

## Developing an Integrated Compliance Program

**Steve Naughton**, Chief Compliance and Ethics Officer  
Kimberly-Clark Corp.

**Bruce Strothers**, Managing Counsel  
The Coca-Cola Company

**Amy Matsuo**, National Lead for Financial Services Compliance  
KPMG



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# Defining an Integrated Compliance Program

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## ‘Doing the Right Thing’

- Not only accepted but expected
- Defining the ‘right thing’ with clarity, consistency and purpose
- Ethics and compliance as regular topics in discussion

# Challenges of Creating an Integrated Program

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## Enterprise First

- Compliance role
- Seek and find issues
  - Find issues
  - Fix issues
- Need for independence for Compliance, while...
  - Collaborating with other functions
  - Operating in support with the businesses

# Examples of Integrated Compliance Programs

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## The Boeing Co.

- Office of Internal Governance
- Groups
  - Legal
  - Compliance
  - Security
- Driving Principles
  - Get committed and get aligned
  - Open up the culture
  - Drive ethics and compliance through core business leadership model

## Walmart

- Global Governance Group
- Four group report into single EVP of Global Governance
  - Compliance
  - Ethics
  - Legal
  - Security / Investigations

# Practical Advice

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- Define Roles and Responsibilities
  - Compliance charter – approved by Audit Committee
  - Use of interface charts
  - Defining swim lanes
  - Decrease silos of information
  - Single point of accountability
- Promote Collaboration
  - Monthly meetings of various groups to review matters
  - Importance of remediation
- Penetration within the Business
  - CECO alone cannot ensure compliance
  - Businesses must own risk
- Market Compliance – Advice from Tom Saga ..

**“Get out there! Ask questions!”**

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# Developing an Integrated Compliance Program

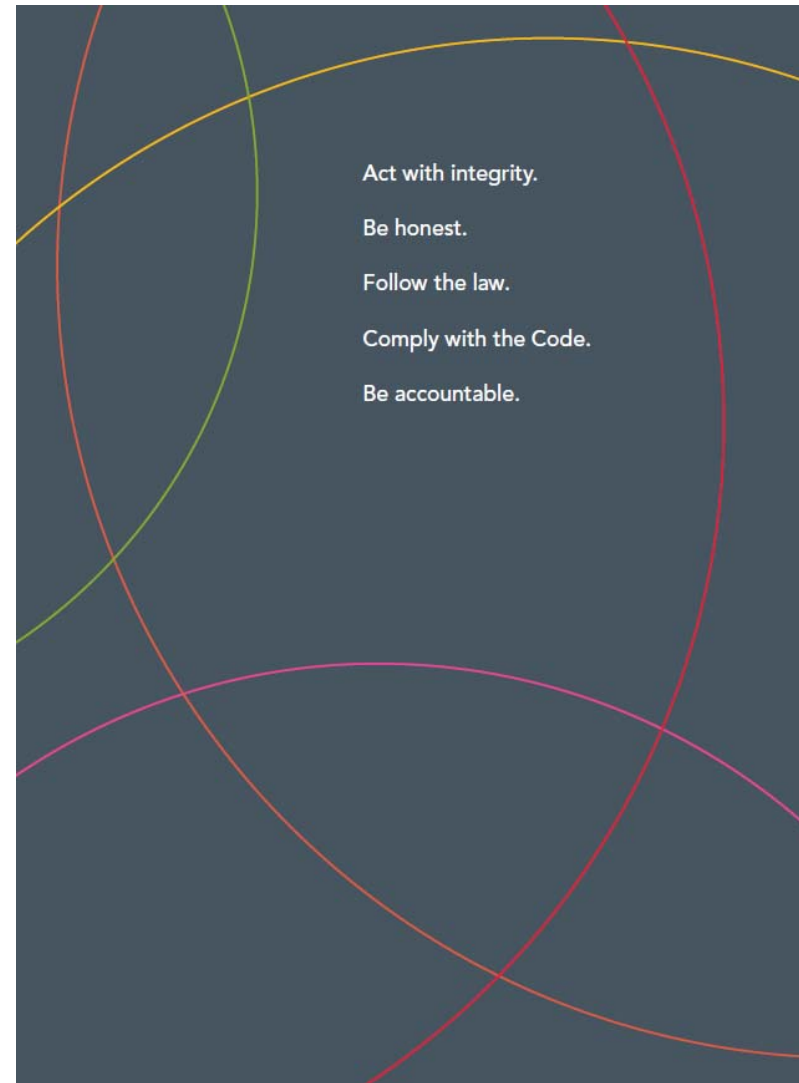
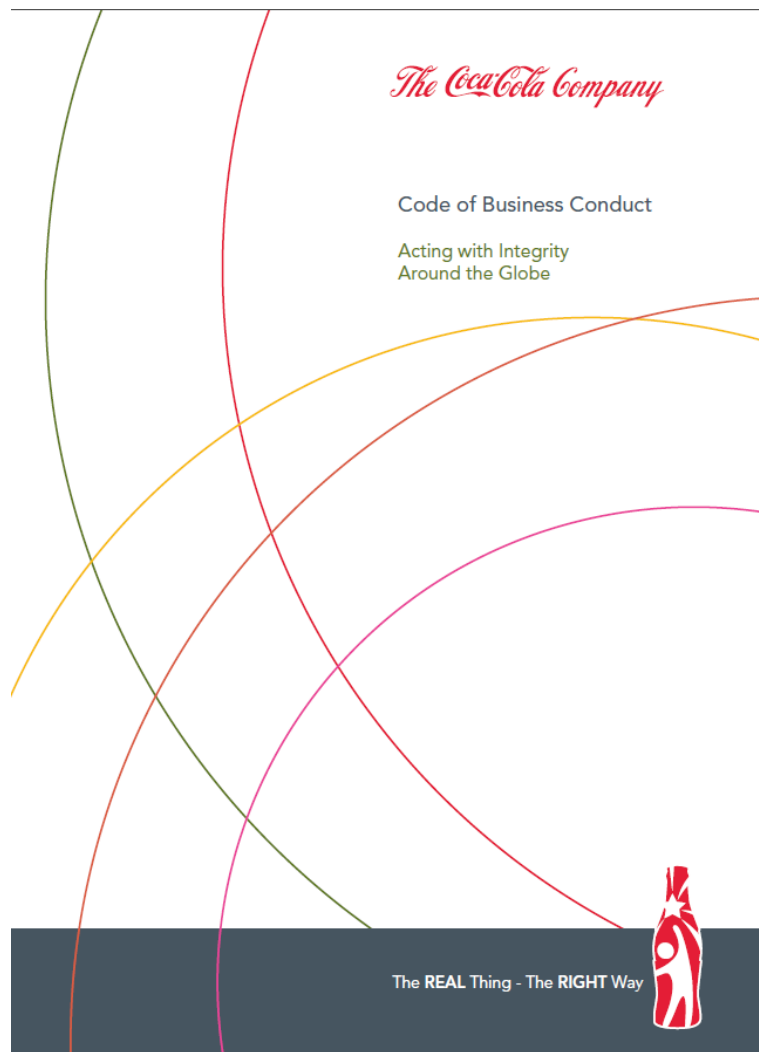
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# Defining an Integrated Compliance Program

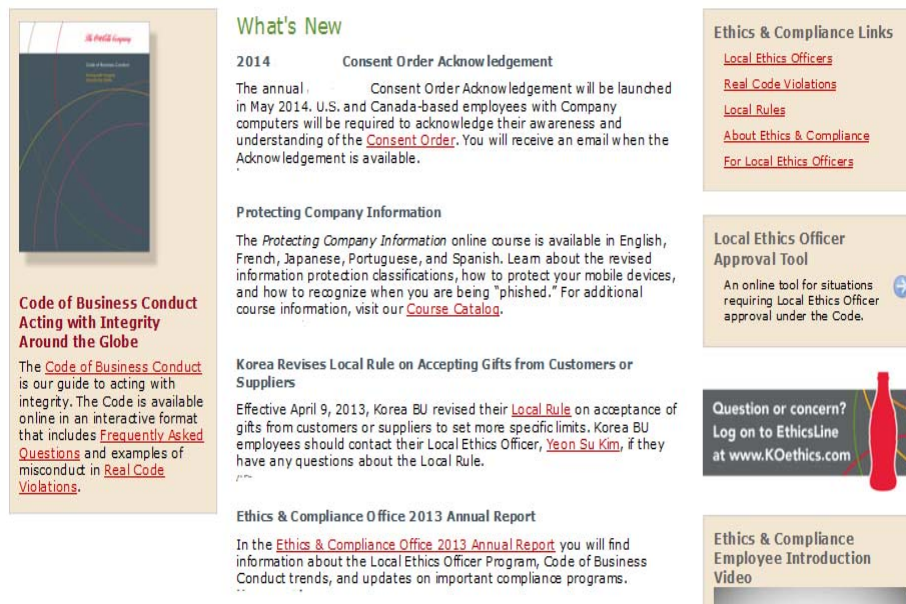


# Challenges of Creating an Integrated Program

## Core of TCCC's Ethics and Compliance Program: Code of Business Conduct



TCCC's compliance policies detail expectations for employee conduct and address areas of legal or regulatory compliance risk



Anti-Bribery, Competitive Intelligence, Information Protection, Trade Sanctions, Travel & Entertainment, and Workplace Rights Policies

And more than 45 additional specific policies that govern TCCC's 170,000 employees in all 207 countries TCCC currently does business in

# Examples of Integrated Compliance Programs

## Milk Distribution Regulation

Milk and milk products are heavily regulated at the Federal level, primarily by the FDA, and at the State level by each state's department of health, department of agriculture, or milk marketing board/commission



### Federal

- FDA Regulations
  - Final packaged form
  - Description
  - Additives
  - Labeling
- Pasteurized milk ordinance (as adopted by the states)
- Minimum producer prices (raw milk)
- Milk marketing orders (10)

### State

- Minimum wholesale and retail prices (finished products)
  - Sales promotions, couponing, slotting, ARP, quick pay discounts
- Licensing
- Assessments
- Label review
- Product composition
- Health & Safety



# Examples of Integrated Compliance Programs

## Milk Distribution Regulation

### Risks of Noncompliance With Pricing/Promotion Regulations

- 17 states have **heavy regulation**
- *Civil and criminal penalties* range from **\$100 to \$5,000 per violation**
- Monetary fines may be accompanied by **one month to one year imprisonment**
- Penalties may be imposed per violation or for each day violation continues



### General Enforcement and Legal Risks

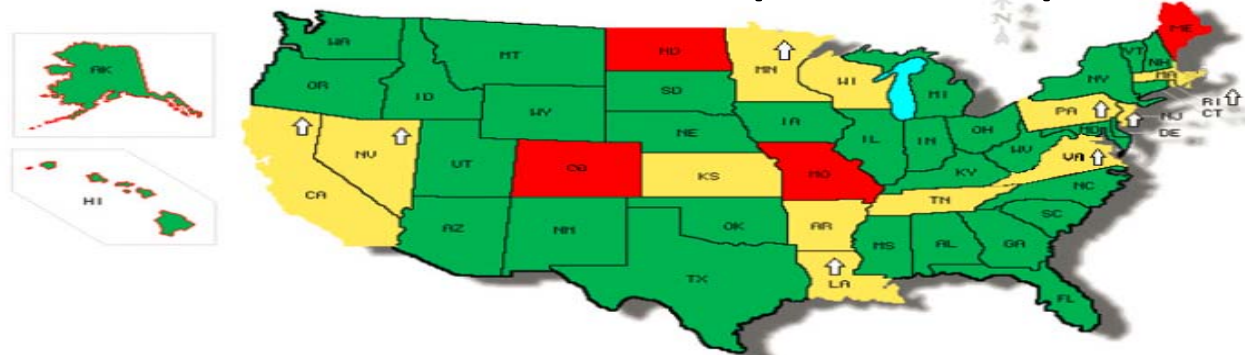
- **Government seizure/product impoundment at state border**
- Revocation of distribution licenses
- Litigation



# Milk Distribution Regulation

## Pricing/Promotions

- 13 states prohibit sales below cost
- Definitions of “cost” vary across states and among processors, distributors, and retailers
- Must include all overhead costs and value of promotions
- Competitor and/or consumer complaints may lead to regulator audits
- Some states average sales over time; others find violation from single sale
- Statutes/regulations are dated, fluid, and subjectively interpreted and enforced
- Maintaining positive relationships with regulators is key



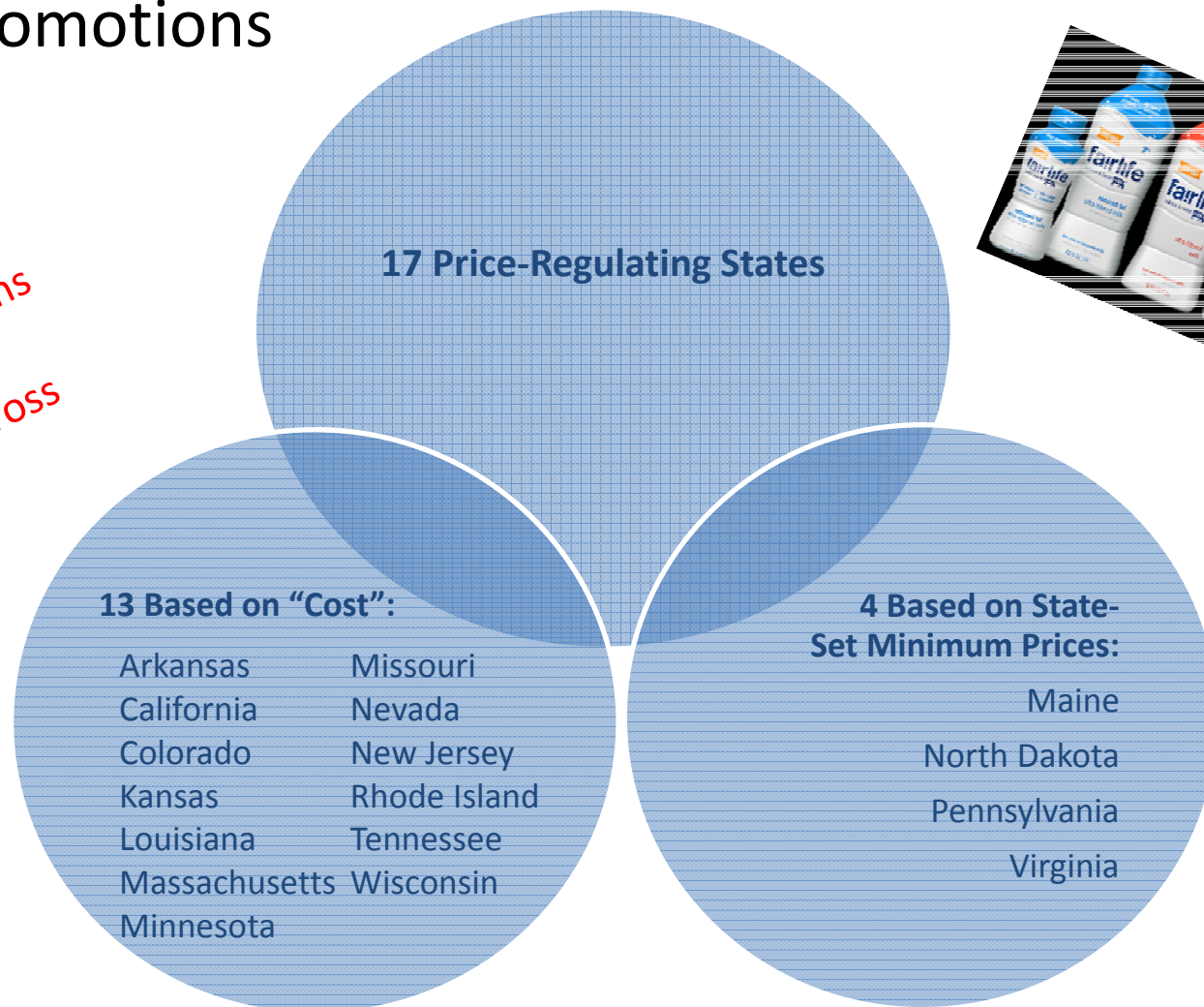
Graphic renditions  
help business  
colleagues across  
functions!



# Milk Distribution Regulation

## Pricing/Promotions

Graphic renditions  
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# Milk Distribution Regulation

## Pricing/Promotions

### Types of Promotional Activities Controlled / Prohibited to Prevent Below 'Cost' Sales:

- Consumer coupons (BOGO, 'cents off,' 'dollars off,' etc.)
- Other consumer discounts/rebates
- Wholesale customer programs (trade spend, etc.)
- Small-size sampling events
- Free product giveaways
- Quick pay wholesale customer discounts
- Volume-based wholesale customer price bracketing/discounts
- Cross-promotions (e.g., milk and cookies)
- Slotting fees/allowances
- Backhaul and ARP 'unsaleables' allowances
- General advertising campaigns

### General Guidelines:

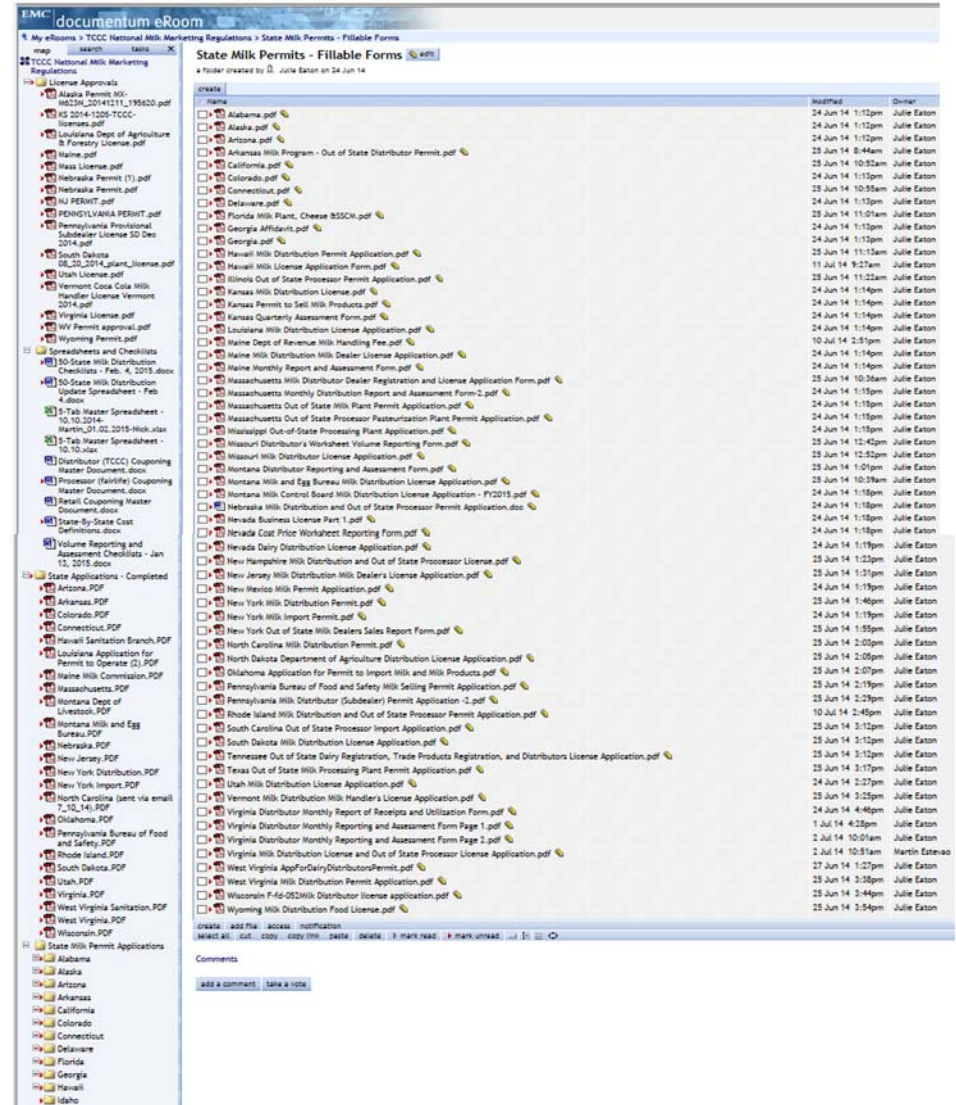
- The entity funding the promotion must capture the values of such promotion in its 'cost'; selling below cost is prohibited.
- Restrictions on specific types of promotions may vary across states and among processors, distributors, and retailers.
- Promotions must be submitted to regulators for approval.
- Promotions must be uniform and not discriminatory.



# Practical Advice

## Internal Compliance Tracking

- Live database with tracking mechanisms for all 50 states and federal entities
- Strategic timeline revisited weekly with internal and external teams
- Calendar assessments
- Routine maintenance call-ins with federal and state regulators



The screenshot displays a documentum eRoom interface. The left sidebar shows a navigation tree with categories like 'License Approvals', 'Spreadsheets and Checklists', 'State Applications - Completed', and 'State Milk Permit Applications'. The main content area is titled 'State Milk Permits - Fillable Forms' and shows a list of documents. Below the list, there is a table with columns for 'Name', 'Modified', and 'Owner'.

Name	Modified	Owner
Alabama.pdf	24 Jun 14 1:12pm	Julie Eaton
Alaska.pdf	24 Jun 14 1:12pm	Julie Eaton
Arizona.pdf	24 Jun 14 1:12pm	Julie Eaton
Arkansas Milk Program - Out of State Distributor Permit.pdf	23 Jun 14 8:44am	Julie Eaton
California.pdf	23 Jun 14 10:52am	Julie Eaton
Colorado.pdf	24 Jun 14 1:12pm	Julie Eaton
Connecticut.pdf	23 Jun 14 10:55am	Julie Eaton
Delaware.pdf	24 Jun 14 1:12pm	Julie Eaton
Florida Milk Plant, Cheese BSMH.pdf	23 Jun 14 11:01am	Julie Eaton
Georgia Affidavit.pdf	24 Jun 14 1:12pm	Julie Eaton
Hawaii Milk License Application Form.pdf	23 Jun 14 11:13am	Julie Eaton
Hawaii Milk Distribution Permit Application.pdf	11 Jul 14 9:27am	Julie Eaton
Illinois Out of State Processor Permit Application.pdf	23 Jun 14 11:22am	Julie Eaton
Kansas Milk Distribution License.pdf	24 Jun 14 1:14pm	Julie Eaton
Kansas Permit to Sell Milk Products.pdf	24 Jun 14 1:14pm	Julie Eaton
Kansas Quarterly Assessment Form.pdf	24 Jun 14 1:14pm	Julie Eaton
Louisiana Milk Distribution License Application.pdf	24 Jun 14 1:14pm	Julie Eaton
Maine Dept. of Revenue Milk Handling Fee.pdf	10 Jul 14 2:51pm	Julie Eaton
Maine Milk Distribution Milk Dealer License Application.pdf	24 Jun 14 1:14pm	Julie Eaton
Maine Monthly Report and Assessment Form.pdf	24 Jun 14 1:14pm	Julie Eaton
Massachusetts Milk Distributor Dealer Registration and License Application Form.pdf	23 Jun 14 10:26am	Julie Eaton
Massachusetts Monthly Distribution Report and Assessment Form 2.pdf	24 Jun 14 1:15pm	Julie Eaton
Massachusetts Out of State Milk Plant Permit Application.pdf	24 Jun 14 1:15pm	Julie Eaton
Massachusetts Out of State Processor Pasteurization Plant Permit Application.pdf	24 Jun 14 1:15pm	Julie Eaton
Mississippi Out of State Processing Plant Application.pdf	23 Jun 14 12:42pm	Julie Eaton
Missouri Distributor's Worksheet Volume Reporting Form.pdf	23 Jun 14 12:42pm	Julie Eaton
Missouri Milk Distribution License Application.pdf	23 Jun 14 12:52pm	Julie Eaton
Montana Distributor Reporting and Assessment Form.pdf	23 Jun 14 1:01pm	Julie Eaton
Montana Milk and Egg Bureau Milk Distribution License Application.pdf	23 Jun 14 10:39am	Julie Eaton
Montana Milk Control Board Milk Distribution License Application - FY2015.pdf	24 Jun 14 1:15pm	Julie Eaton
Nebraska Milk Distribution and Out of State Processor Permit Application.doc	24 Jun 14 1:15pm	Julie Eaton
Nevada Business License Part 1.pdf	24 Jun 14 1:15pm	Julie Eaton
Nevada Cost Price Worksheet Reporting Form.pdf	24 Jun 14 1:15pm	Julie Eaton
Nevada Dairy Distribution License Application.pdf	24 Jun 14 1:15pm	Julie Eaton
New Hampshire Milk Distribution and Out of State Processor License.pdf	23 Jun 14 1:23pm	Julie Eaton
New Jersey Milk Distribution Milk Dealer's License Application.pdf	23 Jun 14 1:23pm	Julie Eaton
New Mexico Milk Permit Application.pdf	24 Jun 14 1:15pm	Julie Eaton
New York Milk Distribution Permits.pdf	23 Jun 14 1:46pm	Julie Eaton
New York Milk Import Permit.pdf	24 Jun 14 1:15pm	Julie Eaton
New York Out of State Milk Dealers Sales Report Form.pdf	23 Jun 14 1:58pm	Julie Eaton
North Carolina Milk Distribution Permit.pdf	23 Jun 14 2:05pm	Julie Eaton
North Dakota Department of Agriculture Distribution License Application.pdf	23 Jun 14 2:05pm	Julie Eaton
Oklahoma Application for Permit to Import Milk and Milk Products.pdf	23 Jun 14 2:07pm	Julie Eaton
Pennsylvania Bureau of Food and Safety Milk Selling Permit Application.pdf	23 Jun 14 2:19pm	Julie Eaton
Pennsylvania Milk Distributor (Subdealer) Permit Application - 2.pdf	23 Jun 14 2:29pm	Julie Eaton
Rhode Island Milk Distribution and Out of State Processor Permit Application.pdf	10 Jul 14 2:45pm	Julie Eaton
South Carolina Out of State Processor Import Application.pdf	23 Jun 14 3:12pm	Julie Eaton
South Dakota Milk Distribution License Application.pdf	23 Jun 14 3:12pm	Julie Eaton
Tennessee Out of State Dairy Registration, Trade Products Registration, and Distributors License Application.pdf	23 Jun 14 3:17pm	Julie Eaton
Texas Out of State Milk Processing Plant Permit Application.pdf	24 Jun 14 2:27pm	Julie Eaton
Utah Milk Distribution License Application.pdf	23 Jun 14 3:25pm	Julie Eaton
Vermont Milk Distribution Milk Handler's License Application.pdf	24 Jun 14 4:46pm	Julie Eaton
Virginia Distributor Monthly Report of Receipts and Utilization Form.pdf	1 Jul 14 4:28pm	Julie Eaton
Virginia Distributor Monthly Reporting and Assessment Form Page 1.pdf	2 Jul 14 10:01am	Julie Eaton
Virginia Distributor Monthly Reporting and Assessment Form Page 2.pdf	2 Jul 14 10:31am	Martin Estevez
West Virginia App/Or Dairy Distributor Permit.pdf	27 Jun 14 1:27pm	Julie Eaton
West Virginia Milk Distribution Permit Application.pdf	23 Jun 14 3:58pm	Julie Eaton
Wisconsin F-60-022Milk Distributor license application.pdf	23 Jun 14 3:44pm	Julie Eaton
Wyoming Milk Distribution Food License.pdf	23 Jun 14 3:54pm	Julie Eaton



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# Developing an integrated compliance program

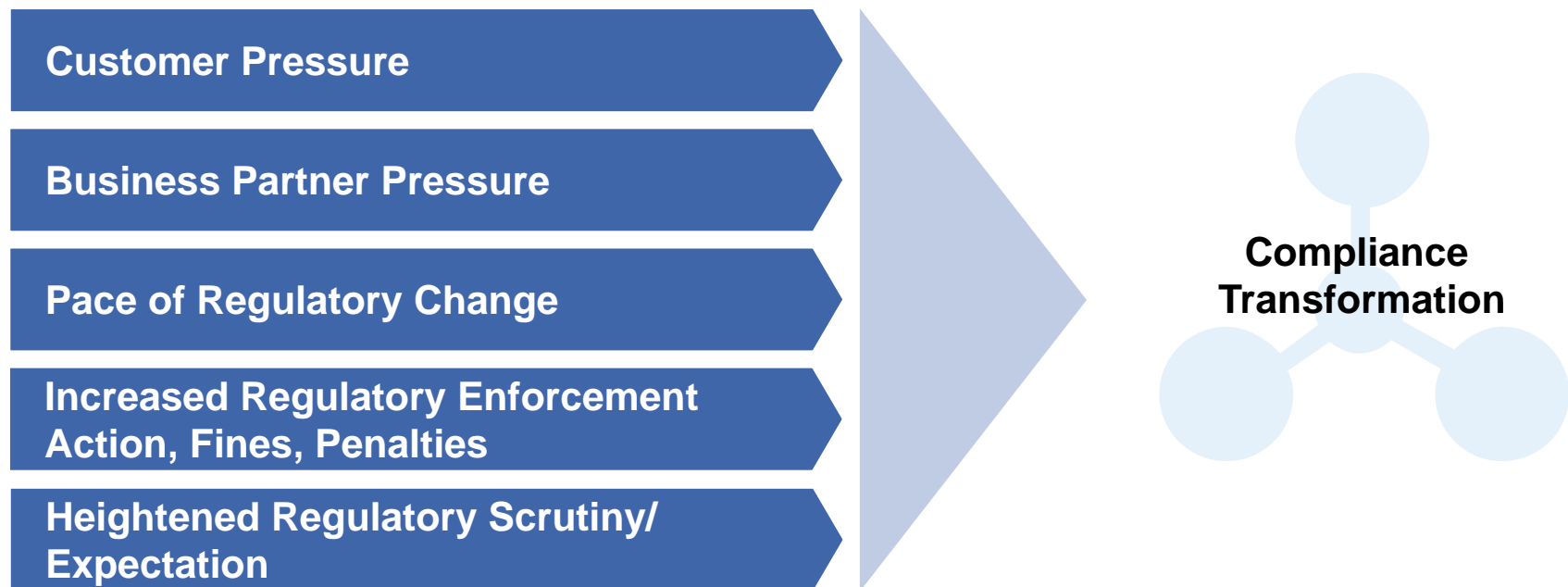
**KPMG's Global Financial Services practice has more than 36,500 partners and professionals across our global network, and we provide leading audit, tax and advisory services to retail banking, corporate and investment banking, investment management and insurance sectors.**

***Regulatory Centers of Excellence (CoE's), have been established to lead the development of thought leadership pieces on key regulatory issues across multiple service industry, including integrated compliance and transformation.***

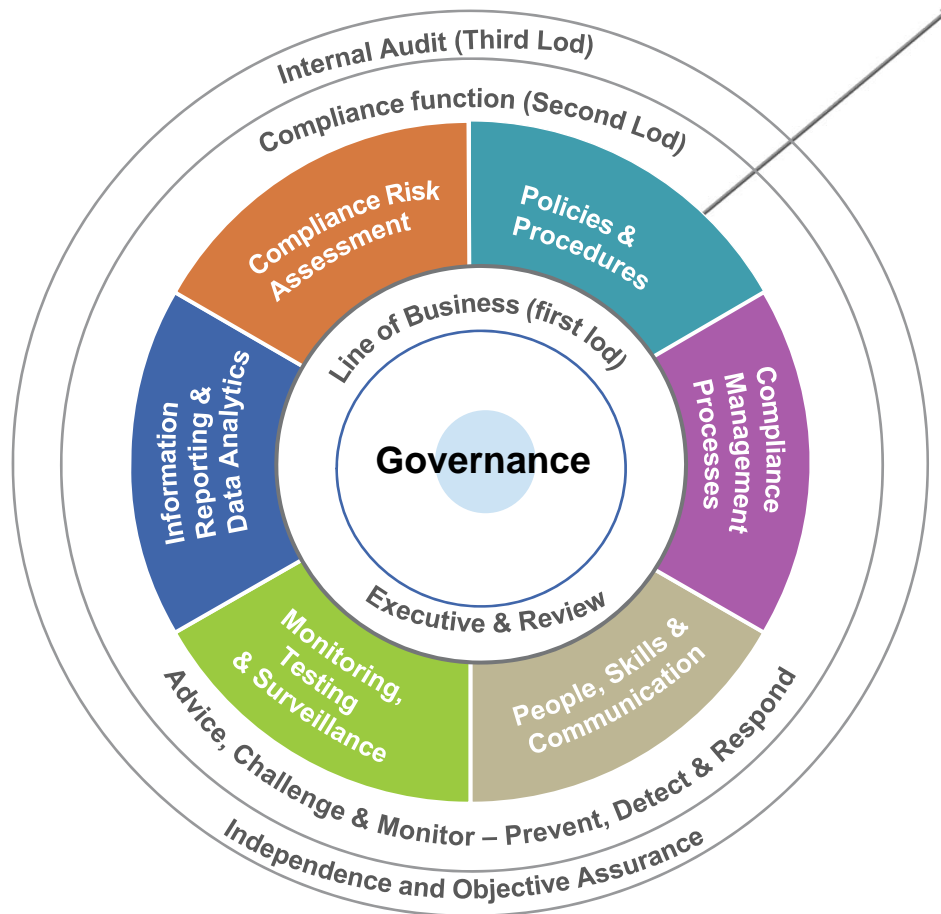
***Through the Regulatory Strategic Growth Initiative (RSGI), KPMG is focused on creating high-value cross-functional service offerings to help industry professionals succeed in this rapidly evolving space.***

# Developing an integrated compliance program

## Case For Change – Integrated Compliance



# Integrated compliance risk management framework



**Case Study 1:** We have seen integration in compliance with the development of legal obligations in a centralized repository. The benefits of integration include:

- 1st, 2nd and 3rd Line
- Linkage to policies/procedures, controls and ultimately testing
- Management of regulatory requirement and core business data changes
- Identification and evaluation of potential changes
- Consistency in change requirements
- Management of workflow
- Audit trails
- Detailed reporting capabilities

# Integrated compliance risk management framework (continued)

**Case Study 2:** We have seen integration and transformation of compliance testing technology. The benefits of integration include:

- 1st, 2nd and 3rd Line
- Linkage to regulatory obligations, risks and controls
- Standardize testing methodology
- Testing and monitoring procedures can be performed on a transaction or control
- Management of workflow
- Audit trails
- Centralized repository of testing results and facilitates dashboard reporting, trend analysis, and drill-down reporting



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# Developing an Integrated Compliance Program

## DISCUSSION

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# Thank you

We want your feedback! Use the conference app or visit the Registration desk.

Be sure to join the Twitter conversation: @CW\_2015