

Questions that boards should consider asking regarding ethics and compliance programs



Building a culture of ethics and an effective compliance program within an organization today is a business imperative. Regardless of the current environment and focus on corporate governance, from the mailroom to the boardroom, everyone should adhere to the same high standards of behavior and compliance. The director's role in oversight of an organization's ethical culture and compliance program is very critical to its success. Effective ethics and compliance within an organization require senior management involvement, organization-wide commitment, an effective communications strategy, and an ongoing monitoring system. The following questions will assist board members in assessing whether elements of an ethical culture and an effective compliance program are in place at their company.

- Does the tone at the top, as demonstrated by the behavior of senior management, convey to every employee that ethics and compliance are vital to sustained business success? Does the organization's culture support making ethical decisions and complying with rules and regulations? Has the board considered how executive compensation aligns with the desired ethics and compliance culture?
- Does the organization support the ethical culture and compliance program through training and communication? Is the organization complying with the Federal Sentencing Guidelines with respect to conducting effective training programs with appropriate level executives?
- What is the process for assessing ethics and compliance risks within the organization? Has the company performed an inventory of compliance-related risks and prioritized those risks appropriately? Have they updated their policies, procedures, and internal controls to address emerging risks (i.e., cyber risk, anti-corruption)?
- How are the current ethics and compliance programs structured? Do they cover the organization's global operations, as well as subcontractors, business partners, and vendors? Do they address the high-priority areas? Has the company ever had the compliance function benchmarked against its peers?
- Does the organization have an ethics and compliance officer? Is a senior executive with adequate time, financial resources, and board access in charge of the program? Are there dedicated, full-time resources?

- Does the code of ethics/conduct include statements regarding responsibilities to employees, shareholders, suppliers, customers, and the community at large? Is the code distributed to all relevant parties, including the board of directors, employees, management, and vendors?
- Is there an effective process in place that allows employees, as well as any business partners, to raise ethics and compliance issues, in good faith, without fear of retaliation? Is there an anonymous reporting channel? Who fields the issues raised, and who follows up? Are all of the organizations' employees aware of this process? What communications means are being used to inform all employees of the process? Are audit committee members or the audit chair named as an additional channel for employees to raise issues?
- Does a reporting and monitoring process keep the board of directors informed of key ethics and compliance issues, as well as the actions taken to address them? Are ethics and compliance issues a regular item on the board agenda?
- What type of ongoing monitoring and auditing processes are in place to assess the effectiveness of the program? Is the code and ethics and compliance program reviewed at least annually by senior management to determine if it needs updating due to business, legal, or regulatory changes? Does internal audit conduct reviews? Has the organization ever performed a cultural assessment? Has the program been reviewed by outside consultants/experts for possible improvement?
- Does the organization regularly and systematically scrutinize the sources of compliance failures and react appropriately? Does management take action on reports? Does the board react appropriately to ethics or compliance failures that involve members of management? Are employees appropriately and consistently disciplined?

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