

From Push to Pull

Dominique Vincenti

Nordstrom

Vice President Internal Audit

NORDSTROM

COMPLIANCE WEEK 2014
POWERFUL INSIGHTS, PRACTICAL IDEAS, REAL SOLUTIONS

#CW2014

From Push to Pull – Winning popularity battle for compliance

Compliance: a business performance discussion

Example of a compliance dashboard

Example of a Compliance topic balanced scorecard

COMPLIANCE DASHBOARD

Compliance Risk Area	Owner	Overall Risk Status & Trend	Reputation Exposure	Regulatory Exposure	Business Practice Exposure	Liability Exposure	Comment/Reference	
HR Compliance	John Doe	■ ↑	3	3	DOL, EEOC, ICE, State	4	4	xxxxxxxxxx
Ethics	John Doe	■ ↔	2	2		2	2	
Privacy	John Doe	■ ↑	4	3	FTC, PCI, State	4	3	xxxxxxxxxx
Information Security	John Doe	■ ↑	3	3	FTC, PCI, State	3	2	xxxxxxxxxx
NFSB Regulatory	John Doe	■ ↑	2	4	Fed, OCC,	4	3	xxxxxxxxxxxxxx
CSR	John Doe	■ ↑	4	1	DOL, SEC	2	2	xxxxxxx
Safety	John Doe	■ ↔	2	3	DOL, OSHA	2	3	Overall risk trending remains low; enhanced scorecard metrics.
FCPA	John Doe	■ ↔	2	2	DOJ, SEC	2	2	
SOX	John Doe	■ ↔	2	2	SEC	1	2	201Y testing completed and External auditors review completed – strong results
Corporate Restaurant	John Doe	■ ↔	3	3	HD, Liquor	2	2	xxxxxxx
Product and Labeling	John Doe	■ ↔	4	3	CPSC, FTC, SEC, State, USDA	3	2	xxxxxxx

LEGEND

Risk Level Key: ■ Low ■ Moderate ■ Medium/High ■ High

Risk Trend Key: ↓ Declining ↔ Expected to continue to current level ↑ Rising

Change from LQ Trending increasing Change from LQ Trending decreasing

Exposure Assessment	1	2	3	4
Liability exposure	Little merit to claims	Close questions of law and fact suggest adverse outcome possible	Adverse outcome very possible due to either legal issues or facts/venue	Adverse outcome probable due to legal issues and facts/venue
Reputation exposure	One-day story, little impact, local news coverage	Intermittent coverage expected in local and national outlets	Occasional coverage keeping the story alive in national, business, social network and consumer outlets	Sustained coverage by multimedia outlets; involving a significant consumer or business issue
Regulatory exposure	No indication of regulatory interest	Other companies but not Nordstrom contacted about the issue	Regulatory inquiry made to Nordstrom	Nordstrom is subject to investigation or enforcement proceeding has begun
Business practice exposure	No likely impact	Some adjustments to practices and procedures likely	May require adopting new practices and procedures	Likely to impact existing practices and processes or adoption of new ones

• Customer Experience

	Target	Actual/ Indicators	Risk Trend
Frequency of customer injuries (# of injuries, annually)	0	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
Frequency of vendor injuries (# of injuries, annually)	0	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
Frequency of employee injuries (# of injuries, annually)	0	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
Frequency of Top Department employee injuries	0	4Q12 ▶ 4Q13 [X] ▶ [X]	↔
Cosmetics	<4.30	4Q12 ▶ 4Q13 [X] ▶ [X]	↔
Restaurant	<9.05	4Q12 ▶ 4Q13 [X] ▶ [X]	↔
Womens' Shoes	<4.03	4Q12 ▶ 4Q13 [X] ▶ [X]	↔
Operations	<6.24	4Q12 ▶ 4Q13 [X] ▶ [X]	↔

• Organizational Effectiveness

	Target	Actual/ Indicators	Risk Trend
Frequency of customer injuries (# of non-zero dollar injuries, annually)	0	4Q12 ▶ 4Q13 0.060 ▶ 0.059	↔
Frequency of vendor injuries (# of non-zero dollar injuries, annually)	0	4Q12 ▶ 4Q13 [X] ▶ [X]	TBD
Frequency of employee injuries (# of non-zero dollar injuries, annually)	0	4Q12 ▶ 4Q13 0.113 ▶ 0.112	↔
# of violence in the workplace incidents (annually, per 100 FTEs)	0	4Q12 ▶ 4Q13 1.86 ▶ 1.19	↔
# of safety citations or penalties imposed by OSHA or other government agency	0	4Q12 ▶ 4Q13 3 (\$5.3K) ▶ 1(\$2.8K)	↔



• Learning & Growth

	Target	Actual/ Indicators	Risk Trend
% of employees timely completing employee safety training	100%	4Q12 ▶ 4Q13 [X] ▶ [X]	TBD
% annual participation in full location emergency preparedness activities in FLS, Racks (Spring; Fall)	100%	4Q12 ▶ 4Q13 [X] ▶ [X]	↔

• Regulatory/Licensing

Meet all regulatory requirements	Target	Actual/ Indicators	Risk Trend
# of OSHA visits and/or complaint letters	<10	1Q13 ▶ 1Q14 [X] ▶ [X]	↔
% completion of annual store evacuation drills	100%	2012 ▶ 2013 [X] ▶ [X]	↔
% of scheduled store physical inspections completed	100%	2012 ▶ 2013 [X] ▶ [X]	↔

Legend: Low Risk ■ Medium Risk ■ High Risk ■

• Customer Experience

	Target	Actual/ Indicators	Risk Trend
% of \$ receipts per quarter to all \$ claims against NPG Suppliers. (NPG Quality Claim Rate – Note: NPG Jewelry Dept is RTV)	≤1%	3Q13 ▶ 4Q13 [X] ▶ [X]	↔
% of NQC customer quality return units (NPG Customer Quality Returns to Sales Rate)	≤0.32%	3Q13 ▶ 4Q13	↓
# of IP-related Cease and Desist Letters received	0	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD

• Organizational Effectiveness

	Target	Actual/ Indicators	Risk Trend
# of non-compliant products passed through to stock and offer for sales (Quality Assurance for product sold through Direct)	0	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
% of non-compliant shipments returned to vendor within [X timeframe of notice] (Direct Return to Vendor)	100%	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
% of products recalls remediated within [X timeframe of notice]	100%	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
% of incidents, claims and formal allegations relating to IP non-compliance remediated within [X timeframe of notice]	100%	3Q13 ▶ 4Q13 [X] ▶ [X]	TBD
% of Supplier P.O. Terms & Conditions reviewed for compliance	100%	3Q13 ▶ 4Q13 [X] ▶ [X] In Progress	TBD
% of quarterly audits for CPSIA compliance and accuracy (General Conformance Certificates)	≥90%	3Q13 ▶ 4Q13	↔

Improve design with a goal of increasing sales, profit and customer loyalty

	Target	Actual/ Indicators	Risk Trend
% of External Training –all new Direct Suppliers trained within 6 mos. of activation	≥75%	3Q13 ▶ 4Q13 [X] ▶ [X]	↓
% of NPG employees completing required annual compliance training (by job roles)	85%	3Q13 ▶ 4Q13 [X] ▶ [X]	↓
% of req'd NPG & NMG employees completing annual Vendor Partnership Training – Legal Expectations	100%	4Q12 ▶ 4Q13 X% ▶ X%	↔
% of req'd employees completing annual Vendor Partnership Training – Vendor Allowances	100%	4Q12 ▶ 4Q13 X% ▶ X%	↔

• Learning & Growth

Comply with all regulatory requirements	Target	Actual/ Indicators	Risk Trend
# of government agency product-related complaints, investigations or adverse findings	0	3Q13 ▶ 4Q13 [X] ▶ [X]	↓

• Regulatory/Licensing

Legend: Low Risk ■ Medium Risk ■ High Risk ■