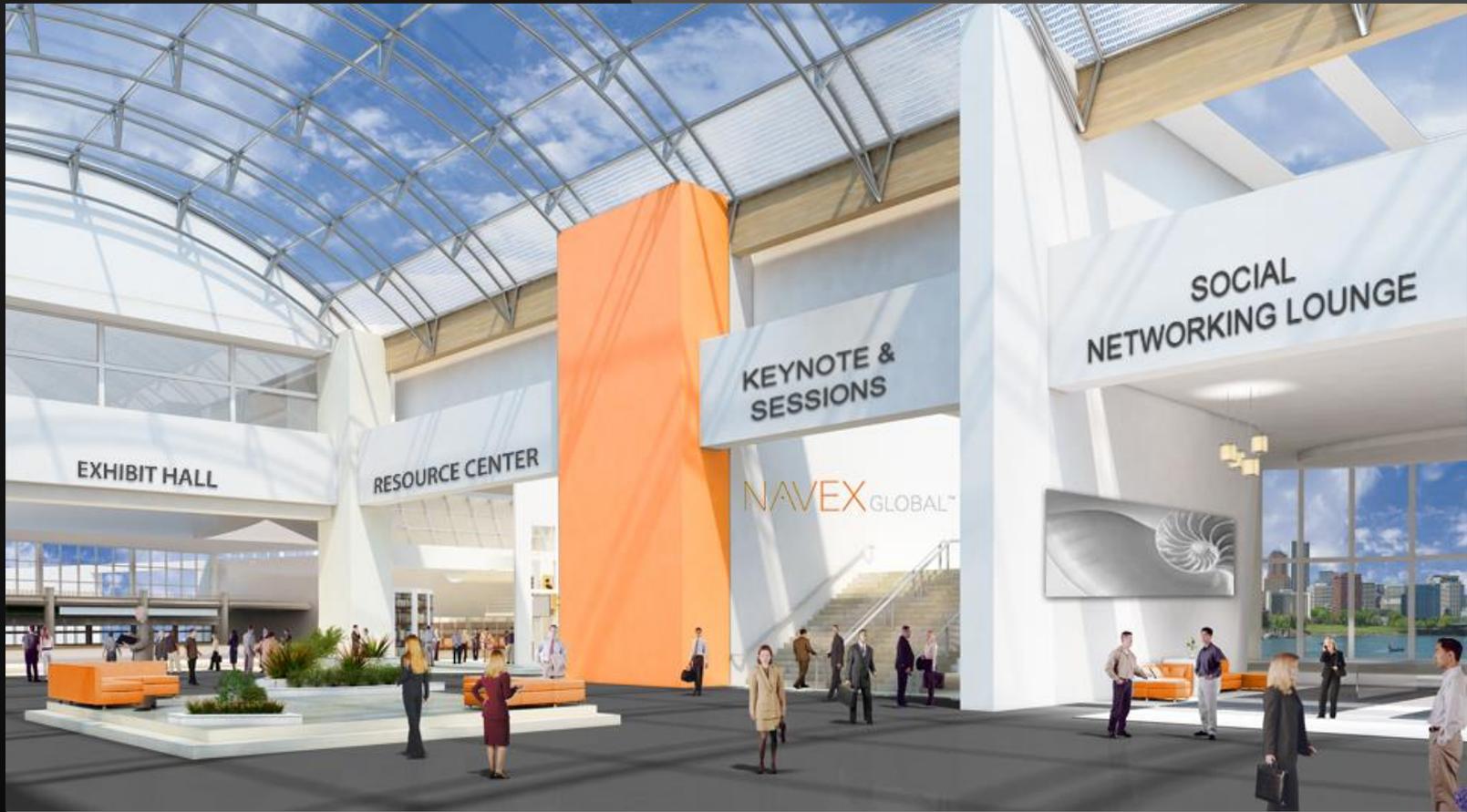


Please Type in Your Questions



questions?

Thank You! Be Sure to Visit the Lobby & Show Rooms!



NAVEX GLOBAL™
The Ethics and Compliance Experts