MORE THAN CODES:

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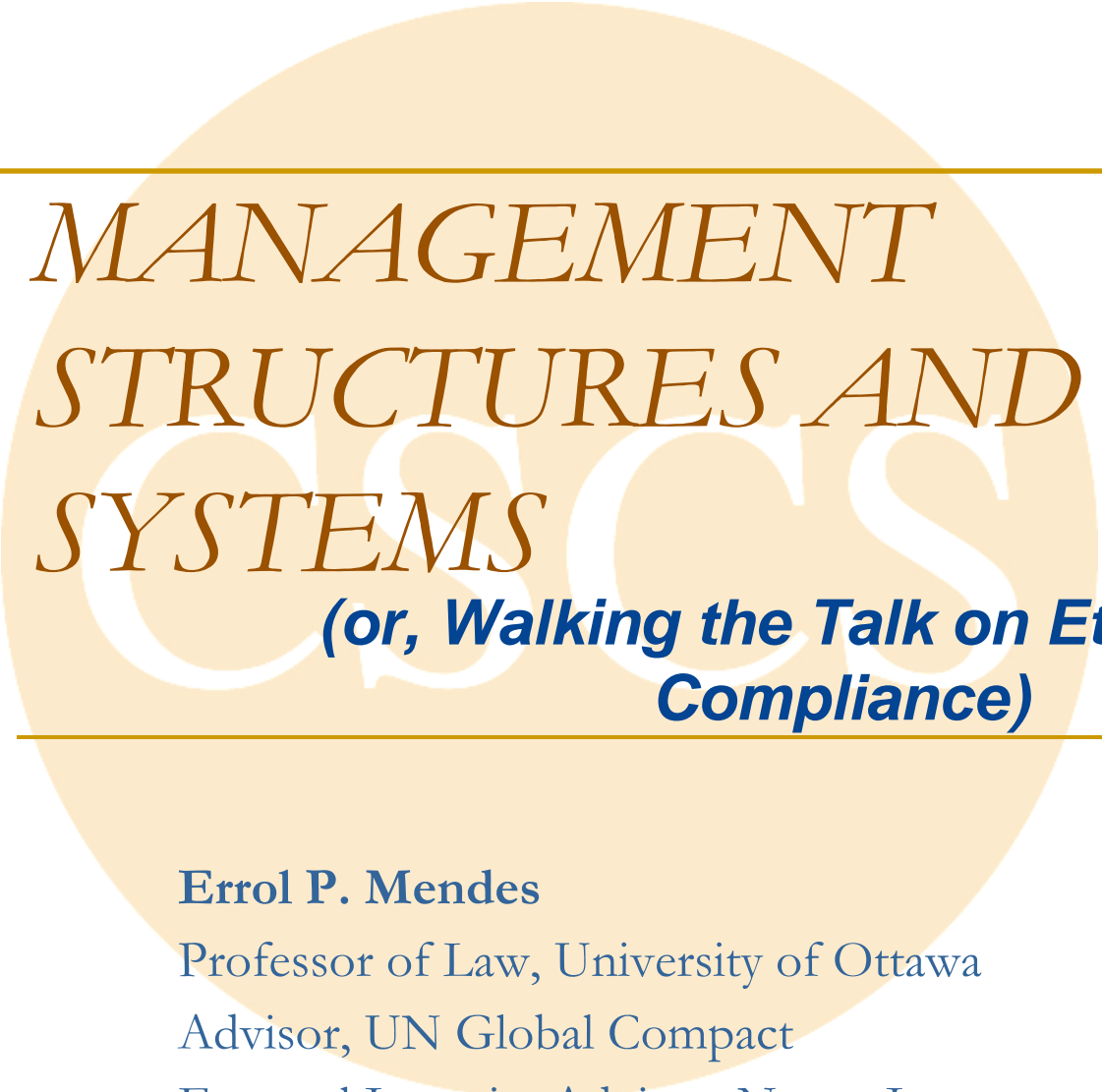## Management Structures and Systems for Developing a Culture of Ethics and Compliance

Moderator: Tom O'Keefe, VP of Sales, EthicsPoint

Panelist: David G. Masse, Assistant Corporate Secretary, CGI

Panelist: Errol P. Mendes, Professor of Law, University of Ottawa

MANAGEMENT STRUCTURES AND SYSTEMS

(or, Walking the Talk on Ethics and Compliance)

Errol P. Mendes
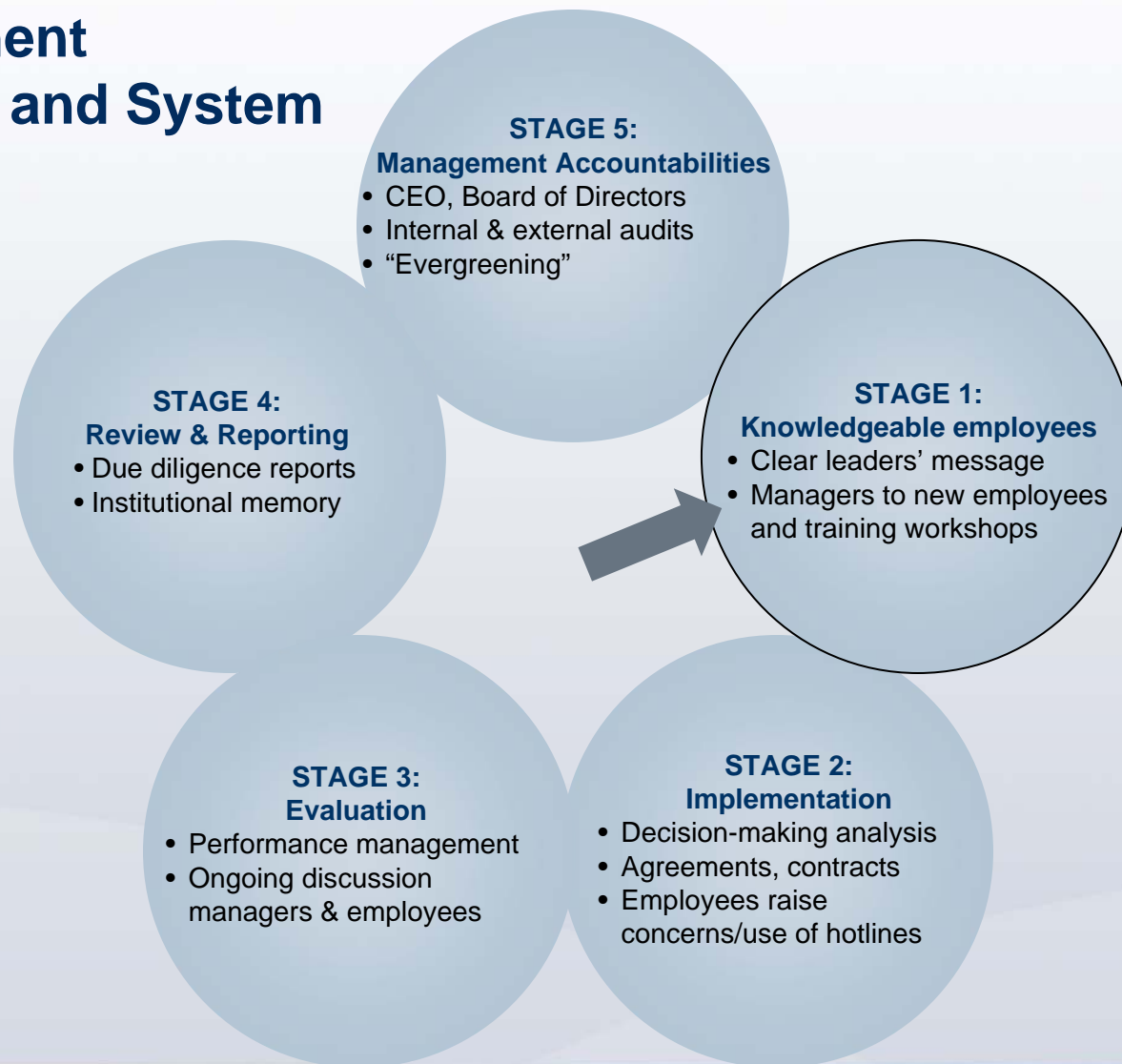
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Management Structure and System

STAGE 5:
Management Accountabilities
- CEO, Board of Directors
- Internal & external audits
- "Evergreening"

STAGE 4:
Review & Reporting
- Due diligence reports
- Institutional memory

STAGE 1:
Knowledgeable employees
- Clear leaders' message
- Managers to new employees and training workshops

STAGE 3:
Evaluation
- Performance management
- Ongoing discussion managers & employees

STAGE 2:
Implementation
- Decision-making analysis
- Agreements, contracts
- Employees raise concerns/use of hotlines

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Encourage Buy-in: Management

- Be up-front about the creative tension

- Demonstrate that Management is prepared to "walk the talk"
  Example: Ensure that all senior management speak on ethics and compliance

- Place additional ethics responsibilities on top management: to require Management to be available to staff to discuss ethics issues

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Encourage Buy-in: Compliance

- Manage employee compliance provisions of ethics codes without a "policing" tone

    - *Attempt a more collegial tone and offer room for "safe harbor" consulting on ethics issues rather than rely only on hot lines*

- Ensure that compliance provisions are reasonable and do not put management responsibilities on staff

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Encourage Buy-in: Complexity

- Tighten up unclear provisions in ethics and compliance policies where possible

- Admit that ethical issues are sometimes complex

  - *Emphasize that complexity never justifies avoiding the issue*

  - *Demonstrate Management's commitment to join with staff to wrestle with the difficult, uncomfortable cases to generate workable, sustainable solutions*

- While ethics principles are non-negotiable, this does not mean they are not capable of being sensitive to operational realities

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Encourage Buy-in: Incentives

- Indicate that resisting or ignoring policies means missing the boat

  - *Emphasize that ethics and compliance is not just another obstacle to jump over before getting the deal done, but rather a fundamental aspect of doing business*

- Show that staff will enjoy efficiency benefits by integrating ethics principles into their business activity

- Show staff that applying ethics policies now will reduce risk to both themselves and the company down the road

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Suggested Manager Responsibilities

- Managers are responsible for integrity and ethical issues in the business activities they direct. They should:

  - *Ensure their employees are aware of their responsibility to raise ethical concerns*

  - *Be available to employees, agents, or other representatives who seek guidance to manage an ethical concern and ensure these individuals know they are available*

  - *Seek out ethical concerns that could result from present or prospective activities*

  - *When involved in arranging partnerships, ensure ethical concerns are covered*

Suggested Employee Responsibilities

- With respect to agents and third parties contracted by employees, employees must:

  - *Identify those third parties who may be covered by the ethics and compliance policies*

  - *Ensure those persons understand the policies and how they apply*

  - *Require those persons to agree to comply with relevant aspects of the policies*

  - *Take necessary action, including terminating the contract, when learning that a third party has failed to honor their agreement to abide by the policies*

IMPLEMENTING ETHICS IN PRACTICE

Tone at the top… the impact a founder makes

David G. Masse

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The Birth and Evolution of CGI Group Inc.

- The company was founded by Serge Godin in 1976

- It has grown to become a truly global business, employing 25,000 people throughout Canada and the United States, with a strong presence in Europe and Asia

- Growth has been fuelled in large measure by disciplined acquisitions coupled with organic growth, including large outsourcing contracts

- Throughout its history, culture has been the binding force that has permeated the very fabric of the company

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A vibrant corporate culture…

- Serge Godin will tell anyone who cares to listen that CGI is based on a dream

- Serge's dream was to build a company in which employees genuinely enjoy working together to build a company they can be proud of

> "Our fundamental belief is that a company with an inspiring dream, unparalleled integrity, a caring, humane management philosophy and solid values is better able to attract and respond to the profound aspirations of remarkably high calibre, competent people. These people in turn will seek out a select clientele, one aware of the company's values, and will deliver high-quality services at a competitive price, while meeting the company's profitability objectives"

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To begin again… with each new recruit

- Maintaining a consistent corporate culture requires a depth of commitment and rock solid discipline

- It means sharing the culture with each new recruit

- It means not merely paying lip service to the values, but explaining how the core values relate to the fundamental economic value of the business

> Michael Roach, CGI's CEO: "… in my earlier life when I used to write these policies and processes, I was always willing to be challenged on the "why"… I think that's a good acid test or us as leaders; it's also a very good acid test of the logic and the common sense behind what you're trying to do. And frankly, if you can't explain why you're doing something, you probably shouldn't be doing it."

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"You and CGI"

- Every new CGI employee receives a booklet entitled "You and CGI"

- The first section of the booklet is almost entirely devoted to explaining CGI's dream, founding principles and fundamental values

- The history of the company comes next

- Only after the values and history of the company are presented in detail does the booklet speak to the economic aspects of the company and its positioning in the industry

- The company's fundamental values become the dominant theme in the section concerning personnel relations, training, recognition and advancement

- The booklet eventually provides the nuts and bolts information that the new recruit needs in relation to working conditions and benefits and company policies

- The final section is "Our commitment to our members" and re-iterates the importance for each employee of truly living the company's values

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Training the trainer…

- Keeping the culture alive and well means that substantial efforts to maintain and nourish the culture must be consistently brought to bear

- CGI's Leadership Institute provides new management personnel with what is affectionately referred to internally as "CGI 101"

  - Intensive off-site Sunday to Friday, dawn to evening

  - Workshops lead by the key senior executive team including the CEO, CFO and other key corporate officers

  - Strong focus on meaningful leadership

  - Constant explanation of how the company's values are tied to its success in the market place

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Training the trainer…

- Michael Roach, CEO:

  "Now in my younger life, I have a degree in economics, so this would defy a lot of the economic theory that I was taught in economies of scale, but it really demonstrates that the power of people, and having people understand what you're trying to do, can be more powerful than a company 5 – 10 times the size of our company. So we beat IBM, not because we have more economies of scale, but because we have more economies of culture, we're better aligned, we're more motivated. We're more committed to what we're attempting to do, and this shows up in our bids. I have to tell you, in large outsourcing bids, when we give presentations… it clearly comes back where people say "your people are more down to earth, they're more like us, they're more focused, they're more committed… It looks like it's something beyond a job with your people"."

Making principles an ongoing commitment…

- CGI has taken the unusual step of crafting what are referred to as its *Fundamental Texts*

- The Fundamental Texts comprise, in the following order

  - The dream, vision, mission and values of the company

  - The CGI management foundation, which explains how the values relate to the company's key management processes, the interests of its stakeholders (employees, customers and shareholders) and its governance structure

  - The charters of the Board of Directors and standing committees, and finally

  - The *CGI Code of Ethics and Business Conduct*

Making principles an ongoing commitment…

- The *Code of Ethics and Business Conduct* begins with a letter from the founder, Serge Godin, that concludes:

  > "We must always behave responsibly and in line with the Company's core values when working on behalf of CGI for its clients and other stakeholders. By preserving our personal integrity and the professional reputation of CGI, I am confident that together we will succeed in achieving the company's mission and vision."

- The *Code of Ethics and Business Conduct* is not a codified set of rules intended to provide rigid direction, but rather simply state in more detail, and with greater focus the standard of behaviour that CGI expects of its members in their relationships with each other and with customers, suppliers and the society in which we live

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What emerges is the company as an organism…

- CGI sees itself more than anything else as a dynamic living organism that is more than the sum of its parts

- The values and culture that CGI has taken great care to develop, express, enshrine and impart to its members are understood by all who work here as much more than a compliance requirement, they are truly the life blood of a company whose only product are the professional services that its employees offer to the market.

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OPTIMIZING GOVERNANCE, RISK & COMPLIANCE

Creating a GRC Strategy

Tom O'Keefe

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Optimizing Governance, Risk & Compliance

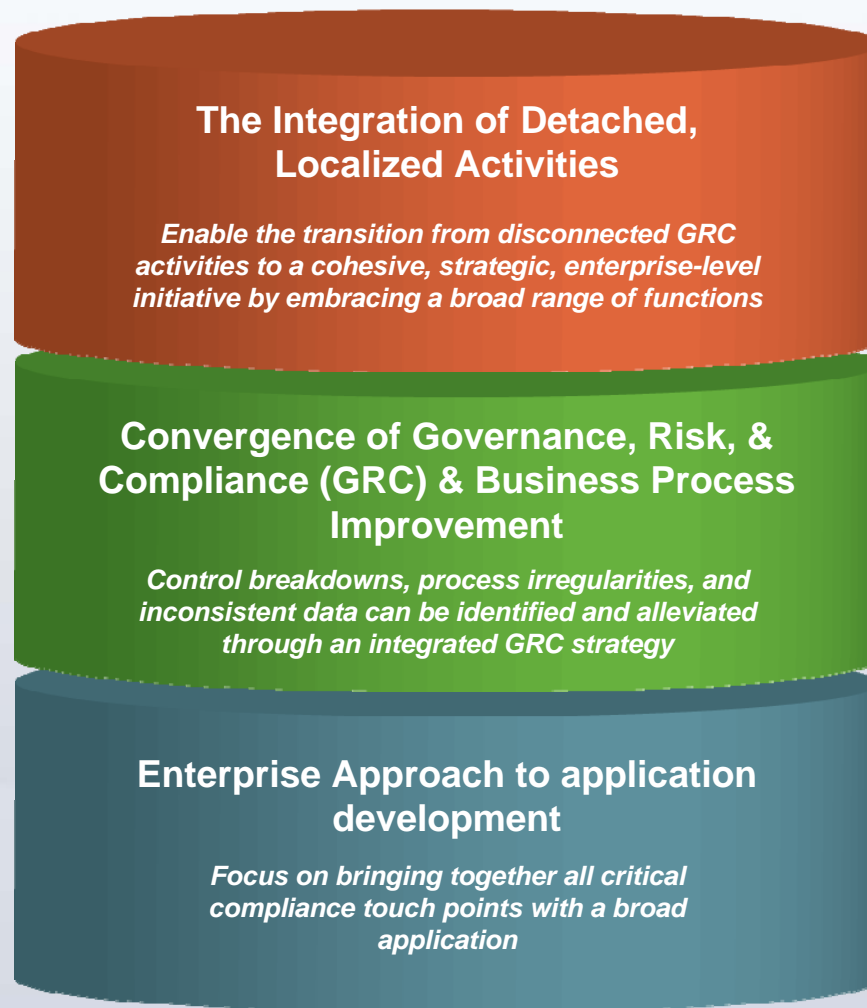| Policies, Procedures, Controls	Risk and Control Assessment	Risk Analytics	Loss, Event, Investigations Management

Source: "Overcoming Risk And Compliance Myopia"; The Four Areas of the Governance, Risk and Software Compliance Platform. Michael Rasmussen, Vice President, Forrester Research

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The EthicsPoint Philosophy

The Integration of Detached, Localized Activities

Enable the transition from disconnected GRC activities to a cohesive, strategic, enterprise-level initiative by embracing a broad range of functions

Convergence of Governance, Risk, & Compliance (GRC) & Business Process Improvement

Control breakdowns, process irregularities, and inconsistent data can be identified and alleviated through an integrated GRC strategy

Enterprise Approach to application development

Focus on bringing together all critical compliance touch points with a broad application

GRC: Challenges & Opportunities

For global 2000 companies striving to accelerate growth and enhance business performance while meeting ever increasing GRC complexity, companies must deliver unified Governance, Risk, and Compliance (GRC) initiatives.

*…With increased focus on corporate governance and enterprise risk management, **firms need governance, risk, and compliance (GRC) software platforms** to drive sustainability, efficiency, and consistency in managing enterprise risk and compliance.*

- Michael Rasmussen, VP, Forrester Research
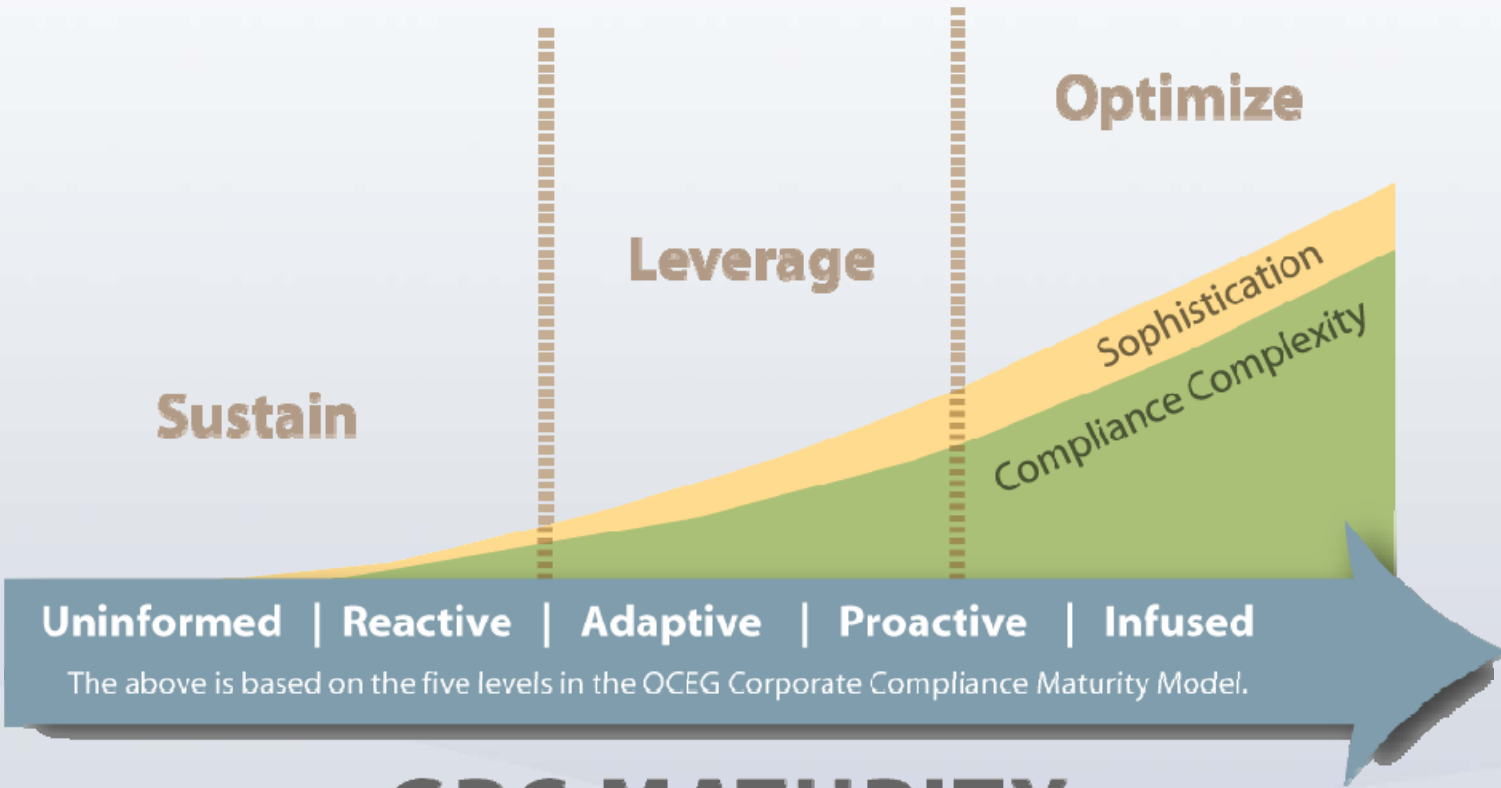"Overcoming Risk and Compliance Myopia"

*…In an economy where **70%** to **80%** of market value comes from hard-to-assess intangible assets such as brand equity, intellectual capital, and goodwill, **organizations are especially vulnerable to anything that damages their reputations…***

- Robert G. Eccles, Scott C. Newquist, and Roland Schatz; Harvard Business Review, February 2007, "Reputation and Its Risks"

Changing Governance Spectrum

Optimize

Leverage

Sophistication

Compliance Complexity

Sustain

Uninformed | Reactive | Adaptive | Proactive | Infused

The above is based on the five levels in the OCEG Corporate Compliance Maturity Model.

GRC MATURITY

*"To gain a total picture of organizational performance, **'organizational silos' must be broken down,** and data from separate IT systems must be merged."*

- Scott Mitchell, President and CEO, OCEG

Creating a GRC Strategy

Creating a GRC Strategy

The EthicsPoint "Reflection Point" Advantage

Policy & Controls Solutions SOX 404 & 302	⟵ GRC Strategy ⟶	Risk Assessment & Management Solutions

- Since 2002, billions have been spent on SOX 404 and Risk Mitigation solutions

- With the changing GRC spectrum, organizations are just beginning to realize the functional gap that exists due to disparate systems and inconsistent data and process management

- EthicsPoint is rapidly becoming recognized by professional service providers as the convergence solution leader

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Thank You…

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Questions?