

# Building and Maintaining an Effective Compliance and Ethics Program: A Practical Approach

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## Purpose of Corporate Compliance

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Why do we have compliance programs:

Proactive Protection of your company —Prevention of Criminal Conduct

Keep the Board and Executive Management informed about the state of your compliance program

An Effective Program protects company Executives and Personnel

Elimination of Corporate Silos — Creation of Escalation and Feedback loops

Goal is to Meet or Exceed Government Guidance and Industry Practice

## Core Program Objectives

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- Hotlines/Escalations: Empower employees to know why, when, and how to speak up
- Encourage employees to come forward in good faith without fear of retaliation
- Ensure matters are logged, tracked, and closed out in a robust case-management system
- Ensure that all matters are reviewed or investigated consistently, efficiently, and effectively
- Close-outs, reporting, and trending

## Overall Program Requirements

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Provide adequate compliance training at all levels

Be certain accounting personnel are properly trained on the company risks

Third party due diligence – who is the company doing business with

Maintain adequate recordkeeping requirements

**Maintain internal reporting system for reporting violations**

Remedial action in the event of violations

Commitment of adequate resources

Get outside help when needed



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## Challenging Enforcement Environment

- ❑ Multi-national Enforcement
- ❑ Changing Expectations for Compliance
- ❑ High Cost for Getting it Wrong

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# Let's Understand The Challenge

If the leaders  
don't get it,  
it's not going  
to happen.



## Structured View of Corporate Compliance



Governance  
Framework

Importance of  
Strong Ethics  
and Values

IA and  
Compliance  
Organization

IA and  
Compliance –  
Culture of  
Compliance

IA and  
Compliance –  
Collaborations

# Control Persons Liability—SEC expectations

How do you protect yourself:

- (1) Focus on Preventing potential violations
- (2) Effective Compliance Program and Internal Control Environment Lay the Ground work for Strong Affirmative Defenses
  - Section 20(a) – Liability may not attach where: “the control person acted in good faith and did not directly or indirectly induce the act or acts constituting the violation or cause of action.”
- (3) A reasonable and proper system of supervision and internal control
- (4) “Control Persons”:
  - (a) must take precautions to prevent securities violations before they happen
  - (b) must provide training, supervision, and guidance appropriate to the nature of the business
  - (c) and project the proper “tone at the top” at all times
- (5) Control Persons must understand that misconduct will not be tolerated

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## Where We Want to End Up As A Compliance Program

Compliance Elements	Sentencing Guidelines	OECD	Tenaris NPA	J&J DPA
<b>Third-Party Risk-Based Due Diligence</b>				
➢ Standard Anti-Corruption Contract Terms				
➢ Heightened Review for New Third-Parties & Red Flags	✓	✓	✓	✓
<b>Periodic Anti-Corruption Training</b>			✓	✓
➢ Annual Training & Compliance Certifications				✓
➢ Risk-Tiered Training Program	✓	✓	✓	✓
<b>Articulated Policies &amp; Procedures</b>			✓	✓
➢ Policies for Gifts, Hospitality, Travel, etc.				✓
➢ Specific Gifts, Hospitality & Travel Restrictions	✓	✓	✓	✓
<b>Senior Official(s) Oversee Program</b>			✓	✓
➢ Chief Compliance Officer			✓	✓
➢ Business Segment & Regional Compliance Leaders	✓	✓	✓	✓
<b>Mechanism for Guidance &amp; Reporting</b>				✓
➢ Review & Response by Standing Committees	✓	✓	✓	✓
➢ Toll-free Helpline & Electronic Complaint Form				✓
<b>Audit &amp; Monitoring for Compliance Effectiveness</b>				✓
➢ Risk-Tiered “FCPA” Audits	✓	✓	✓	✓
<b>Encourage Compliance &amp; Discipline Violations</b>				✓
<b>Institute Internal Controls</b>	✓	✓	✓	✓
<b>Compliance Tone at the Top</b>	✓	✓	✓	✓
<b>Acquisition Anti-Corruption Due Diligence</b>	✓	✓	✓	

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# Key Compliance and Ethics Messages to Remember

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“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently”

Warren Buffet- “Sage of Omaha” Berkshire Hathaway

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## Questions

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