



*HOW TO TELL*

# YOUR BOARD OF DIRECTORS

AN EFFECTIVE COMPLIANCE STORY  
IN EVERY BOARD MEETING



*From your trusted partner*



## With insights from

---

Katie Smith, EVP, Chief Compliance Officer, Convercent  
Erica Salmon Byrne, EVP and Executive Director of BELA, The Ethisphere Institute  
Panelists from the Converge '16 User Conference



# THIS GUIDE IS DESIGNED EXCLUSIVELY TO HELP YOU:

- Plan a board report roadmap: based on the meeting cadence of your organization, you can easily plan out when and what you need and where to get the right data, determine key milestones, when to bring in other key stakeholders like HR or legal, and when to start packaging it all together.
- When to get draft information out for appropriate internal review and editing processes.
- Know what topics of your compliance program to present to your board.
- See a checklist of things to start thinking about and when so you're not left at the 11th hour the night of your board meeting on the hunt for the right information.
- Prepare for the questions the board may ask you.
- Get your message across in a concise way that resonates with your board.
- Own the compliance function, get the respect you deserve and help drive meaningful and impactful conversation.
- Formulate your board deck with a sample board reporting template.

At the end of this short guide, you will be able to apply these foundational principles to every board meeting and report you prepare to present. However, it is worth noting that compliance professionals should produce a plan for the entire year with different themes and topics covered in each quarter. The board does not want to look at and review the same information in each meeting or have the same presentation in the fourth quarter than they had in the first. This approach will also set you up to shape your story better throughout the year.

CLICK HERE TO DOWNLOAD OUR  
PLANNING ROADMAP TEMPLATE

[DOWNLOAD](#)

# INTRODUCTION

***A calendar reminder comes up on your computer screen that the quarterly board meeting will begin in 15 minutes.***

Of course you know it's starting soon – it's all you and your team and your company have been preparing for in the last few weeks (some even longer). However, you don't feel incredibly confident in what you are about to say, you're nervous, you only have 20 minutes to present to the board and you have only two PowerPoint slides. How are you going to fit in all of what you want to say, with all the appropriate context, in the matter of 20 minutes?

Meanwhile, your helpline is bringing in reports of employee morale being low due to a major shift in a department's structure and you need to update a policy around social media after some male sales employees posted a picture on the company page while they were at a football game, had too much drink and captured the photo without their shirts on.

Needless to say, you have a lot of competing priorities and a lot resting on your mind; definitely not clear enough to stand in front of your board.

Right before you walk into the board room you have an epiphany: next time, next quarter, this is going to be different; this feeling of nerves and unease is going to be ones that transform into confidence, enablement and leadership.

But how?

Meeting with your board of directors can make or break the trust your company has in compliance and its dependence on the role, on you, and your team. Telling them a story that helps them get to the 'a-ha' moment is part art, part science, part skill and part luck. However, the most crucial ingredient is knowing your audience.

Results from the [January 2016 Compliance Strategy and Performance survey](#) we conducted in conjunction with The Ethisphere Institute, told us there is a clear trend of chief ethics and compliance

officers reporting directly to the CEO (36%), with a dotted line reporting to the full Board or Audit committee. Twenty-five percent report directly to the board, the survey found. The conversation you have in the formal meeting cadence must be world-class, to the point, effective, impactful and leave each board member informed.

Chief compliance officers struggle with finding time. Being on a constant back-to-back meeting schedule makes it difficult to find the bandwidth to prepare for the demands and expectations of a board meeting. But yet, despite your best intentions of being strategic, you often get stuck in the pendulum of making reactionary decisions. And when it comes to the tangible report you ultimately share with your board, it's hard to step away from the constant churn of, "what meeting do I have to go to next?" even though you have a well-developed long-range strategy. This guide will help you step outside of the daily grind so you can have the most successful and lasting meeting with your board of directors.

# TABLE OF CONTENTS

06 TELL THE RIGHT STORY

07 STORY ARC TEMPLATE

08 ALIGN YOUR STORY WITH AN EXISTING  
NARRATIVE IN THE INDUSTRY FOR VALIDATION

10 PRESENTING YOUR DATA AND  
LEVERAGING BENCHMARKING

12 SHOW, DON'T TELL

14 THE NUTS AND BOLTS OF WHAT EXACTLY  
YOU SHOULD REPORT TO THE BOARD

17 CONCLUSION

18 RESOURCES

19 CONTRIBUTORS

20 ABOUT CONVERCENT

# TELL THE RIGHT STORY

## CREATE YOUR COMPLIANCE STORY ARC

Every good story has a beginning, middle and end. Stories have a plot and setting, characters, heroes, villains and usually always end in a resolution. By framing your conversation with the board similarly, it will:

- Challenge traditional and often dull presentation slides
- Defy deficit attention spans
- Increase the likelihood of the board remembering the compliance message, (the moral of the story)

## SET THE SCENE - INTRODUCE THE CHARACTERS

- Defines the status quo

## CONFLICT

- Interrupts the status quo and creates a conflict with the protagonist

## CLIMAX

- Brings the audience to the peak of the tension, where the protagonist is taking action to resolve the conflict

## RESOLUTION

- The new status quo, where the audience sees the results of the protagonist's actions

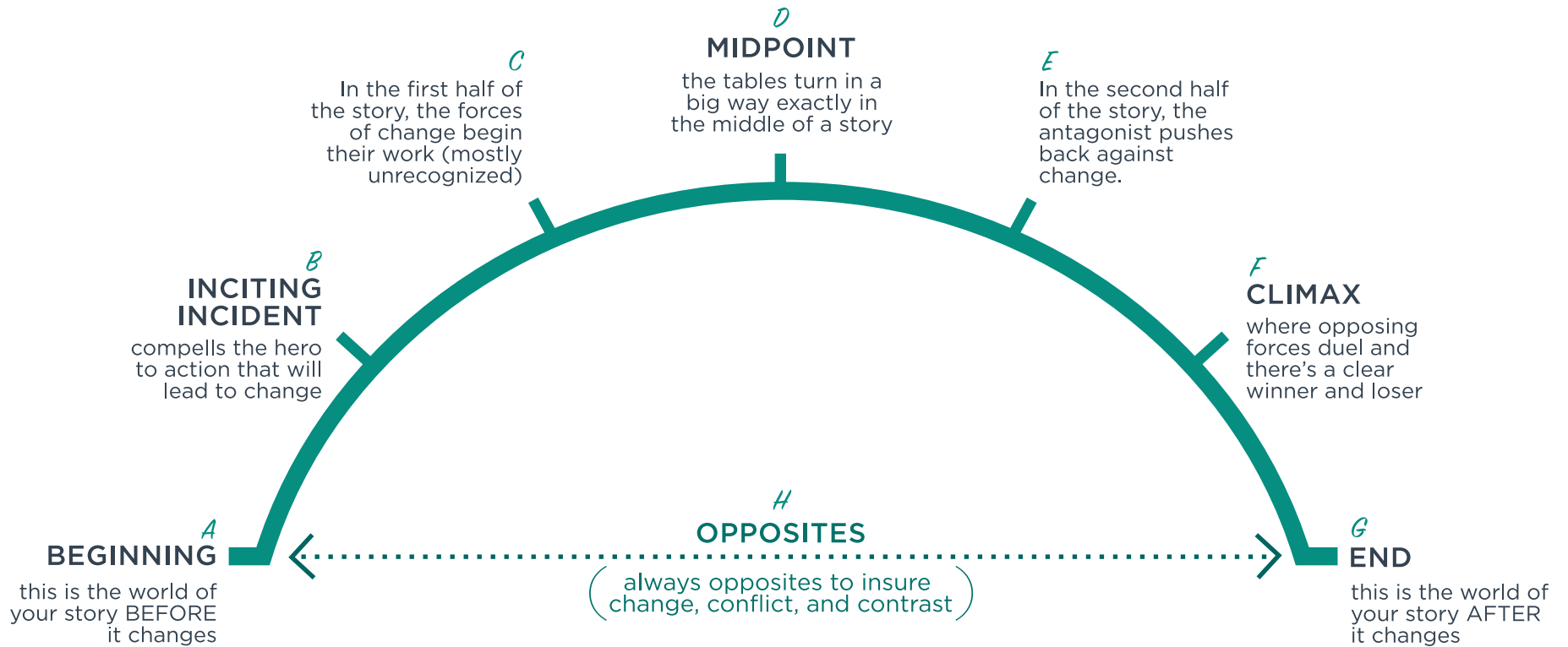


# STORY ARC

DOWNLOAD JUST THIS PAGE



DOWNLOAD



## CREATE YOUR COMPLIANCE STORY ARC:

A \_\_\_\_\_

E \_\_\_\_\_

B \_\_\_\_\_

F \_\_\_\_\_

C \_\_\_\_\_

G \_\_\_\_\_

D \_\_\_\_\_

H \_\_\_\_\_




# ALIGN YOUR STORY WITH AN EXISTING NARRATIVE IN THE INDUSTRY FOR VALIDATION

*As you tell your story and identify gaps in your program, consider the seven elements of an effective compliance and ethics program as outlined by the United States Sentencing Commission in the Federal Sentencing Guidelines Manual:*

1. Establish Policies, Procedures and Controls
2. Exercise Effective Compliance and Ethics Oversight
3. Exercise Due Diligence to Avoid Delegation of Authority to Unethical Individuals
4. Communicate and Educate Employees on Compliance and Ethics Programs
5. Monitor and Audit Compliance and Ethic Programs for Effectiveness
6. Ensure Consistent Promotion of the Program and Enforcement of Violations
7. Respond Appropriately to Incidents and Take Steps to Prevent Future Incidents





While these are the bolts of your program, know that the expectations of your program are evolving to a built in approach as well. Your board is going to be looking for compliance to constantly be proactively building and designing activities into the organization's existing operations. Why? Simply put, this helps "reduce drag and conflicting views on risk while increasing overall business impact," according to the CEB Compliance & Ethics Leadership Council. Make sure you add any of these ancillary activities into the narrative you share with your board. The DOJ is looking deeper at your program in a similar way with the addition of Compliance Counsel Hui Chen who stated that every single piece of your program absolutely needs to be tied to the actual operation and aligned with the day-to-day of the business.

Alignment of the compliance functions gives compliance more skin in the game. The business unit is now in the position to provide strategic direction, proactively identify possible risks and keep the company operationally ethical. This is a true advantage for you and your program and strategy.

Look at the operations of your compliance program to determine which topics in each area you can dig deeper. Which of these topical areas will help make your narrative stronger? What data can you pull

from these areas to help support your initiatives and your program overall?

1. Code of Conduct
2. Policies and procedures
3. Training and awareness
4. External current events
5. Monitoring and auditing
6. Remedial measures in response to deficiencies
7. Receiving reports of and responding to potential compliance violations

When presenting the categories of relevant issues as they relate to your program and organization, remember to consider each board member's other interests. Many, if not all board members sit on many other boards and have a passion in a variety of industry areas (that's what makes their perspective great to have). To cater the conversation to various areas of board member interest try using a heat map to show allegations, for example, in each risk profile and overall risk to the company, issues and types. You can then determine that some areas may or may not impact the company as it currently stands and show specific areas to the board where compliance has taken care of the situation.



## PRESENTING YOUR DATA AND LEVERAGING BENCHMARKING

In determining ethical companies, Ethisphere examines compliance programs using the following criteria, which is also used in evaluating company's for the Institute's coveted World's Most Ethical Company™ Award. These aspects are also closely aligned with industry best practices and federal expectations.

- Compliance and Ethics Program - 35%
- Corporate Social Responsibility and Sustainability - 20%
- Culture of Ethics - 20%
- Governance - 15%
- Leadership, Innovation and Reputation - 10%

This data set, provided to us with permission by Ethisphere, provides the industry's most meaningful and actionable analysis. Consider framing your story around these areas and using the same weighted approach in your narrative so you are not stuck on one topic for too long or forget to mention a key aspect of your program.

## LEVERAGING THE DATA: DRAWING THE STORY OUT OF THE ARITHMETIC

Provide your board with the big picture - the motivations as well as the best practices around robust compliance programs in general. Then, explain the specifics behind your company's ethics and compliance philosophy, strategy and systems - and their role in it all.

## PROVIDE A CLEAR BIG PICTURE

The board must understand that taking ownership of your company's compliance program is very much its job, that they set the tone at the top and that it's vital to the organization's success. They are the doctors overseeing the program's health so to speak, and because of this, should have more of a stake in your program.

## HOLISTICALLY LOOK AT YOUR ORGANIZATION

If you can step out beyond your helpline numbers - ideally, you want to show overall trends of your organization such as ethics and compliance, fraud, HR or whatever groups receive complaints and trigger investigations. Unless you are all in one system, this will require mining this data in multiple options such as:

- Allegations and inquires - the latter demonstrates proactivity on the employees' part to ask before they do something.
- Data that can tie to effectiveness of the program's communications and training.
- Show substantiation rates and show your board what you are doing about it.
- Case trends and root cause - what caused it and what you are doing about it.
- How are you meeting the needs of your stakeholders such as your board, employees, shareholders and local community?

*The following data sources should explain why a compliance program is important and what a good program looks like. The information that can help support those objectives is:*

## HELPLINE AND INTERNAL REPORTING:

- Number of calls to your helpline
- Helpline statistics
- Number of issues that come from each investigation
- Corrective actions taken as consequence of policy revisions, self-reporting, or disciplinary action
- Attrition rates
- Issues reported to your office through other reporting mechanisms
- Root cause analysis results
- Open door reports

## CULTURE SURVEYS AND RISK ASSESSMENTS:

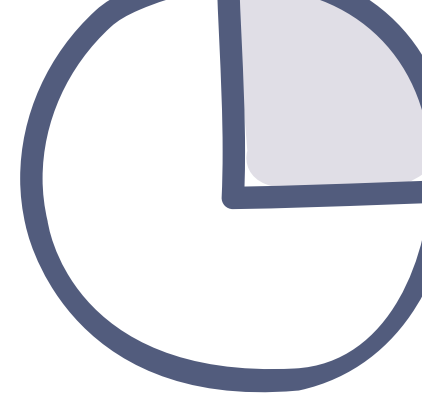
- Do employees feel safe and free of retaliation to speak up?
- Do employees feel comfortable reporting something their manager may be doing?
- Do employees believe the company will do something with what they report?

## INFORMAL DATA COLLECTION ANECDOTAL KNOWLEDGE (OFTEN MORE VALUABLE THAN SURVEY DATA):

- Who are the people in the field pushing out culture?
- What ways do you work with these employees to adjust your policies and training?
- How often do you visit these teams in-person to gather this kind of information?

## OTHER INFORMATION:

- Compliance training statistics
- Policy attestation rates



# SHOW, DON'T TELL

***Being efficient with your time in the short range is a huge challenge, compliance practitioners tell us. And to be the most effective with your time in front of the board, consider an aspect of a good story: show, don't tell. Show results. Show your plans. Show your strategy.***

Details, details, details. Don't tell the board what you have been doing all quarter, show them by using well-placed details to bring each initiative or activity to life. Great storytellers do this by using expressive dialogue to show the emotion and attitude of their characters. You can use this same technique to be more effective with your time in front of the board. Think of your employees as your characters and give your board more insight into the daily grind of how they carry and sustain the company culture and values or how they do not and what you are doing to ensure that is not the status quo.

## REMIND YOUR BOARD WHY THEY SHOULD CARE

***Due to the U.S. Department of Justice's Yates Memo, your board's interest in hearing your story is a personal one. Under this memo, they are personally liable and accountable for any high-profile compliance failures. Expect and assume you will have a highly engaged audience the day of your board meeting, especially during your time slot.***

As stated earlier, board members are busy and have vested interests in a variety of different places. There is no harm in honestly reminding your board why companies and those governing them need to pay special attention to the company's compliance program.

Help to put compliance in context and provide a more illustrated look of the function and its impact on the company. Use some current examples in the headlines that are relevant to your industry. Show then how your compliance program has specifically impacted that topic for the company. Make the point that headline grabbing

scandals can happen to everyone and anyone if they are not equipped or prepared with a compliance foundation. Example scandals to present: Wells Fargo, Wal-Mart, HSBC, or Pzifer, and of course, the infamous cases of WorldCom and Enron.

Structure the conversation by starting off with any new regulation, laws or judicial guidance that came in that quarter or year that pertains to your industry and your company. Provide examples of how an excellent compliance program can be worth it.



## DON'T FORGET TO SHARE THE BRIGHT SIDE.

Provide a good example of a compliance program being effective. In 2012, for example, a Morgan Stanley employee was sentenced to nine months in prison for FCPA violations in China. Yet, the DOJ declined to prosecute the firm on account they were able to show the employee was trained on FCPA seven times and reminded him to comply at least 35 times.

## SHOW ETHICS AND COMPLIANCE WINS.

Share a story with your board of an issue that was reported which resulted in something positive for the company such as a near miss, process improvement, policy change or addition. This will show your program is working and demonstrate its effectiveness and procedural justice.

When sharing your story, give the board proof points of how your program is evolving and staying innovative. You may consider adding details in your story around activities that occur during the company's Ethics and Compliance Week or when you implemented a new technology solution to automate a compliance activity.

# THE NUTS AND BOLTS OF WHAT EXACTLY YOU SHOULD REPORT TO THE BOARD

## *Deliver a regular and thorough report to the board*

Compliance executives typically have a team of other professionals helping them collect the right data. Be sure the person that heads up the actual work is in the room with you. This allows the board to directly question the person who is closest to the issues and build a relationship with them.

It's important to highlight what risks you are seeing in the company and in the industry as a whole. You want to educate your board, put them at a peace of mind that you have your finger on the pulse and minding the shop. Provide a heat map visual. This allows you to risk rate your allegations to depict the severity of your issues and how you're addressing them. In other words, you may have a high number of reports but that does not necessarily mean the company is in jeopardy.

For example, if you consider high risk allegations such as discrimination and their percentage of case makeup compared to low risk such as: "my boss is a jerk," can keep the board from getting overly excited.

Give them a sense of health in the organization by sharing the most recent information you have available on:

- Helpline statistics
- Compliance training statistics
- Policy attestation rates
- Investigation reports
- Risk assessments and changes
- Quarter-over-quarter statistical comparison
- Culture assessment reports
- Compliance-related statistics from employee surveys
- Important changes or rulings in compliance law as applicable to your jurisdiction and industry
- Any other relevant data

## KEY PLAYERS

The key compliance actors within the company as well as the reporting chain. If the compliance lead has direct access to the CEO and board, say so (if not, you should arrange for such access and then say so).

## INCENTIVES

How compliance plays into executive and management compensation and incentives.

## RISK

How the program covers the company's high-risk areas at home and abroad. Make clear how these initiatives apply not only to employees, but also to business partners, vendors, subcontractors and third parties.

## CULTURE

How the company is fostering an ethical culture and how leadership supports those efforts.

## RESOURCES

What you spend on the compliance program, that number is rising or falling, and why. Is the compliance department appropriately staffed?

## LEADERSHIP

What top management is doing to foster a culture of compliance and how the company is leveraging middle management who, being near the front lines, are an invaluable resource.

## TRAINING AND AWARENESS

What training programs are available for different types of employees and what internal communication strategies and vehicles are being used to keep ethics and compliance top of mind across the organization.

## ASSESSMENT

The ongoing monitoring and auditing processes that assess the program's effectiveness, including how periodic program reviews are done and how the program has been validated by an independent third party.

## RESPONSE

The processes and communication lines the company has established to review compliance violations, how responses are calibrated and what measures have been put in place to stop it from happening again.

## OPEN DOOR

How you encourage employees to come forward with reports of misconduct and how you disseminate your non-retaliation policy. Tell the board how your managers are trained to field employee reports, document alleged misconduct and move reports up the reporting chain in a timely manner - as well as the steps in place to investigate them.

CLICK HERE TO DOWNLOAD A SAMPLE BOARD PRESENTATION



DOWNLOAD

## PLANNING

To wrap up, describe your plans for the compliance program during the next year and beyond.

## TELL BOARD MEMBERS HOW THEY CAN GET INVOLVED

Give each board member the opportunity to engage in the program. For example, some companies are posting director interviews about ethics and compliance on their company intranet. Some of the most effective examples involve sharing ethical challenges the board member faced in their own career. A director might also volunteer to take an employee ethics award winner to lunch, or lend their voice to employee compliance communications. They may have better ideas (you should ask them), but the bottom line is that involving your board will increase their awareness and support of the program --- and sends a powerful message to employees, regulators and other stakeholders that the board has made compliance priority.






## CONCLUSION

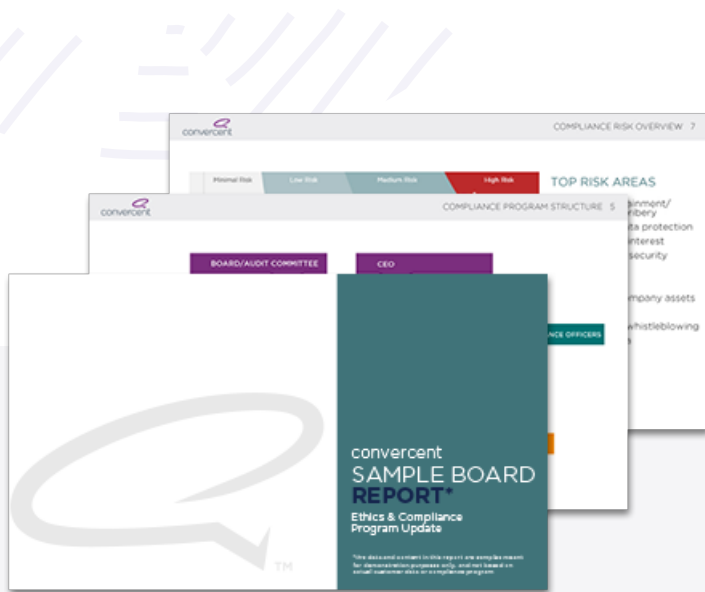
Remember, effective boards ask questions. But rather than telling them what questions they should ask, your company and compliance program should focus on putting together a solid edifice of information using the planning roadmap and story arc provided here – including both hard data and a narrative perspective – about the nature and effectiveness of your compliance program.

Keep your board updated formally with quarterly meetings and informally through a designated champion to keep current board members up-to-date on what you and your compliance team are doing to maintain high compliance standards and minimize risk. The higher quality your board coaching and briefing are, the better the remaining questions from your board members will be. All in all, taking this foundational and repeatable approach to keeping the lines of communication open and honest between you and your board will strengthen your company's governance, controls and compliance program.



# RESOURCES FOR YOU

Take advantage of these free downloads:



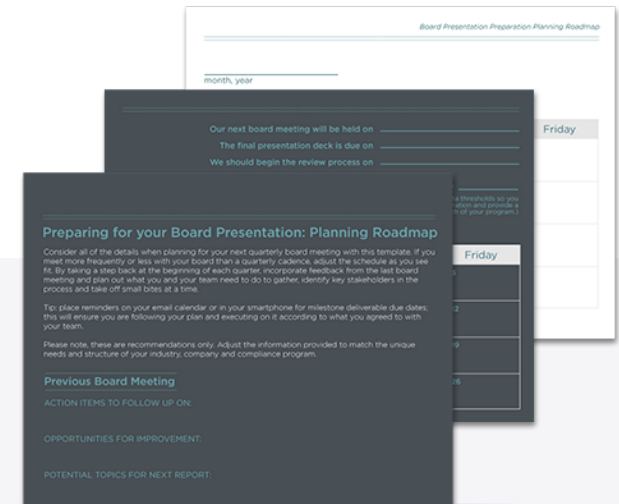
SAMPLE BOARD REPORT

DOWNLOAD



BoD FAQs: 45 QUESTIONS YOUR BOARD CAN (AND SHOULD) ASK ABOUT THE COMPLIANCE PROGRAM

DOWNLOAD



PLANNING ROADMAP TEMPLATE

DOWNLOAD

# CONTRIBUTORS



## KATIE SMITH

*EVP, Chief Compliance Officer, Convercent*

Katie Smith serves as EVP and Chief Compliance Officer for Convercent. Bringing nearly 20 years' experience from the high tech, energy, insurance and financial services industries, Katie has implemented ethics and compliance programs for multinational companies. Her professional passion flourishes in building compliance programs from the ground up and raising awareness throughout the company on the importance of proactive compliance and ethics management.



## ERICA SALMON BYRNE

*EVP, Executive Director of Business Ethics Leadership Alliance (BELA), Ethisphere Institute*

Erica Salmon Byrne is the Executive Vice President, Governance and Compliance for The Ethisphere Institute, where she has responsibility for the organization's data and services business and works with Ethisphere's community of clients to assess ethics and compliance programs and promote best practices across industries. Erica also serves as the Executive Director of the Business Ethics Leadership Alliance.



## ABOUT CONVERCENT

Convercent's risk-based global compliance solution enables the design, implementation and measurement of an effective compliance program. Delivering an intuitive user experience with actionable executive reporting, Convercent integrates the management of corporate compliance risks, cases, disclosures, training and policies. With hundreds of customers in more than 130 countries — including Philip Morris International, CH2M Hill and Under Armour — Convercent's award-winning GRC solution safeguards the financial and reputational health of your company. Convercent is backed by Sapphire Ventures, Tola Capital, Azure Capital, Mantucket Capital, and Rho Capital Partners. Convercent is based in Denver, Colorado.