

# Structuring Compliance for the Global Enterprise

*Karen Handelsman Moore*  
*Director Compliance*  
*Philip Morris International*



PHILIP MORRIS INTERNATIONAL

**COMPLIANCE WEEK 2012**

# Structuring Compliance for the Global Enterprise

## Company Facts

- Virginia incorporation
- Listed NYSE – March 2008
- More than 78,000 employees
- Sales in over 180 countries
- 56 manufacturing facilities
- Key brands: MARLBORO, L&M, BOND STREET
- \$145.7 billion market capitalization



# **Structuring Compliance for the Global Enterprise**

## **PMI Compliance Program**

- Setting standards: Code of Conduct and P&Ps
- Communications and training
- Risk assessment and mitigation
- Identification of misconduct: speaking up
- Investigation
- Discipline and remedial action
- Monitoring and assessment
- Cultural diagnostic
- Reporting to senior management and the Board
- Constant review and modification

# Structuring Compliance for the Global Enterprise

## PMI Compliance Risk Areas and Functional Responsibility

Program Area	Functional Responsibility	Program Director
Fiscal Compliance	Finance	Director Internal Controls
Competition	Law	VP & Associate General Counsel
Government Relations	Law	VP & Associate General Counsel
Employment / Privacy	Human Resources	Director HR Decision Support
Environment	Operations	VP EHS&S
Workplace Health & Safety	Operations	VP EHS&S
Product Regulation	Operations	Director Product Regulatory Compliance
Advertising / Marketing	Marketing	Director Brand Building Support
Intellectual Property Rights	Law	VP & Associate General Counsel
Customs	Customs/Indirect Taxation	Director Indirect Taxation
Records & Information Management	Records Management	Director Records and Information Management
Using Computer Technology	Information Security	Director Information Security

# Structuring Compliance for the Global Enterprise

## Compliance structure at PMI



# **Structuring Compliance for the Global Enterprise**

## **Some areas to consider**

- Managing investigations
- Assessing risk and culture
- Training and communications
- Code of Conduct

# Structuring Compliance for the Global Enterprise

## Investigations

- internal or external
- managing language
- local legal framework
  - periods of limitations
  - available discipline
  - privilege
  - data privacy
  - right to representation
  - unions/works councils
- benchmarking discipline

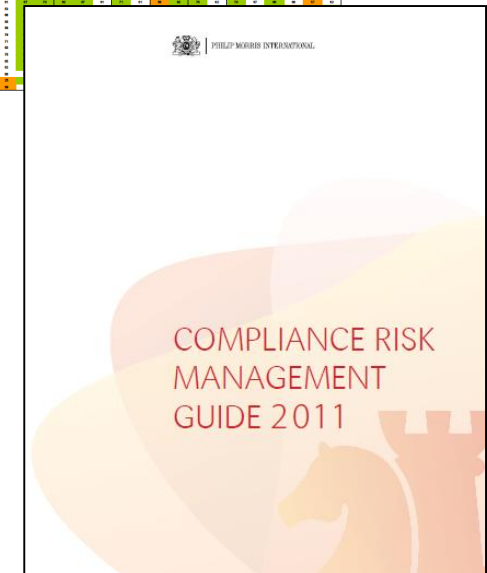


# Structuring Compliance for the Global Enterprise

## Assessing risk and culture

- external environment
  - local legislation/regulation
  - international treaty (e.g., BIT)
  - TI ranking
  - competition
  - US laws with extraterritorial effect
- business structure
  - expat v. local and other diversity profiles
  - hiring practices
  - local cultural ethics
  - acquisition, joint venture, wholly owned
- cultural diagnostic tools and other metrics
  - employee survey
  - training and investigations data
  - code distribution

The table is a detailed compliance matrix. It has columns for various risk factors and rows for different compliance areas. The cells are color-coded: green for low risk, yellow for medium risk, and red for high risk. The table is titled 'Compliance Matrix' and includes a legend at the top.

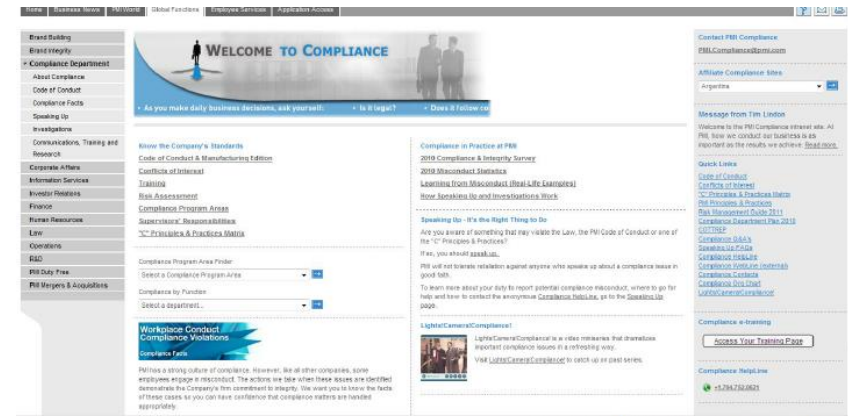




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## Training and communications

- electronic versus live
- localization
- effectiveness
- managing a global LMS
- local versus central communications
- maintaining an intranet site



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# Structuring Compliance for the Global Enterprise

## One Code, many languages

- one size fits all?
- translations
- distribution
- enforceability



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# Structuring Compliance for the Global Enterprise

*Mark Koczela*  
*VP Compliance*  
*Johnson Controls Inc.*



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- ❖ Incorporated in 1885
- ❖ Headquarters: Milwaukee, Wisc.
- ❖ 2011 Revenue - \$40.8 B
- ❖ 162,000 Employees
- ❖ 150 Countries
- ❖ Three Business Units

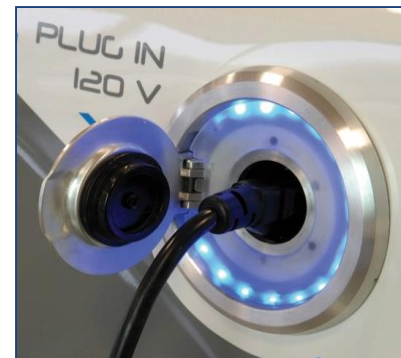
**Automotive  
Experience  
\$20.1B**



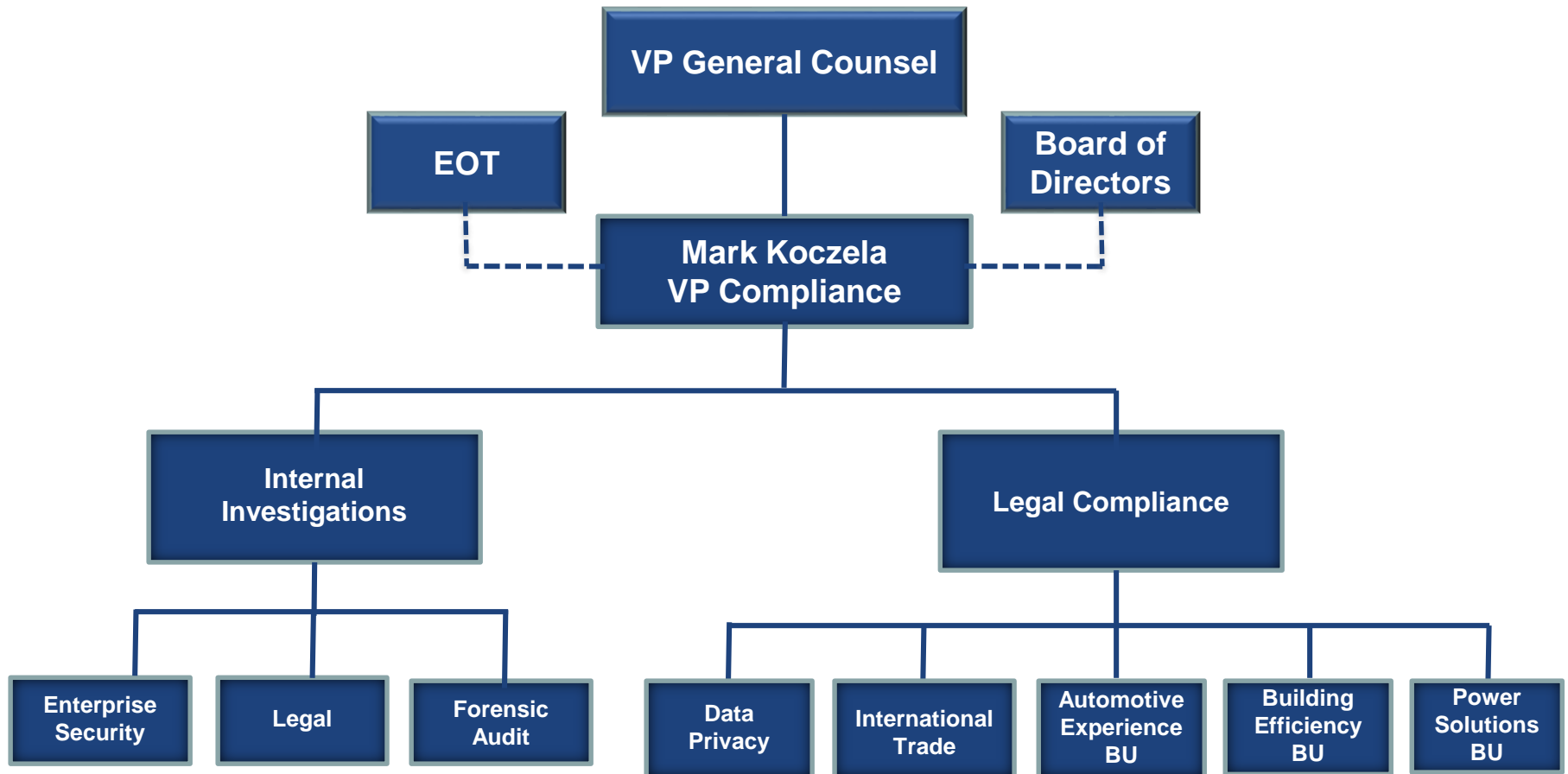
**Building  
Efficiency  
\$14.9B**



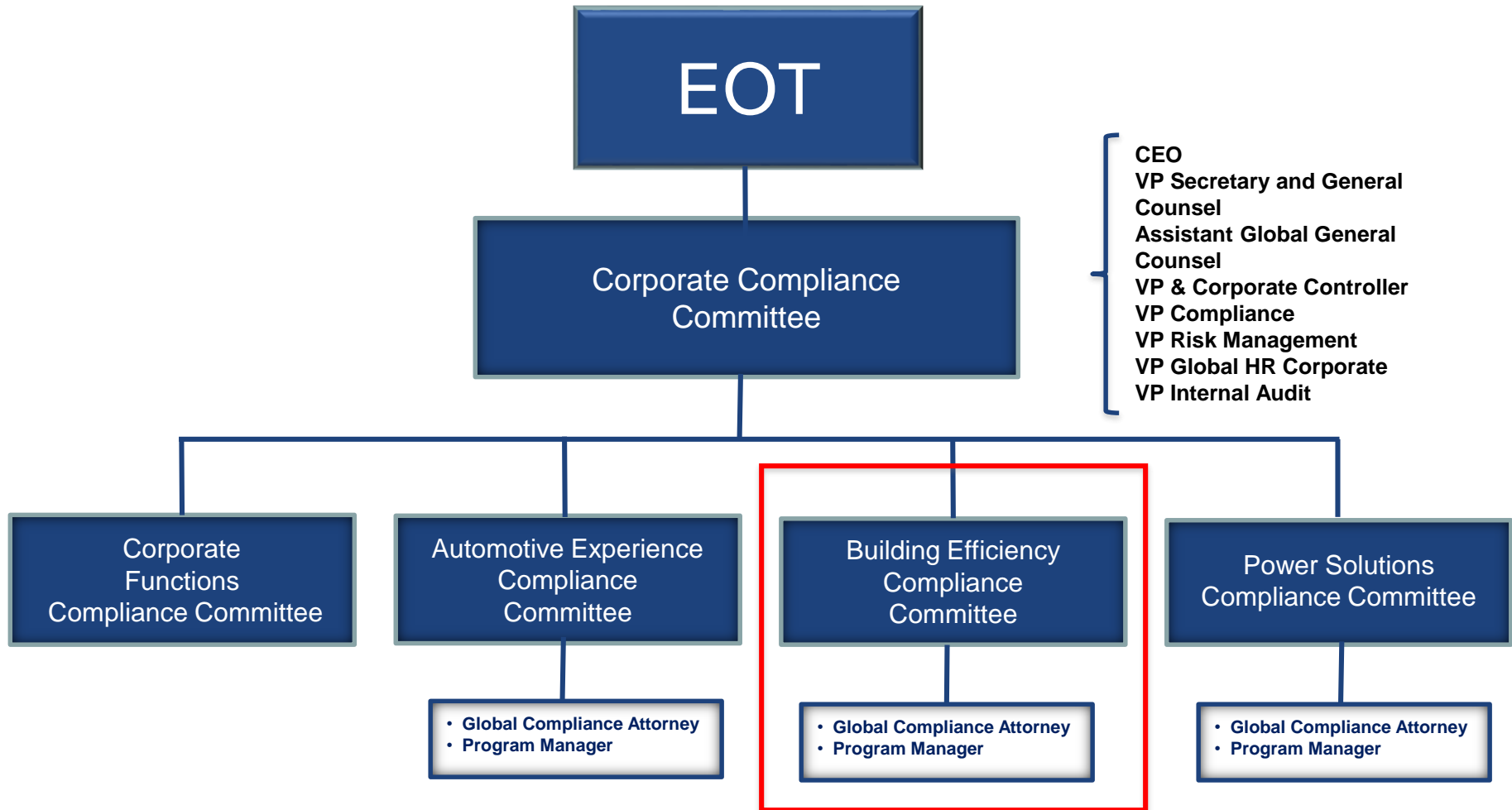
**Power  
Solutions  
\$5.9B**



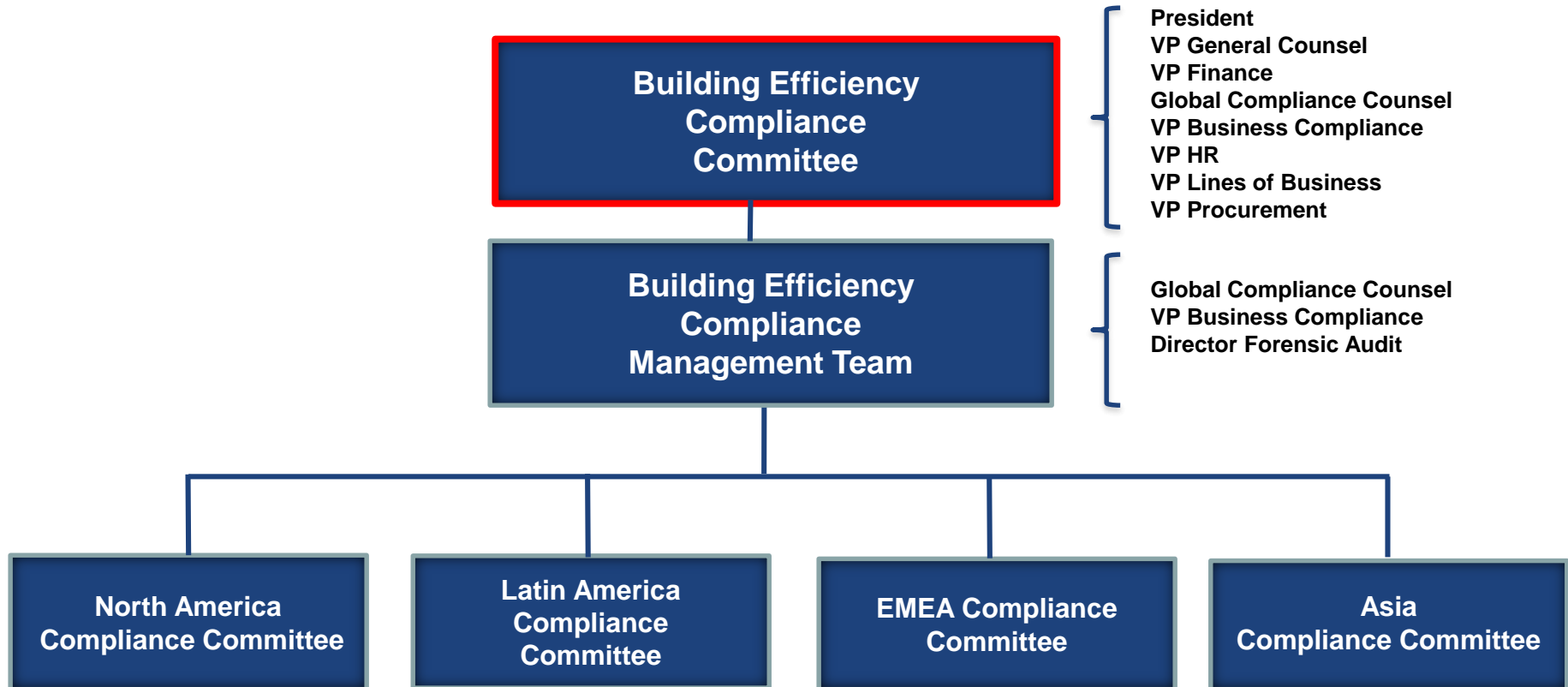
# Scope of Compliance at JCI



# PMO/Business Driven



# Global and Regional Oversight and Management



# BE Latin America - Compliance Committee

- VP&GM Latin America
- VP&GM Brazil
- VP&GM Mexico
- Dir & GM Argentina
- VP&GM Middle America
- Dir & GM Southern Cone
- VP System LA
- VP Refrigeration LA
- Dir Legal LA
- Dir Communication LA
- Dir. Finance LA
- Integrity Manager LA
- Dir Human Resources LA
- Dir Purchasing & Supply Chain LA
- Regional Director of Legal Compliance
- Supply Chain Manager – Latin America
- GWS LAR Director and GM
- Director HR GWS LA
- Senior Group Counsel BE
- BE Global Compliance Counsel
- Global Operations Workstream Compliance Lead



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# **BE Latin America Compliance Committee Agenda**

- ☐ Integrity reports
- ☐ Due diligence status for SF&D
- ☐ Risk assessment
- ☐ GWS update
- ☐ Vendor master LATAM & P2P update
- ☐ Integrity workshops
- ☐ Anti-corruption initiative in mexico
- ☐ Global patterns of fraud

# Structuring Compliance for the Global Enterprise

***Stephen E. Shelton***  
*Vice President Internal Audit*  
*KBR, Inc.*



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# *Structuring Compliance for the Global Enterprise*

## **Company Background**

- KBR is a leading global engineering, construction and services company supporting the energy, petrochemicals, government services and civil infrastructure sectors with a wide range of services to clients in more than 65 countries
- Headquartered in Houston, TX
- 2011 Revenue: \$9.26 Billion; EPS \$3.16 (diluted)
- Publicly traded on the NYSE (KBR)
- 100+ years of operating history
- 27,000 employees



# *Structuring Compliance for the Global Enterprise*

## **FCPA Violations**

- Between 1995 and 2004, KBR (then a Halliburton subsidiary) conspired to make improper payments to Nigerian government officials for EPC contracts worth over \$6 billion
- Pleaded guilty to five counts of violating the FCPA; violations of anti-bribery, books and records and internal controls provisions
- Paid second largest FCPA fine ever; largest against US company
- Independent corporate monitor for 3 years – completed February 17, 2012



# *Structuring Compliance for the Global Enterprise*

## **KBR Audit Services (KBRAS)**

- Led by Vice-President (Stephen Shelton) reporting to KBR audit committee and functionally to CFO
- Total staff of 30+ based in Houston
- Focus on:
  - Anti-corruption audits
  - Operational/project audits
  - Corporate audits of departments, functions and Sox testing
  - Government contract compliance audits
  - Information technology audits





# *Structuring Compliance for the Global Enterprise*

## **KBR Principal Compliance Functions**

### **EVP General Counsel**

#### **Chief Compliance Officer**

- **Anti-Corruption Compliance**
- **International Trade Compliance**
- **Code of Business Conduct Dept.**

### **EVP Chief Financial Officer**

- **Internal Audit**
- **Financial Controls**
- **Government Contract Compliance**

### **EVP Operations**

- **Procurement Compliance**
- **Quality, Health, Safety & Environment (QHSE)**



# *Structuring Compliance for the Global Enterprise*

## **Key Compliance Components**

- Prevent, Detect and Respond
- Culture of Integrity
- Specific Policies
- Guidance and Channels for Reporting



# *Structuring Compliance for the Global Enterprise*

## **Getting the Message Out**

- Compliance culture and “tone at the top”
- Raise awareness of actions that create risk (policies, procedures and training)
- Management site visits and visible reinforcement
- Formal self-assessments and Sox-like controls for compliance
- Focused compliance audits
- Compliance websites, checklists and tools
- Direct linkage to performance reviews

