# Compliance Program and Effectiveness Assessment

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**CSC**

**TE** connectivity

**EY** Building a better working world

# Compliance Program and Effectiveness Assessment

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# CSC's Ethics and Compliance Office

**ETHICS &
COMPLIANCE
OFFICE**
**ECO**

*ECO Mission*
*Promote throughout the global CSC community a culture of performance with integrity that encourages ethical conduct, reinforces the CLEAR corporate values, and drives compliance with the Code of Business Conduct, internal policies, and the law.*

**ECO's Board-Chartered Responsibilities**

– Champion ethical culture and values

– Prevent, detect, investigate criminal or ethical misconduct

– Code of Business Conduct administration

– Business Conduct Policy administration

– Awareness messaging

– Ethics and compliance training

– Compliance risk assessment and program effectiveness monitoring

– Speak Up! and OpenLine program administration

– Management and board reporting

# Management and Board Reporting

Regular quarterly reporting to ethics and audit committees

- Review of minutes
- <span style="color:red">ECO and OpenLine data review</span>
- <span style="color:red">Investigations and case aging</span>
- Quarterly ECO accomplishments

## Quarterly Data Review

- Stable snapshot each quarter

- Longer periods for more reliable trends

- Qualitative analysis and management discussion

| Last 12 Months | | CASE VOLUME | FY15 Q3 | | FY15 YTD | | FY14 Q3 | |
|---|---|---|---|---|---|---|---|---|
| 947 | | Total Cases Received | 160 | | 509 | | 149 | |
| 648 | 68.4% | Administrative | 83 | 51.9% | 298 | 58.5% | 83 | 55.7% |
| 299 | 31.6% | Actionable Cases | 77 | 48.1% | 211 | 41.5% | 66 | 44.3% |
| 15 | 2.6% | Total Cases Pending* | 20 | 12.5% | 25 | 4.9% | - | 0.0% |
| 922 | 97.4% | Total Cases Closed | 140 | 87.5% | 484 | 95.1% | 149 | 100.0% |

| Last 12 Months | | INTAKE SOURCE | FY15 Q3 | | FY15 YTD | | FY14 Q3 | |
|---|---|---|---|---|---|---|---|---|
| 648 | 68.4% | Direct Contact with ECO | 79 | 49.4% | 291 | 57.2% | 72 | 48.3% |
| 263 | 27.8% | OpenLine | 47 | 29.4% | 182 | 35.8% | 77 | 51.7% |
| 36 | 3.8% | SS/Regional Direct Entry/Other | 34 | 21.3% | 36 | 7.1% | - | 0.0% |
| 947 | | Total | 160 | | 509 | | 149 | |

| Last 12 Months | | ANONYMITY | FY15 Q3 | | FY15 YTD | | FY14 Q3 | |
|---|---|---|---|---|---|---|---|---|
| 776 | 81.9% | Not Anonymous | 126 | 78.8% | 389 | 76.4% | 108 | 72.5% |
| 171 | 18.1% | Anonymous | 34 | 21.3% | 120 | 23.6% | 41 | 27.5% |
| 947 | | Total | 160 | | 509 | | 149 | |

| Last 12 Months | | RESPONSIBLE REGION | FY15 Q3 | | FY15 YTD | | FY14 Q3 | |
|---|---|---|---|---|---|---|---|---|
| 637 | 67.3% | Americas | 105 | 65.6% | 334 | 65.6% | 95 | 63.8% |
| 310 | 32.7% | Rest of World | 55 | 34.4% | 175 | 34.4% | 54 | 36.2% |
| 947 | | Total | 160 | | 509 | | 149 | |

| Last 12 Months | | TOP ISSUE CATEGORIES | FY15 Q3 | | FY15 YTD | | FY14 Q3 | |
|---|---|---|---|---|---|---|---|---|
| 299 | | Total Actionable Cases | 77 | | 211 | | 66 | |
| 46 | 15.4% | Category 1 | 9 | 11.7% | 29 | 13.7% | 16 | 24.2% |
| 34 | 11.4% | Category 2 | 7 | 9.1% | 17 | 8.1% | 10 | 15.2% |
| 26 | 8.7% | Category 3 | 4 | 5.2% | 16 | 7.6% | 4 | 6.1% |
| 24 | 8.0% | Category 4 | 6 | 7.8% | 19 | 9.0% | 4 | 6.1% |
| 23 | 7.7% | Category 5 | 8 | 10.4% | 14 | 5.6% | 2 | 3.0% |
| 20 | 6.7% | Category 6 | 7 | 9.1% | 20 | 9.5% | 3 | 4.5% |
| 126 | 42.1% | Other | 36 | 46.8% | 96 | 45.5% | 27 | 40.9% |

| Since Inception | | SUBSTANTIATION RATES | Last 12 Months | |
|---|---|---|---|---|
| 986 | | Total Actionable Cases | 299 | |
| 139 | | Non Investigative Actionables | 58 | |
| 62 | | Total Actionable Pending* | 25 | |
| 785 | | Closed Investigated Actionables | 216 | |
| 274 | 34.9% | Substantiated | 75 | 34.7% |
| 511 | 65.1% | Unsubstantiated | 141 | 65.3% |

*All pending case counts are at 25 FEB 2015.

| Pending Case Counts and Median Age of Pending Cases | | |
|---|---|---|
| Ethics Committee Meeting | OCT 2014 (Q2FY15) | FEB 2015 (Q3FY15) |
| Status Date | 30-Sep-14 | 25-Feb-15 |
| Pending Case Count | 58 | 68 |
| Median Age of Pending Cases | 52 | 35 |

## Case Aging

- QoQ snapshot

- Transparency of investigative stage and party

- Qualitative analysis and management discussion

| All Pending Actionable Cases (at FEB 25) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stage | Responsible Party | 0-30 | 31-60 | 61-90 | 91-120 | Over 120 | Total |
| Intake | Case Management | 7 | - | - | - | - | 7 |
| | Legal | 1 | - | - | - | - | 1 |
| Investigation | ECO | 18 | 7 | 3 | 2 | 2 | 32 |
| | HR BU | 2 | 2 | - | - | - | 4 |
| | HR Shared Services | 3 | - | 3 | - | - | 6 |
| | Security | - | 1 | - | - | - | 1 |
| Reporting | Legal | - | 1 | - | 3 | 7 | 11 |
| Implementation | GBS | 1 | - | - | - | - | 1 |
| | NPS | - | - | - | 2 | 1 | 3 |
| | Finance | - | - | - | - | 1 | 1 |
| | Legal | - | - | - | - | 1 | 1 |
| TOTAL | | 32 | 11 | 6 | 7 | 12 | 68 |

# Management and Board Reporting

In-FOCUS quarterly reporting to ethics and audit committees

- CEO interests/pressing issues
- Emerging new risks
- <span style="color:red">Annual benchmarking (OCT)</span>
- <span style="color:red">Status of risk handling plans</span>/in-flight projects
- <span style="color:red">Annual (MAY) and other training results</span>
- Emerging next FY program objectives (MAR)

**Reports Per 100 Employees**



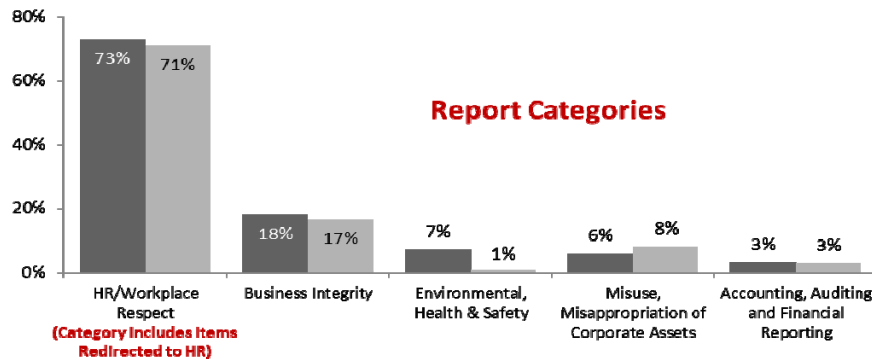| Year | |
|---|---|
| 2009 (FY10) | 0.9 |
| 2010 (FY11) | 0.9 |
| 2011 (FY12) | 1.1 / 0.34 (EST) |
| 2012 (FY13) | 1.2 / 0.74 |
| 2013 (FY14) | 1.2 / 1.16 |
| 2014 (FY15) | 1.18 Projected |

**RE: Reports Per 100 Employees**
- Median benchmark shows a 33% increase in 3 years
- Rise in the benchmark may be attributable to increasing program sophistication, employee confidence in company reporting processes, current whistleblower trends
- CSC has ramped up to numbers that project to be at or near the median benchmark

**Annual Benchmarking**

- CSC has identified and settled on one benchmark source

- CSC data are analyzed relative to the benchmark

- CSC also evaluates anonymity, retaliation, substantiation, and discipline

**RE: Report Categories**
- HR/Respect: Retaliation, Harassment, Discrimination, Substance Abuse
- Business Integrity: Anti-Bribery, Antitrust, Confidential Information, Conflicts, Export Control, Gifts and Entertainment, Government Contracting, IP, Privacy, Procurement
- EH&S: Workplace Violence
- Misuse of Assets: Timekeeping, Theft, RIM
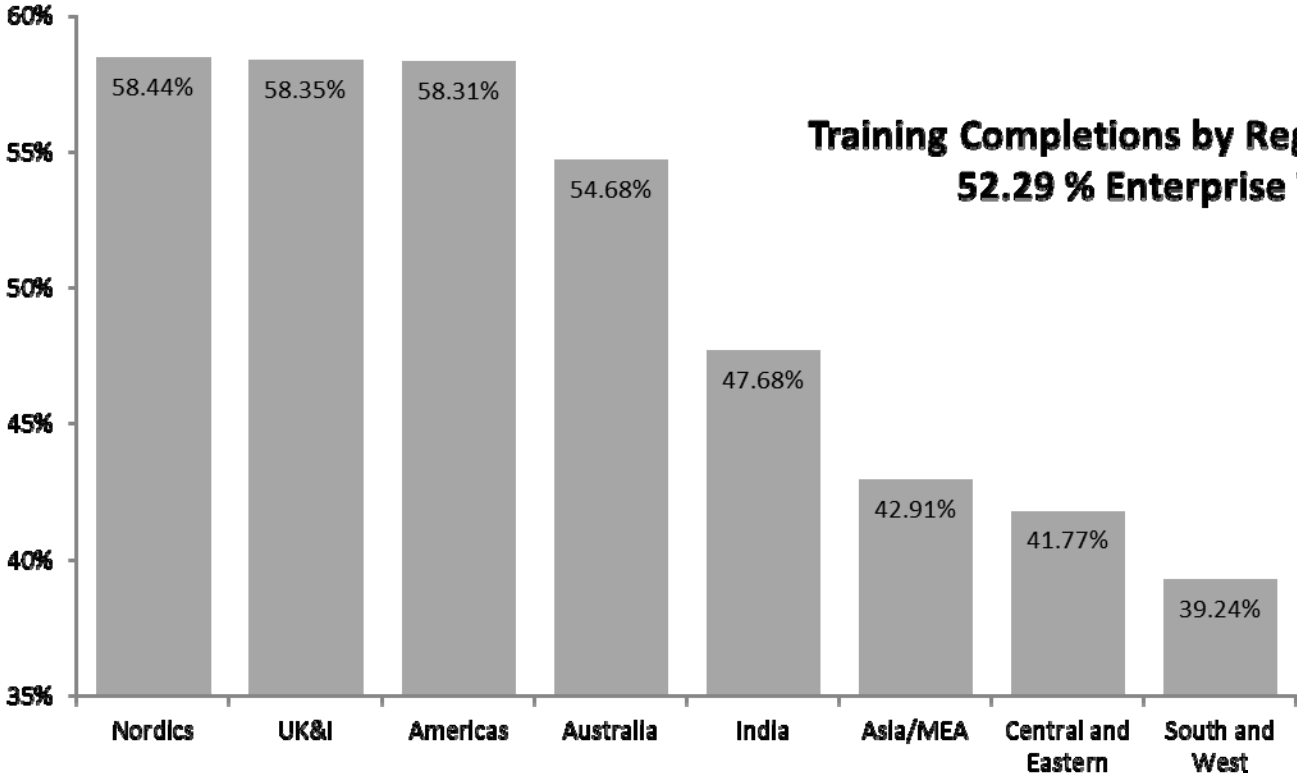- Accounting/Audit/Reporting: Accounting, Timekeeping

**Report Categories**



| Category | | |
|---|---|---|
| HR/Workplace Respect (Category Includes items Redirected to HR) | 73% | 71% |
| Business Integrity | 18% | 17% |
| Environmental, Health & Safety | 7% | 1% |
| Misuse, Misappropriation of Corporate Assets | 6% | 8% |
| Accounting, Auditing and Financial Reporting | 3% | 3% |

**Risk Burn Down**

- Accompanies risk handling plans

- Reports reductions in severity

- Captures course corrections



Legend:
- Date Approve
- Date Today
- Baseline
- Forecast
- Actual
- ▼ Milestone
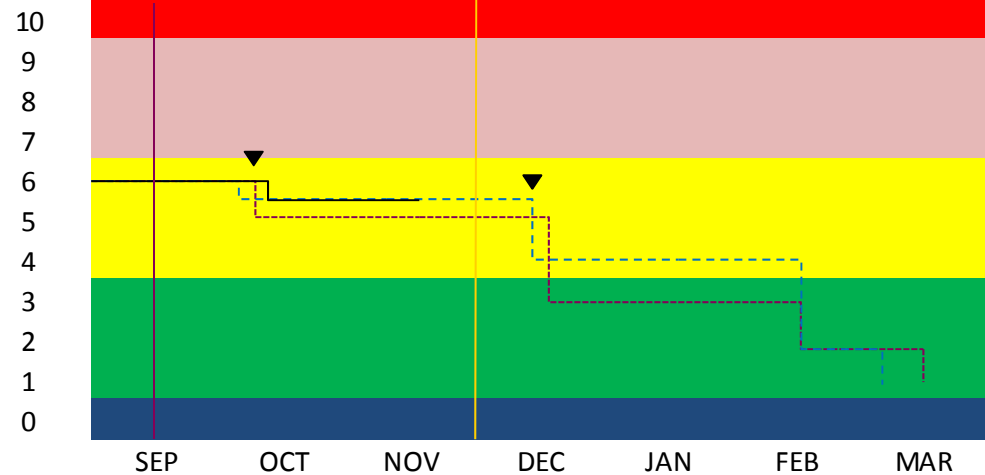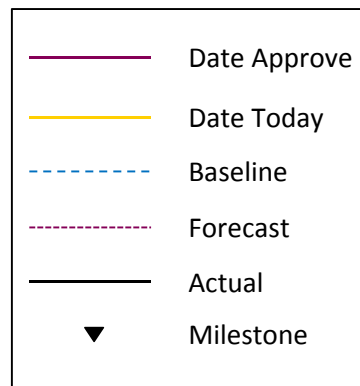
## 3. **IN FOCUS**: Ethics and Code of Business Conduct Training Completions

| | 23 FEB Checkpoint | 27 MAR Stated Deadline |
|---|---|---|
| 26 JAN Launch Baseline | 70,347 | 70,347 |
| Adjusted Baseline (Terminations, LOAs) | 67,801 | TBD |
| **Completion Percentage** | **52.29%** | **GOAL = 100%** |
| Incomplete Records | 32,346 | GOAL = 0 |

**Training Completions by Region at 23 FEB**
**52.29 % Enterprise Wide**

Bar chart values:
- Nordics: 58.44%
- UK&I: 58.35%
- Americas: 58.31%
- Australia: 54.68%
- India: 47.68%
- Asia/MEA: 42.91%
- Central and Eastern: 41.77%
- South and West: 39.24%

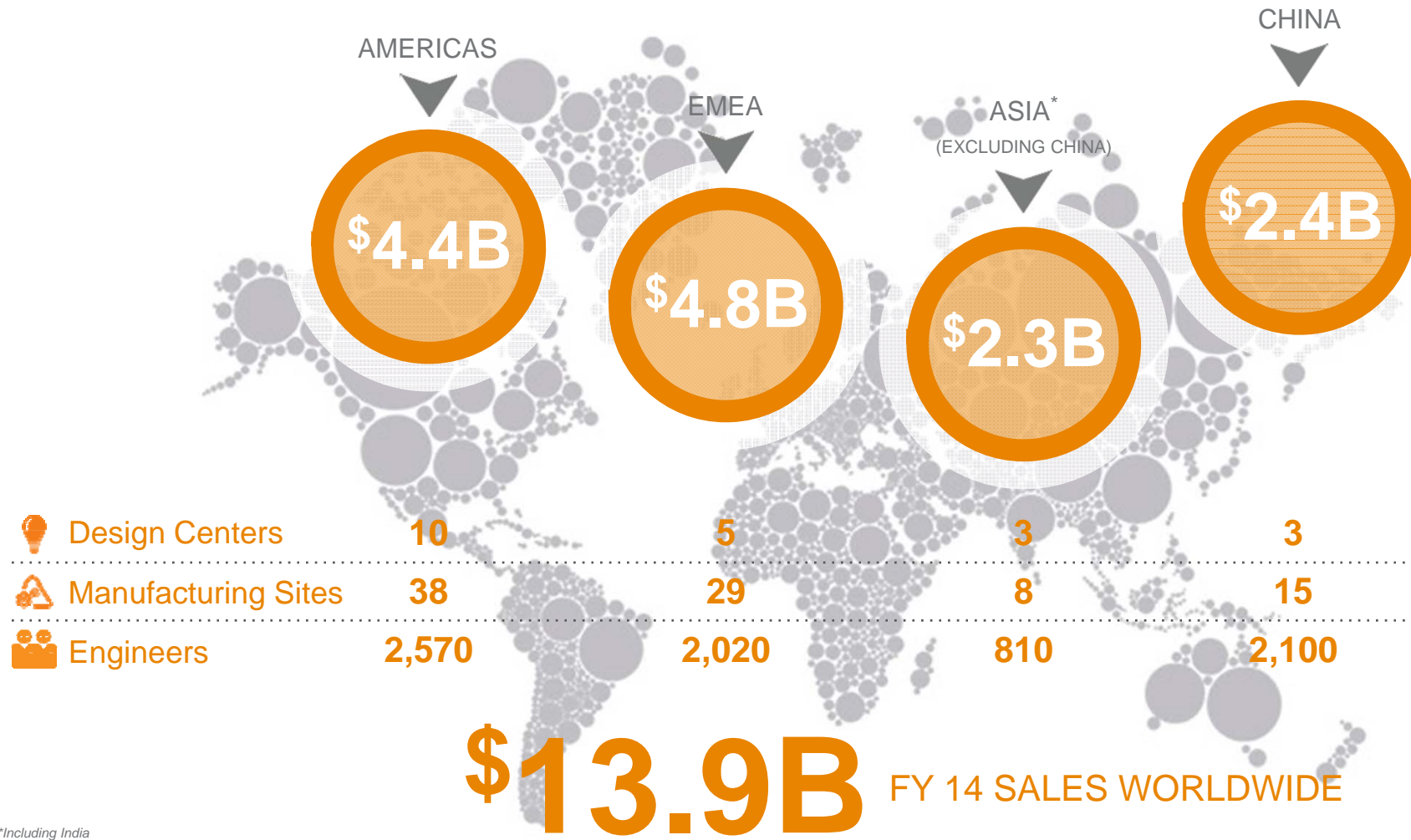| | Incomplete Records |
|---|---|
| Nordics | 918 |
| UK&I | 2,593 |
| Americas | 11,101 |
| Australia | 958 |
| India | 9,862 |
| Asia/MEA | 2,103 |
| Central and Eastern | 2,428 |
| South and West | 2,383 |
| | 32,346 |

# Compliance Program and Effectiveness Assessment

**Christine Stickler,** VP, Chief Compliance Officer
TE Connectivity

# If Data, Power or Signal Moves Through It, TE Connects and Senses It

Automotive

Energy

Medical

Data Communications

Appliances

Commercial Transportation

Aerospace & Defense

Subsea Communications

Oil & Gas

Industrial Equipment

Consumer Devices

# TE Connectivity

AMERICAS

EMEA

ASIA*
(EXCLUDING CHINA)

CHINA

**$4.4B**

**$4.8B**

**$2.3B**

**$2.4B**

| | AMERICAS | EMEA | ASIA | CHINA |
|---|---|---|---|---|
| Design Centers | 10 | 5 | 3 | 3 |
| Manufacturing Sites | 38 | 29 | 8 | 15 |
| Engineers | 2,570 | 2,020 | 810 | 2,100 |

**$13.9B** FY 14 SALES WORLDWIDE

*Including India

TE connectivity

# Third Party Anti-Corruption Risk

**Business Partner Management Program**

An Accountability Handbook

October 2014 – Second Edition

**TE** connectivity

**Our Challenge**

- Consistent processes are needed to vet, retain and manage business partners globally to decrease and eliminate our exposure to potential bribery & corruption among third party business partners

**Our Consequences**

- Harm to TE's global brand & reputation
- Violations of TE's Core Values
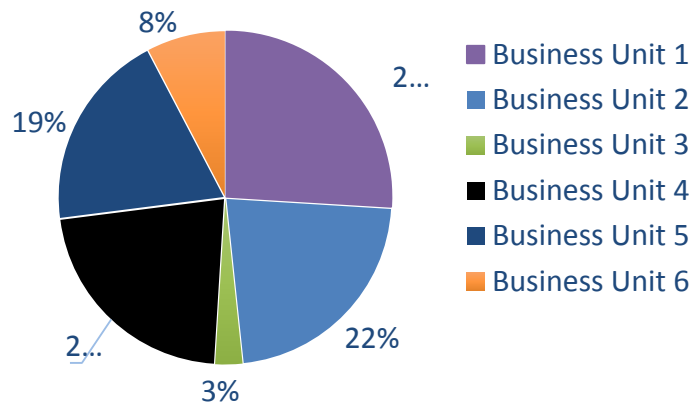- Costly and time-consuming investigations and regulatory enforcement actions

**Our Solution**

- Identification of TE employees as 'Business Sponsors' who are fully responsible for the qualification, management and oversight of business partners

- Targeted due diligence and screening based upon objective risk assessments of business partners

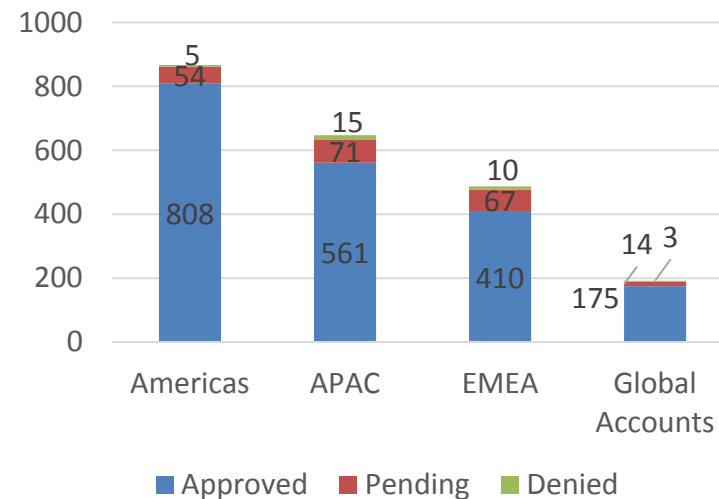- Internal controls to prevent set up of unauthorized business partners

# Business Partner Management Overview

Business Sponsor Initiation → Intake Questionnaire → Risk Assessed → Due Diligence → Relationship Vetted

## Business Partners by Business Unit

- 2... Business Unit 1
- 22% Business Unit 2
- 3% Business Unit 3
- 2... Business Unit 4
- 19% Business Unit 5
- 8% Business Unit 6

## Business Partners by Region

| Region | Approved | Pending | Denied |
|---|---|---|---|
| Americas | 808 | 54 | 5 |
| APAC | 561 | 71 | 15 |
| EMEA | 410 | 67 | 10 |
| Global Accounts | 175 | 14 | 3 |

Legend: ■ Approved ■ Pending ■ Denied

# Business Sponsor and Legal Counsel Action Reports

**TE** connectivity

| Sponsor Action Report for: | | [TE Business Sponsor Name] | | |
|---|---|---|---|---|
| **Profile #** | **Company Name** | **Next Action Item** | **Days Outstanding** | **Category** |
| TE3P- | [Business Partner] | Follow-up with Business Partner on BPQ | 9 | Distributor/Trader |

| Commercial Counsel Action Report for: | | | [Name Legal Counsel] | | | |
|---|---|---|---|---|---|---|
| **Profile #** | **Case #** | **Company Name** | **Next Action Item** | **Days Outstanding** | **Category** | **Risk Rating** |
| TE3P- | TE01- | [Business Partner] | Review BPQ, 3P Monitor and order OSI | 13 | Contractor/Sub-Contractor | Medium |

> Bi-monthly reporting focused on actionable next steps in process
> Metrics used in analytics, management reporting ad budgeting

# Compliance Program and Effectiveness Assessment

**Zain Raheel,** Partner, EY

COMPLIANCE WEEK
CELEBRATING 10 YEARS
2015
MAY 18-20 2015   MAYFLOWER HOTEL   WASHINGTON DC

# What are you measuring . . . and why?

- ## What should you measure?

  - Operation of controls?

  - Program outcomes?

  - Culture of ethics and compliance?

- ## What will you do with the data?

- ## The starting point is definition of measurable goals . . .

# Metrics-based program design

- Risk-based approach: Identify and quantify
  - Likelihood of occurrence
  - Potential impact
  - Maturity of controls

- Quantify risk tolerance - required outcomes
  - Legal and financial consequences
  - Reputational consequences

# Measuring operation of controls

- Define parameters for compliance processes embedded in business operations

- Obtain metrics from transactional data

- Examples:
  - Third-party due diligence
  - Know Your Customer processes

- Measure compliance audit outcomes and corrective action implementation

**COMPLIANCE WEEK** CELEBRATING 10 YEARS **2015**
MAY 18-20 2015    MAYFLOWER HOTEL    WASHINGTON DC

# Measuring the compliance function

- Training, case management, etc.

- Program maturity
  - Annual program improvement goals
  - Resources deployed

# Measuring outcomes

- ## Risks that become reality
  - Prosecutions, regulatory enforcement, civil litigation – number and financial impact
  - Reported violations substantiated; employees terminated

- ## Positive outcomes
  - Business activity supported
  - M&A transactions
  - Employee ethics attitude surveys

# What will you do with the data?

- Are your metrics designed to help you to engage senior management and the board?
  - Deepen their understanding of the risks?
  - Help them to define risk tolerance?
  - Help them to allocate resources?

- Are your metrics designed to demonstrate program effectiveness to your regulator?

# Compliance Program and Effectiveness Assessment

## DISCUSSION

# Thank you

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

Be sure to join the Twitter conversation: @CW_2015

**COMPLIANCE WEEK** CELEBRATING 10 YEARS **2015**
MAY 18-20 2015   MAYFLOWER HOTEL   WASHINGTON DC