



Identifying and Managing Global Risks for Ethics and Compliance

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Washington • London

About the Institute

- Private Not-for-profit Organization
- Principal Activities:
 - Public Education
 - Facilitating Dialogue among Business, Academia and Government Leaders
 - Professional Services
- Offices in Washington DC and London
 - Regional partnerships



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Today's Definition of Risk

The risk of impairment to the business model, reputation and financial condition resulting from failure to meet laws and regulations, internal standards and policies and expectations of key stakeholders such as customers, employees and society.

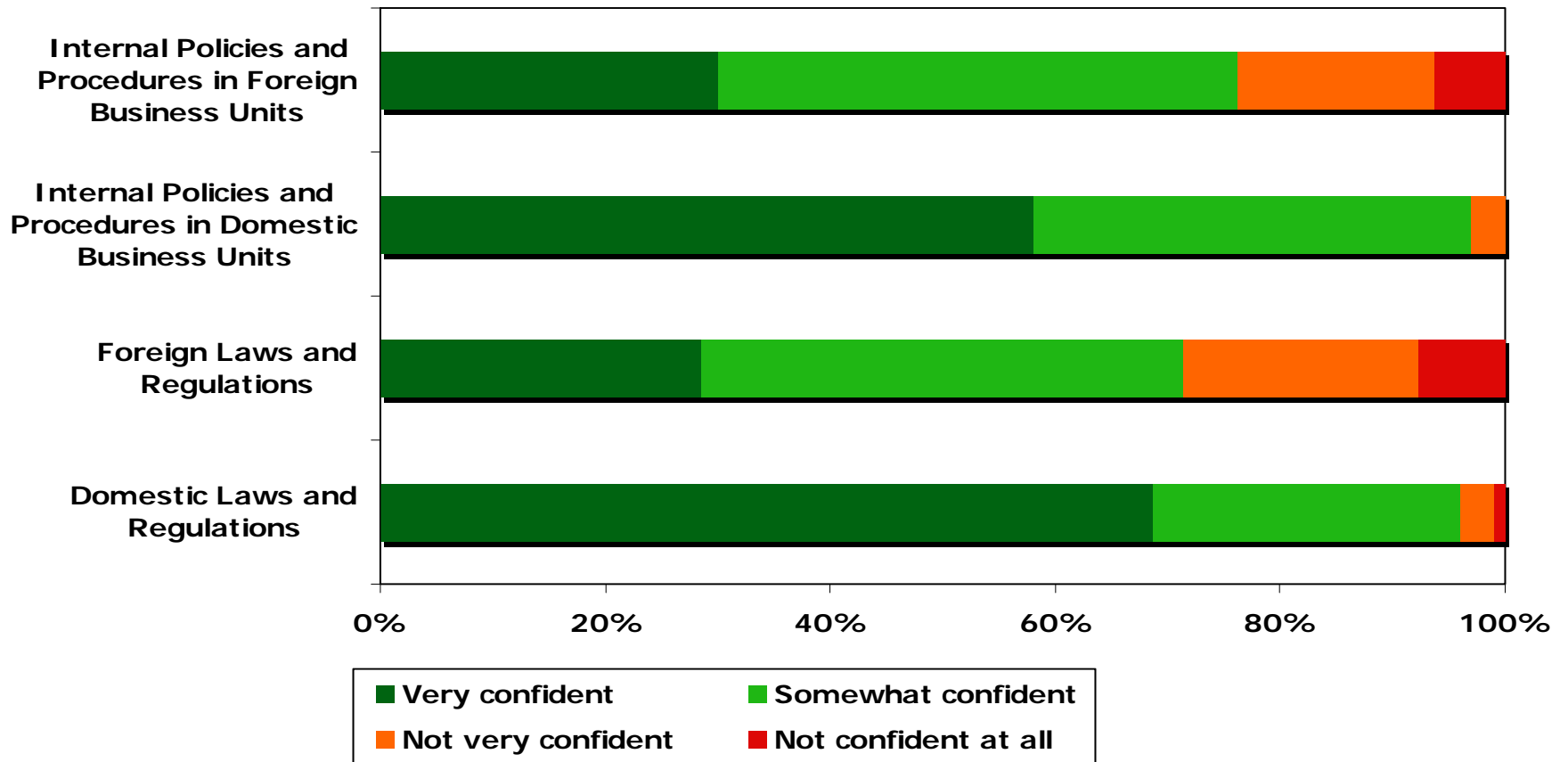
-The Economist Intelligence Unit & PWC



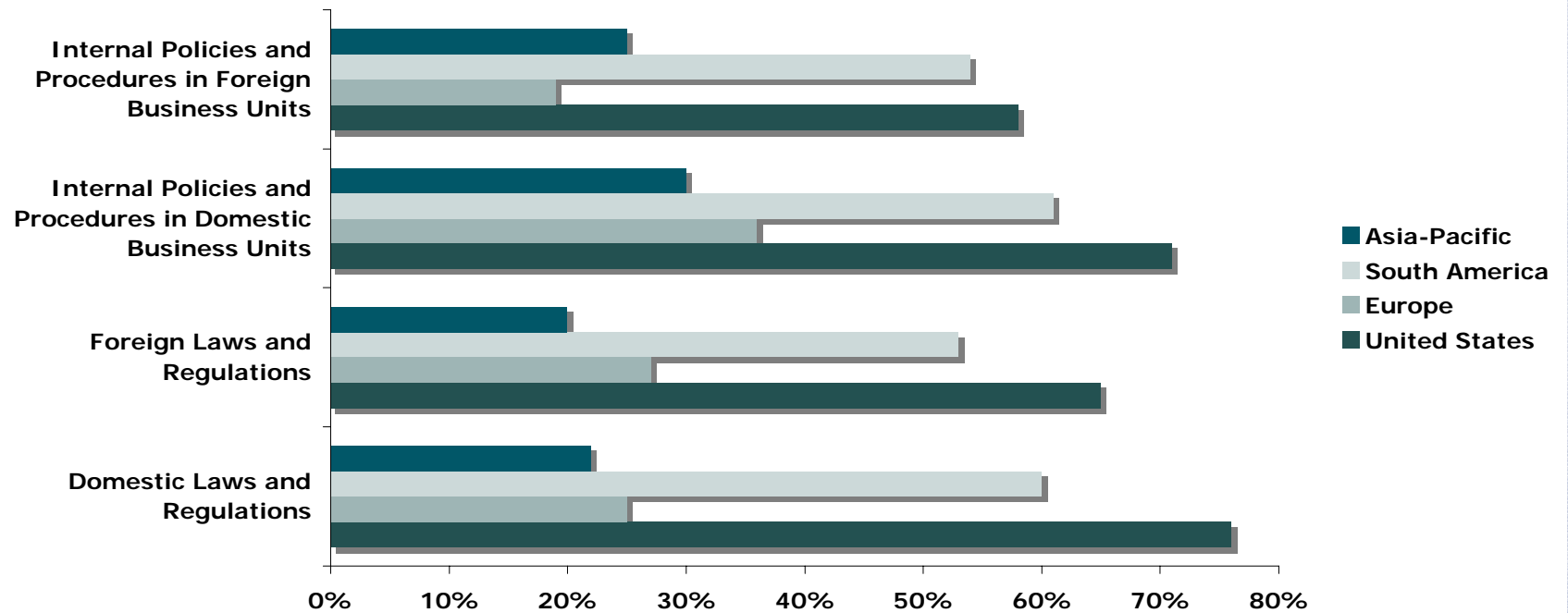
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Global Challenges in Risk Management

CEO View of Risk Management
(2006 EIU/PWC Survey)



Global Challenges by Region



Greatest Risk for Your Organization



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Why Employees Engage in Risky Activities

1. Ignorance
2. Knew it was wrong/questionable, but did it anyway

International Challenges

- Lack of cultural sensitivity
- Languages
- Time & geographic separation
- Other cultures have different view of compliance
- Unwillingness to report misconduct

Identifying Risks: Resources

- Subject Matter Experts
 - Risk Consultancies
 - Regional/Local Law firms
 - Regional/Local NGOs
 - Regional/Local Audit firms
 - US Department of Commerce
 - US Department of State
 - Your own employees



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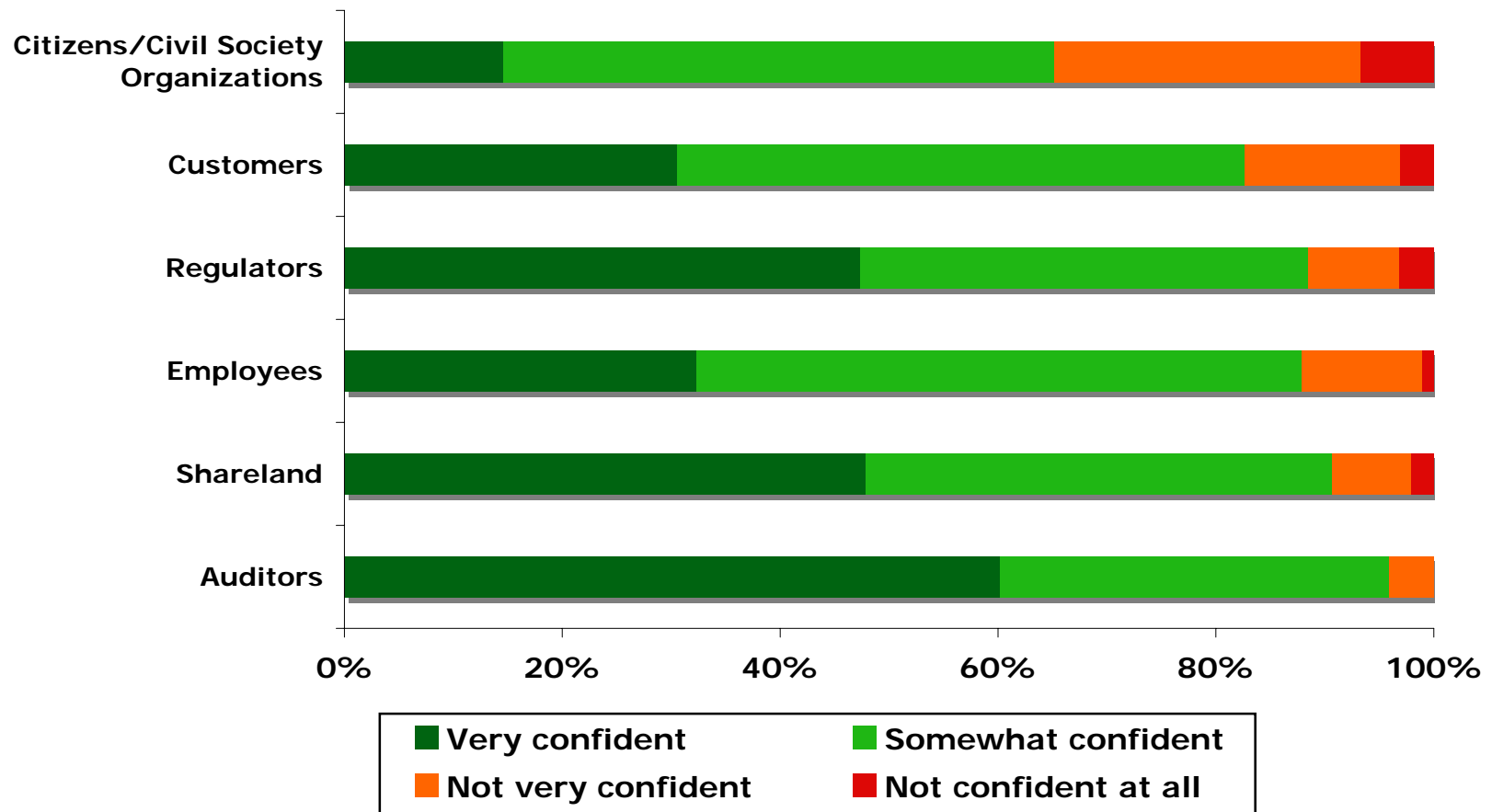
Identifying Risks, cont

- Accessing employee knowledge
 - Focus groups with front line employees
 - Evaluating policies and standards as to whether “realistic”
 - Classroom training
 - Build-in 2 way communication
 - Local resources
 - Ethics and compliance regional liaisons

Identifying Risks, cont

- Periodic employee survey assessments
 - Experience with observing misconduct
 - Likely response to observation
 - Types of misconduct observed
 - Experience with reporting misconduct
 - To whom reported
 - Satisfaction with process
- Periodic stakeholder assessments
 - Surveys, focus groups & other tools

Managing Risk by Stakeholder Group



Managing Risks: Questions to Ask

- Program good on paper, but thin in practice?
- Embedded in to the corporate culture?
- Viewed as central to attainment of key business objectives?
- Consensus around risk tolerance?
- Clarity around escalation and mediation?
- Level of burden commensurate with risks?

Compliance Risks – Which Country?

If a horse drawn carriage is trying to pass a car and the horse becomes uneasy, the owner of the car is required to pull over and if necessary, cover the car.

If a bee swarm has occupied a different bee hive, all ownership rights and other rights resulting from the old bee swarm, which previously occupied the hive, are extended to the new swarm. Property rights and all other rights from the occupying swarm cease.

Citizens may not publicly remove bandages.

Between the hours of 8am and 8pm, 70% of music on the radio must be by [this country's] artists.

Elephants may not be used to plough cotton fields.

Taxis must carry a bale of hay at all times.



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Compliance Risks– Which Country?

If a horse drawn carriage is trying to pass a car and the horse becomes uneasy, the owner of the car is required to pull over and if necessary, cover the car.

Denmark

If a bee swarm has occupied a different bee hive, all ownership rights and other rights resulting from the old bee swarm, which previously occupied the hive, are extended to the new swarm. Property rights and all other rights from the occupying swarm cease.

Germany

Citizens may not publicly remove bandages.

Canada

Between the hours of 8am and 8pm, 70% of music on the radio must be by French artists.

France

Elephants may not be used to plough cotton fields.

U.S. (N. Carolina)

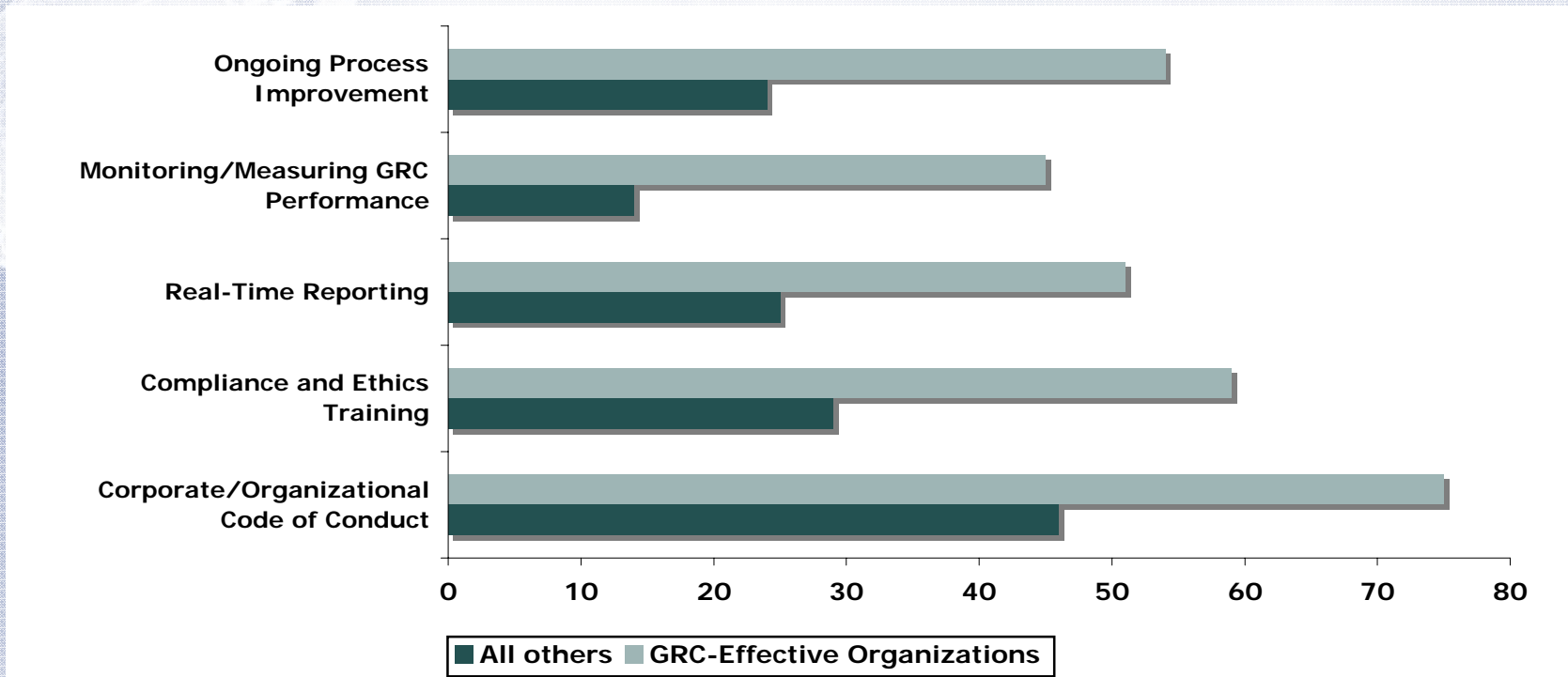
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UK: applies to London Cabs



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Effective Risk Management





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