Creating and Overseeing a Dynamic Corporate Compliance Program - GE

Submitted by: GE
Creating and Overseeing a Dynamic Corporate Compliance Program

Reyna Torrecillas
General Electric
Chief Compliance Officer Latin America

Confidential. Not to be copied, distributed, or reproduced without prior approval.

August 24, 2019
Agenda

An in-depth look into how international corporations have established and managed a compliance program, including successes and challenges of enforcing an effective program

• Program overview
  • Prevention
  • Detection
  • Response

• Open reporting at GE

• Example: Anti-Corruption

• Lessons learned
GE’s case for integrity

• It is the right thing to do
• It is the foundation of our business
• Our reputation depends on it
• It is the basis of all our relationships and activities
• It involves everyone of us ... everyday
Our Compliance objectives are simple

1. **A Common Vision:**
   To create a world-class compliance culture

2. **Common Objectives:**
   To Prevent...to Detect...and to Respond

- **Prevent** ethics, compliance and regulatory problems.
- **Detect** the problems that occur at the earliest possible stage.
- **Respond** quickly and thoroughly.
... with leadership at the core

Prevents
- Policies & procedures: Code of Conduct & Integrity guides
- Training & education: level 1/2
- Senior management: PCRB
- Risk assessment: compliance operating model

Detects
- Compliance reviews & audits
- Monitoring: metrics, KPIs, EWS
- Ombudsperson network
- Audit & inspections

Responds
- Investigations
- Employee discipline – all levels
- Process improvements
- Case studies & lessons learned

*Hold managers accountable for hits & misses ... explicitly include compliance in the skills that you evaluate & reward*
And our strategy has two essential parts

**The Spirit (Ethics)**
*Helps us to do the right thing*

**GE code of conduct**

01 Be honest, fair and trustworthy.

02 Obey applicable laws and regulations.

03 Be the Voice of Integrity and promptly report any concerns you have about compliance with law, GE policy or this Code.

04 Simple compliance is more effective compliance. Effective compliance is a competitive advantage. Work to run the company in as competitive a way as possible – with speed, accountability and compliance.

**The Letter (Compliance)**
*Our guide to doing it right*

**GE integrity policies**

- **IMPROPER PAYMENTS**
  Don’t bribe; don’t permit bribes; watch third parties.

- **INTELLECTUAL PROPERTY**
  Identify and protect GE innovations; don’t take or use IP without authorization.

- **INTERNATIONAL TRADE COMPLIANCE**
  Never let GE goods, technology or services go to prohibited persons or places; know the risks and follow the rules for cross-border transfers.

- **WORKING WITH GOVERNMENTS**
  Never take shortcuts when dealing with government; never deviate from the contract.

- **COMPETITION LAW**
  Never agree with competitors to fix prices, rig bids, or allocate customers, projects or territories.

- **FAIR EMPLOYMENT PRACTICES**
  Treat all employees fairly; respect the right to associate; base decisions on merit; don’t harass or discriminate.

- **CONTROLLERSHIP**
  Documents, communications and accounting must be 100% accurate and honest.

- **CYBER SECURITY & PRIVACY**
  Respect privacy rights and protect against cyber risks to GE information, networks and products.

- **ENVIRONMENT, HEALTH AND SAFETY (EHS)**
  Follow EHS procedures and be alert to EHS hazards in your workplace.
Six processes that leaders must do

**Highlights**

- Conduct proactive risk assessments (bottom-up) to identify and abate risks ... inclusive of a mitigation plan
- Foster an open reporting culture with a non-retaliation policy and comprehensive investigation process
- Training plans to address key risks and it is actionable, engaging and focused on the right thing to do
- Communicate compliance expectations frequently, embed into your operating rhythms and led by example
- Leverage data analytics and audits to evaluate and continue improving your controls and processes
Compliance: a shared responsibility

**Employees**
- Be knowledgeable ... know & understand the rules
- Be aware ... stay attuned to developments that might impact GE’s reputation
- Be committed ... raise your hand if you’re not sure; always do the right thing

**Leaders**
- Create a culture of compliance in your team
- Create open environment where employees feel they can raise concerns
- Personally set the example for integrity

**Compliance**
- Develop policies, procedures & training
- Provide managers with the tools to lead with integrity
- Partner with the business to help drive commercial success

*GE expects leaders to create a culture of compliance in which employees understand their responsibilities and feel comfortable raising concerns without fear of retaliation*
Example: monitoring program effectiveness

**Policy Compliance Review Boards**

- Highest GE compliance body
- Conducts risk reviews ... by business /region
- Sets policies ... deals with hard cases
- Sets company wide compliance priorities

**Compliance Review Boards**

- CEO and functional leaders ... monthly or qtly.
- Across every level ... P&L, country, sites
- Reviews risks, plans program, oversees culture

Leaders personally lead, manage & oversee compliance through frequent meetings & regular monitoring
Open reporting at GE

• At GE we believe every employee is responsible for integrity and we work hard to create an open reporting environment where employees are empowered and expected to raise integrity concerns without fear of retaliation.

• An employee’s willingness to voice concerns about potential policy violations is critical to foster a culture of integrity.

• Concerns will be investigated objectively by a person or team of people with the right expertise.

• Appropriate remedial action will be taken when warranted, and feedback will be provided to the concern raiser.*

Why this matters

Open and early reporting is more important now than ever because ...

• Global regulators demand it

• Find small problems and fix them early

• Whistleblowing statutes

GE offers several channels for raising concerns ... retaliation is strictly prohibited

• Managers
• Human Resources leaders
• Compliance leaders
• Auditors
• Company legal counsel
• Next level of management
• Business or region GE ombudsperson or integrity helpline
• GE Corporate ombudsperson
• The GE Board of Directors

* Unless anonymous
Example: Anti-corruption implementing guidelines

- Internal Controls
- Managing 3rd Parties
- Customer T&L
- Gifts, Entertainment and Donations
- Foreign Political Contributions
- Facilitating Payments
- Dealings with US Govt EEs
- Books and Records
- Obligations of Sr. Managers
Winning with Integrity

Working with GE

Our mutual commitment to integrity is the cornerstone of our partnership and our reputation.

We are often held to a higher standard... and so are You You You!

Visit www.ge.com and select “Integrity at GE” to download a copy of The Spirit & The Letter.

Visit integrity.ge.com
Lessons learned ... creating a culture of compliance

1. **Personal behavior** ... S&L: stay far away from the gray, leaders must **walk the talk** ... ensure employees understand that business results are never more important than ethical conduct and compliance with the law.

2. **Open reporting** ... best measure of the health of your culture ... can never assume that everyone believes the environment is safe & open.

3. **Build the right processes and measure** ... to prevent, detect & respond to issues ... strong cultures are built on solid processes ... leverage data analytics to measure your risks.

4. **Anticipate** ... follow trends, use early warning, look for the unexpected.

5. **Build relationships and respond** ... too late once the crisis hits ... response is a key measure of leadership.