

## Modernizing Compliance

**Protecting and creating value at the speed of business**



As the world's leading risk advisory firm, Deloitte understands the business imperative of protecting and creating value in the face of heightened compliance and ethics risks.

### The new strategic imperative in Consumer and Industrial Products

While operating in diverse business sectors, Consumer and Industrial Products (C&IP) companies face remarkably similar pressures in one area: expectations to outperform competitors while operating ethically and in compliance with the law. More than ever before, regulators, customers, investors, supply chain partners and others are scrutinizing not only whether C&IP companies deliver in the marketplace, but also *how* they do so. Furthermore, the business benefits of managing compliance risk effectively are becoming ever more apparent. In these circumstances, it is clear that having an effective enterprise compliance program has become more than a business necessity—it is now a strategic imperative.

For too long, many compliance professionals have been focused on point solutions and analyzing tactical, transactional data in search of what went wrong. It is time for the compliance function to change its focus from hindsight to foresight, while teaming with the business to enable growth. This will require modernization of the compliance function and approaches to compliance.

Compliance and regulatory functions have the potential for enhanced alignment with business strategy and operations. Closer partnership with business units and corporate functions enables risk intelligence, operating efficiencies and a broad-based commitment to high performance with high integrity.

### Outcomes of a Modernized Compliance Program



#### Transformative change

Re-engineer core processes and automate the function to be more proactive and predictive. Modern enterprises need top-of-the-house strategies and reliance models.



#### Flexibility

Rapidly able to scale up or down, ready to respond to imperative needs of the business, unexpected remediation, or changing regulatory landscape.



#### Increased capacity

Re-engineer traditional resource models and allocation methods and use deployment of technology, analytics, managed services, and offshore resources to achieve highest and best use of resources.



#### New competencies

Compliance professionals are elevated to true business partners and advisors.



#### Potential Cost Reduction

Cost reduction opportunities exist by creating efficiencies and seeking ways to be more effective with increased capacity across the organization through use of tools, technology, and resource allocation.



#### Enterprise-wide view of risk and compliance

From predicting to sensing, acting, and monitoring, the lines between these formerly separate realms are disappearing quickly.



#### Less burdensome on the business

Increased efficiency and effectiveness reduces duplicative and burdensome compliance activities previously executed by the business

## Drivers for Modernizing Compliance

Pressure for change is coming from many directions.

### Internal challenges

- Lack of executive leadership engagement
- Fragmented regulatory/compliance change management, especially where decentralized business models and siloed operations inhibit communications
- Lack of strategic compliance vision
- Inadequate understanding and engagement of “first-line-of-defense” groups
- Resource/staffing challenges with significant manual processing
- Weak governance and oversight
- Ineffective coordination across multiple business units and jurisdictions
- Disparate risk assessment methodologies
- Ineffective interaction/leverage of technology and data analytics
- Vast amounts of segregated data that must be identified, managed and analyzed to move from data collection to insight



### Emerging technologies

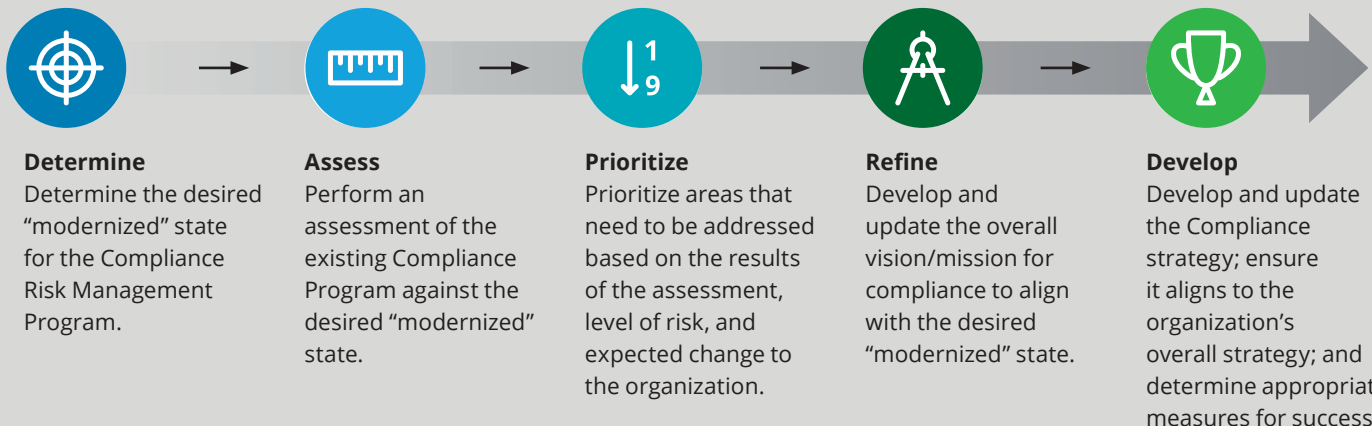
- Use of new Regulatory Technology (RegTech) tools to manage compliance risk, such as:
  - Cognitive compliance tools that analyze unstructured data (e.g., survey responses or email traffic) to identify compliance risks and patterns of behavior
  - Risk sensing, which uses human insights and advanced analytics capabilities to identify, analyze and monitor new and emerging risks with the potential to disrupt business
  - Automation/robotics-integrated governance, risk and compliance (GRC), which relieves compliance and risk professionals of complex, manual data aggregation tasks, allowing them to focus on compliance risk mitigation
- Big data and analytics
  - Increased use of unstructured, high-volume data to drive risk identification and process enhancement

### External pressures

- Heightened business conduct expectations of regulators, investors and consumers, who are increasingly concerned with the impact of corporate misconduct
- Technology-enabled transparency, especially through social media
- Increased media coverage of compliance and ethics failures, especially those that impact employees and consumers
- Complexity and breadth of supply chain risk given size and scope of operations/ services
- Oversight from multiple regulatory agencies, whose requirements are growing
- Increasing complexity of regulatory requirements, combined with more aggressive enforcement action and more draconian penalties
- Multiple jurisdictions with complex or conflicting laws/regulations

## Plan of action

Following a staged approach brings method to the modernization.



# What does it look like?

## Client success stories

### Integrating and scaling compliance in a dynamic enterprise

Deloitte Risk and Financial Advisory supported a leading automotive company in its efforts to harmonize, enhance and scale its compliance and ethics activities across the company. Business drivers included major corporate reorganization and significantly increased regulatory oversight. Outcomes included a unified governance structure; a more cohesive, values-based culture; and a shared commitment to compliance across operating units and functions.

#### A Roadmap for Transformation

Deloitte Risk and Financial Advisory helped the automotive company develop a roadmap for transformation, including initial, medium- and long-term priorities. Design and implementation activities resulted in:

- Compliance and ethics framework and standard operating procedures
- “Three lines of defense” governance structure, including roles and responsibilities for the business, compliance organization, and Internal Audit
- Modernized, values-based code of conduct, designed to engage, educate and enable employees
- Consolidation of seventeen different employee speak-up programs into a single company-wide program
- Enhanced risk assessment process
- Clear responsibilities and accountabilities for integration of compliance commitment and activities into business operations

### Strategy Redesign



### Reinventing the code of conduct

Following the merger of two global industrial products companies, Deloitte Risk and Financial Advisory was engaged to create a code of conduct for the newly integrated organization.

Deloitte Risk and Financial Advisory enlisted client stakeholders in a vision of a reinvented code; one that didn't merely aggregate the two former codes, but one designed to inspire values-based behaviors that would mitigate risk while promoting the desired unified culture.

Beginning with an executive workshop, Deloitte Risk and Financial Advisory's collaborative approach recognized that process was as important as the final product. Guided by a detailed outline and working through a phased content creation process, Deloitte Risk and Financial Advisory helped the company to achieve its three main priorities:

01. Clarify and align on organizational values as behavioral drivers
02. Unify expectations and standards of conduct across a broad risk universe and wide geographic footprint
03. Simplify guidance to engage, educate and enable employees in putting values-based behaviors into practice

## Other ways Deloitte is helping companies modernize (sample):

### Strategy

**How the organization allocates resources to compliance and integrates compliance activities:**

- Compliance Vision and Strategy Redesign
- Resource Allocation Methodologies
- Compliance ROI and KPI Frameworks
- Compliance Risk Appetite Frameworks
- Employee Engagement and Awareness

### Technology

**Use of technology and data to enable and automate the compliance function:**

- Robotics
- Predictive analytics
- Natural Language Processing
- Behavioral Analytics
- GRC

### Taxonomy

**Consistent way for assessing, measuring and reporting compliance:**

- Governance models
- Risk Assessment Design
- Monitoring and Testing Design
- Data Measurement and Reporting
- Escalation and Investigation Design

### Operational

**How compliance is organized and interacts with functions across:**

- Risk Management Framework
- Compliance Reporting Structure Design and Organizational Design
- Managed Services for Compliance Operations
- Values-based Codes of Conduct, Policies, and Training

Let's talk

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## Attributes of a Modernized Compliance Program

- Proactive instead of reactive oversight and execution
- Align/embed Compliance Risk Management strategy to business strategy
- Partner with the businesses to drive organization growth while remaining compliant
- Improved integration and rationalization across the three lines of defense
- Enhanced regulatory change management coverage and process
- Alternative delivery models and deployment of technology/analytics