

OCEG

OPEN COMPLIANCE & ETHICS GROUP

# Open Compliance & Ethics Group

Integrating Governance, Risk Management,  
Compliance and Culture to promote solid values,  
ethics and integrity. . .

**...Putting Principles Into Practice**

OCEG is a 501(c)3 nonprofit that provides standards, guidelines,  
tools and online resources to address governance, risk  
management, compliance and ethics





# Integrating Governance, Risk Management, Compliance and Culture

## mission

OCEG is a nonprofit organization that uniquely seeks to help organizations drive performance by enhancing corporate culture and integrating governance, risk management, and compliance processes via:

### GUIDELINES & STANDARDS

- Summary of legal requirements
- Process guidelines & standards to address requirements
- Technical standards (key systems and integration points)
- Both high-level and detailed guidance

### EVALUATION CRITERIA & BENCHMARKS

- Program effectiveness (both design and operation)
- Program performance
- Continuous program benchmarking

### COMMUNITY OF PRACTICE

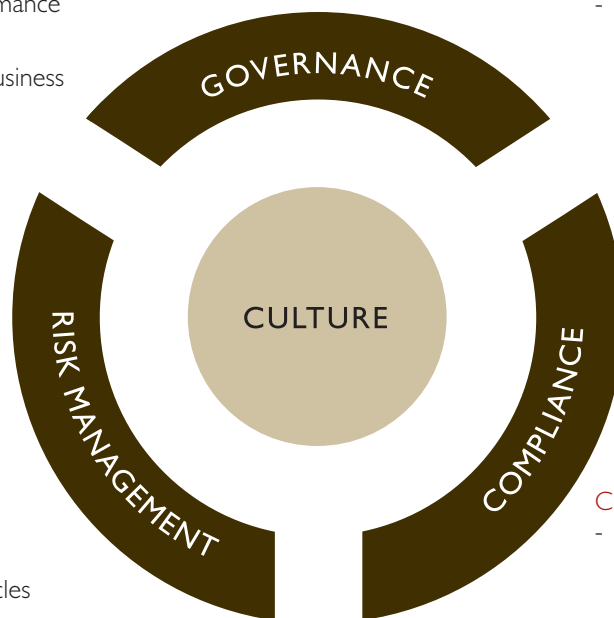
- Online space where professionals can collaborate
- Online tools & resources
- Groups to discover, create, and evolve guidelines
- Forums for discussion and exchange

### Governance

- set and evaluate performance against objectives
- power to authorize a business strategy and model to achieve objectives

### Culture

- establish an organizational climate and mindsets of individuals that promote ethical behavior; trust, integrity and accountability



### Risk Management

- proactively identify and rigorously assess and address potential obstacles to achieving objectives
- identify and address risks that the organization will step outside of mandated and voluntary boundaries

### Compliance

- proactively encourage and require compliance with established policies and boundaries
- detect noncompliance and respond accordingly

OCEG is the only **nonprofit** organization dedicated to translating and integrating the principles of corporate governance, risk management, compliance and culture - and putting them into practice to drive and support organizational performance

putting principles  
into practice™



***OCEG has a straightforward, ambitious and timely mission: to help organizations align their governance, compliance and risk management activities to drive business performance and promote integrity.***

*2006's Influencers: 60 Authoritative Voices  
Business Finance – January, 2006*

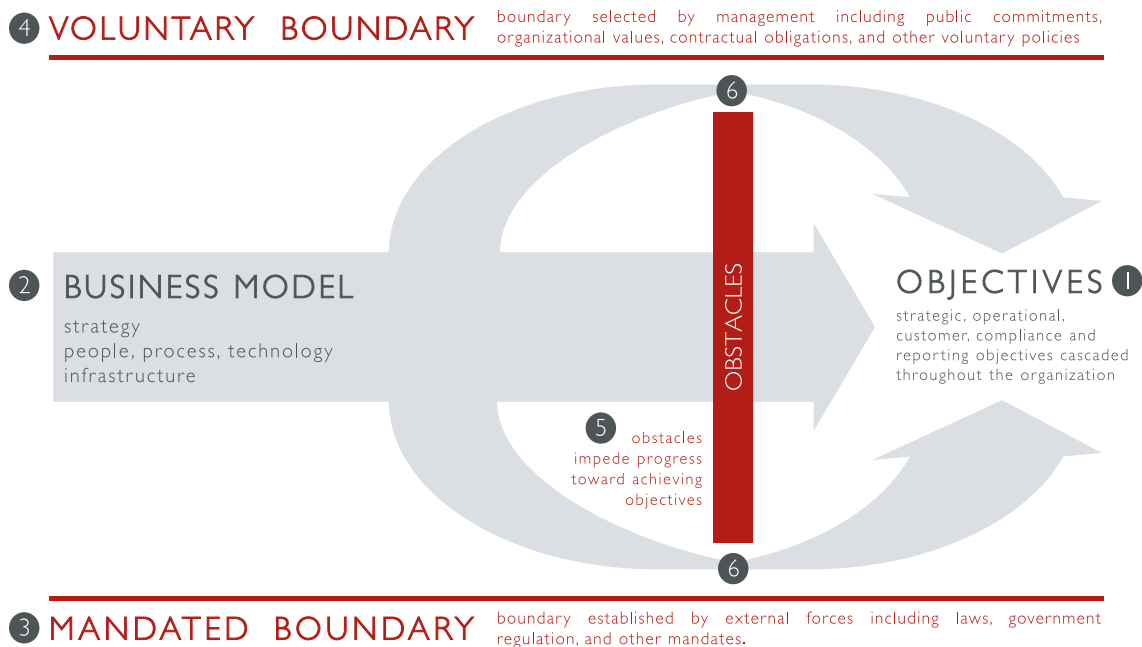
*OCEG's CEO Scott L. Mitchell is identified as  
one of the leading authorities and voices in business finance for 2006*



# An organization must stay within defined boundaries and address risk while driving toward objectives

## the “big picture”

1. An organization must set objectives and define why it exists and what it seeks to achieve.
2. An organization establishes a business model that is designed to achieve the objectives. The board is responsible for setting objectives, overseeing the business model, and measuring performance against objectives. Management is responsible for executing the strategy and operating the business model.
3. An organization must operate within defined boundaries. The mandated boundary is established by outside forces such as legal requirements.
4. The voluntary boundary is set by management and includes items such as public commitments, contractual obligations and organizational values. It is important to treat this boundary just as seriously as the mandated boundary.
5. In the course of conducting business operations, certain obstacles may get in the way of achieving objectives. Obstacles may arise internally or externally.
6. An organization must have a strategy to avoid obstacles or prevent them from materializing. If obstacles arise, or if the organization steps outside of the boundaries, then management must quickly and appropriately respond.



## the “bottom line”

An organization must develop and sustain a capability or “program” to set objectives, identify the boundaries and obstacles and establish a system to let management know when it is getting close to (or crossing) a boundary or approaching an obstacle. Once detected, management must quickly and appropriately respond to minimize the impact on the organization. As issues are encountered and addressed, management should continuously improve the program to more effectively and efficiently prevent, detect and respond to similar issues in the future.

***All organizations, whether conservative or aggressive, want to avoid bumps on the road to achieving objectives. Sometimes the functions of governance, risk management and compliance are perceived as functions that slow down the organization – the departments of***

***NO, DON'T, and STOP***

*Keep in mind that the fastest cars have the best brakes...*

A high-performing capability and program that integrates governance, risk management and compliance helps an organization understand if it is on track, foresee and avoid problems, and slow down or even stop when issues are encountered.

*...the best steering...*

A high-performing program allows management to quickly respond to get the organization back on track.

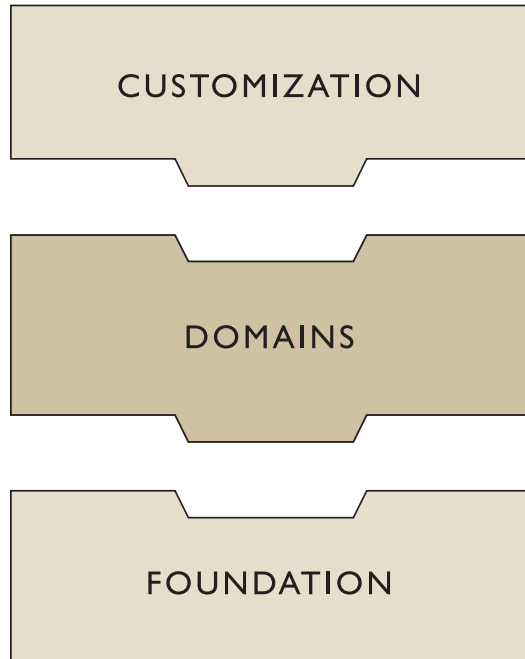
*...and a strong frame*

A strong corporate culture guides conduct and operations when formal structures are weak or even absent.

***In short, a strong program gives management and the board of directors the confidence to drive more quickly toward higher performance.***



## The OCEG Framework provides standards and guidelines for a high-performing program



One size does not fit all organizations. The OCEG Framework is intended to be customized and tailored to suit the unique situation of each organization. Each organization must scrutinize both Foundation and Domain guidelines to understand if they apply to the organization, and determine exactly how the organization will implement business practices.

Domains provide topical or industry-specific information that integrates with and assumes the OCEG Foundation is in place. Domains may address or span across specific:

- > Legal Risk Areas
- > Industry Sectors
- > Business Functions
- > Geography / Jurisdictions
- > Organization Sizes (small, mid-sized, large)
- > Organizational Structures (public, private, nonprofit)

The Foundation describes common elements of a high-performing program that integrates the principles of good corporate governance, risk management, compliance and ethics/culture.

The OCEG Framework is a comprehensive, best practice model for implementing, managing and evaluating integrated governance, risk management, compliance and ethics programs. It documents legal requirements, standards and **PRINCIPLES** from a variety of sources and provides **PRACTICES** that help an organization address these requirements.

putting principles  
into practice<sup>SM</sup>

## Using the OCEG Framework yields a number of benefits

While organizations may independently develop effective compliance systems, or use other approaches, incorporating the OCEG Framework and leveraging the OCEG community of practice provides an organization with unique benefits:

### HIGH PERFORMANCE AT REDUCED COST

- Reduce the cost required to get a new program up to speed using step-by-step guidance and core OCEG practices
- Reduce the cost required to identify gaps in existing programs, even very mature programs, using core and advanced OCEG practices
- Share the high cost of benchmarking and evaluating programs with other organizations that are part of the OCEG community of practice

### TECHNOLOGY & TOOLS

- Use the OCEG Guideline Database and Resource Library to find legal requirements, guidance, sample policies and more information that professionals need every day.
- Contribute to an online collection of resources and participate in online discussions shared by OCEG members

### OBJECTIVE EVALUATION CRITERIA & BENCHMARK

- Use arms-length criteria developed by a cross-industry / cross-functional team of experts through an open, nonprofit and collaborative process
- Use defined vocabulary and structure to compare “apples with apples”
- Employ a robust evaluation process that incorporates professional standards from the accounting and internal audit professions

### CROSS-INDUSTRY / CROSS-FUNCTIONAL / CROSS-DISCIPLINE

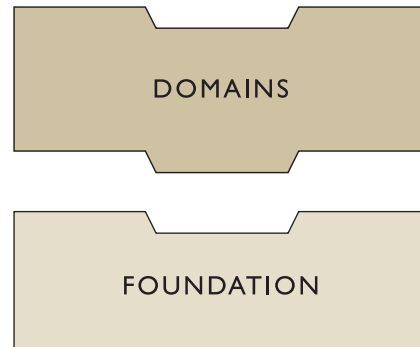
- Leverage the knowledge of many in-house and external experts from a wide range of backgrounds, disciplines, and industries
- Leverage, and contribute to, the knowledge of working groups that focus on more narrowly defined and subject specific compliance and ethics issues



# The OCEG Foundation provides guidance to help establish and sustain a high-performing program

## foundation guidelines

The OCEG Foundation provides guidance about the core processes and program to enhance culture and address governance, risk management and compliance requirements. Hundreds of individuals and organizations participated in the development of the initial Foundation. The Foundation is a "living document" and will be updated to reflect changes in laws, regulations and emerging best practices.



A Steering Committee comprised of leading in-house and external experts reviewed and vetted a number of resources to develop the Foundation including:

- Existing Programs in Global Corporations
- Existing Literature / Research
- Interviews / Surveys
- Existing Frameworks
  - > US Federal Sentencing Guidelines (FSG)
  - > DOJ "Thompson" Memo
  - > COSO Internal Control
  - > COSO ERM
  - > Sarbanes-Oxley & SEC rules
  - > NASDAQ / NYSE rules
  - > ISO 9000 and I4000-series & Six Sigma concepts
  - > Various US Regulatory Agency guidance

### CULTURE

A strong culture helps to guide corporate conduct when formal structures are weak or absent.

### PERSONNEL / ORGANIZATION

Qualified personnel must be responsible for program oversight, strategy and operation.

### PROCESS

A program must address several key process areas and topics to ensure it is not only effective, but also efficient and responsive.

### TECHNOLOGY

An underlying system and technology architecture should enable the process. Importantly, an organization should seek to leverage existing investments where possible.

OCEG Domains build on top of the Foundation and provide detailed guidance to address specific issues

<b>INTERNATIONAL TRANSACTIONS</b>	<b>EMPLOYMENT</b>
Foreign Negotiation and Sales	Ant-Discrimination / Accommodation
Antiboycott / Export Controls	Anti-Harassment
Economic Embargoes	Benefits
Global Trade & Competition	Compensation
	Contingent Workforce
	Employee Privacy
	Executive Compensation
	Global Mobility / Immigration
	Hiring / Retention
	Labor
	Leaves of Absence
	Retaliation/Whistleblowing
	Substance Abuse
	Terminations and RIFS
	Torts
	Workplace Violence
<b>CORPORATE GOVERNANCE</b>	<b>US GOVERNMENT DEALINGS</b>
Board Structure & Processes	Government Contracts
Audit Committee Structure & Processes	Political Activity/Government Relations
<b>INTELLECTUAL PROPERTY</b>	<b>ENVIRONMENTAL</b>
Copyright	Environmental Management
Trademark	Hazardous Material Handling
Trade Secret	Environmental Reporting (Federal)
Patent	Permit Management
<b>COMPETITIVE PRACTICES</b>	<b>WORKPLACE HEALTH / SAFETY</b>
Antitrust	
Customer/Competitor/Supplier Relations	<b>PRODUCT QUALITY / LIABILITY</b>
<b>E-COMPLIANCE</b>	<b>FRAUD &amp; CORRUPTION</b>
Electronic Info, E-mail and Postings	Insider Transactions
Internet Security	Money Laundering
Internet Privacy	Foreign Negotiation and Sales
<b>ETHICS</b>	Revenue and Expense Recognition
Conflicts of Interest	
Ethical Decision-Making	<b>INDUSTRY SECTORS</b>
Gifts & Gratuities	Pharmaceutical
Respectful Conduct	Financial Services
<b>INFORMATION MANAGEMENT</b>	Automotive
Document Retention / Records Mgt	Utilities
Electronic Data Management	Oil & Gas
Information Security	and more...
Information Privacy	
<b>EMERGENCY PREPAREDNESS</b>	



# How are OCEG guidelines & standards developed?

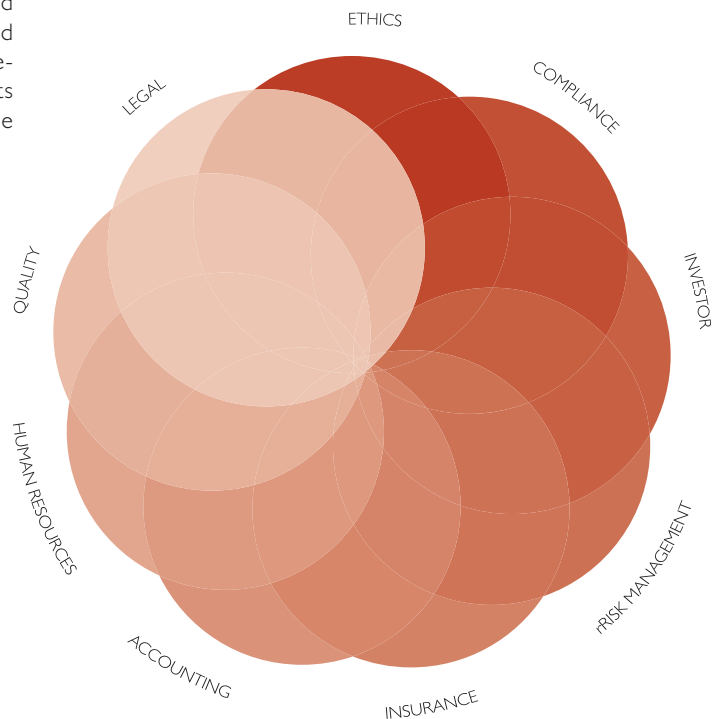
## who is involved

Individuals representing a broad range of skills and experiences participate in the development and review process. These individuals bring a comprehensive body of knowledge to OCEG work products and provide both practical “in-house” and outside expertise. They include:

- > Board members
- > Chief Executive Officers
- > Chief Compliance Officers
- > Ethics Officers
- > Chief Financial Officers
- > Risk Officers
- > Legal Experts
- > Human Resources Executives
- > Quality Management Executives
- > Internal / External Auditors
- > Insurance Underwriters / Brokers
- > Institutional Investors / Creditors
- > Ratings Agencies / Research Firms

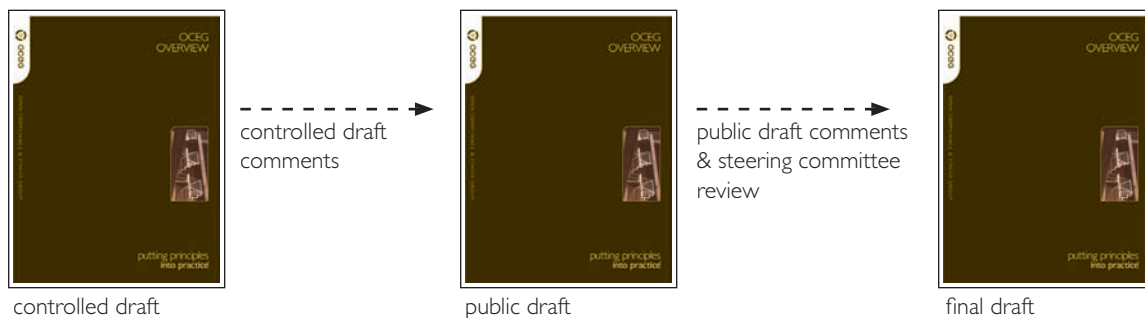
This diverse group of individuals help to ensure that the OCEG Framework is:

- > Balanced
- > Comprehensive
- > Integrated
- > Customizable
- > Extendable
- > Scalable
- > Practical
- > Flexible



## the development process

OCEG guidelines and standards go through a rigorous and open development and review process to ensure that they are comprehensive, balanced, flexible, and PRACTICAL. The process includes several checkpoints where public comment and review is solicited.



***OCEG is the only nonprofit that is committed to the big picture of governance, risk management and compliance, as well as the implementation details. OCEG information and resources help you focus on a specific area while knowing that the work you do will ultimately roll up into a larger strategy that your board of directors and executive team are addressing***





# OCEG delivers value to individuals in various roles & levels throughout the organization

## framework users

### Board Member

The OCEG Framework helps translate your governance, ethics, and compliance strategy into the operations of the organization. When your organization applies the OCEG Framework, you can be assured that a high performing program is in place. If you sit on multiple boards, the OCEG Framework can help to harmonize the way in which all of your organizations approach and report on compliance and ethics issues, making it easier to provide effective oversight.

### CEO / CFO

The OCEG Framework is consistent with SEC rules that recommend COSO and call for certain procedures to be established. It will help you put in place both financial and non-financial controls that address your obligations under Sarbanes-Oxley and SEC rules. By using the OCEG Framework, you can effectively communicate with all roles/functions within your organization that contribute to GRC efforts.

### Chief Risk Officer

The OCEG Framework sets out a clear risk assessment and planning process for compliance and ethics functions that aligns with COSO ERM. Using the OCEG Framework will not only help reduce business risk, but will also provide you with a basis for negotiating improved risk sharing and insurance coverage.

### Chief Compliance Officer

The OCEG Framework can help you to jump-start a new program or identify gaps in an existing program. The OCEG Framework provides a harmonized vocabulary and tools to benchmark best practices across functional areas and with your peers in other organizations.

### General Counsel

The OCEG Framework helps articulate and support the steps that you are taking to ensure that governance, ethics and compliance priorities are being properly addressed. In addition, you can feel more comfortable delegating compliance responsibilities knowing that best practices are being applied.

### Chief Audit Executive

The OCEG Framework sets out the legal requirements that must be satisfied and the policies and procedures your organization should follow to ensure compliance. By establishing uniform language and structures, OCEG offers you the opportunity to benchmark against peers and to evaluate your program against an objective external standard.

### Internal Auditor

The OCEG Framework is consistent with COSO Internal Control and COSO ERM and can help your department provide leadership in governance, compliance, risk management and ethics functions. OCEG audit tools support the collection and analysis of GRC data to evaluate a program and demonstrate its return on investment.

### External Auditor

The OCEG Framework provides a credible and objective basis for conducting audit and attestation of compliance and ethics programs. OCEG audit tools support the collection and analysis of GRC data to evaluate a program's design and its operational effectiveness.

### Functional Compliance Officer

The OCEG Framework helps to identify best practices for compliance with rules and regulations that apply to your specific function (e.g., Environmental, Food and Drug, Employment). The Framework also consolidates common best practices so that you can benefit from good ideas generated in other compliance areas.

### Ethics Officer

The OCEG Framework helps you to build and maintain an ethical organizational culture. By establishing a core focus on culture, and weaving ethical issues throughout the guidelines, the Framework enhances the focus on ethical issues for everyone involved in GRC functions.

### Outside Counsel

The OCEG Framework helps you advise your client on the full range of compliance and ethics issues that affect the enterprise. The Framework summarizes legal requirements for each compliance area of concern and sets out guidelines for business processes to both meet those requirements and establish a high performing program. By using the OCEG Framework, you can help your client customize a program that may still be benchmarked against peers and an objective external standard.

### Human Resources Executive

The OCEG Framework identifies training, hiring/termination practices, and other human resource actions that laws and regulations mandate. HR practices are at the heart of compliance and ethics management. By using the OCEG Framework, you can fill an essential role in the process.

### Investor / Creditor / Underwriter

Use of the OCEG Framework helps an organization reduce governance, compliance and ethics risk. Understanding best practices in this area, and how a target organization is applying these best practices, will help you make better underwriting or investment decisions.



***“...the whole board should consider joining an organization like the Open Compliance and Ethics Group...a coalition of some of the nation’s most recognized business and thought leaders.”***

*– The Wall Street Journal / By the Books*

***The OCEG network provides tools to excel in your job – and offers your organization a “hub” around which many roles & disciplines can interact and connect***

***OCEG puts you in the driver’s seat – steering the course to strong organizational performance***



Being part of the OCEG Network provides access to guidelines, standards, tools, resources, events and the ability to participate in the process

## meetings & events

### CONFERENCES

All members receive discounts on conferences organized by OCEG and selected conferences organized by affiliated organizations.

### WEB EVENTS

All members may attend web-based events free of charge. These events provide an opportunity to learn about emerging trends in the compliance and ethics marketplace.

### WORKSHOPS

All members are eligible to attend OCEG workshops. These workshops provide excellent opportunities to network with peers and hear about the latest trends in compliance and ethics management.

### OCEG IT FORUM

The OCEG IT Forum combines dedicated conferences and publications with the charter to bring clarity to the central topics of IT governance and the role of technology in the development, implementation and automation of GRC best practices. IT executives, GRC program managers, solution and service providers as well as other technology thought leaders exchange best practices, confront technical and operational challenges and network through IT Forum conferences, publications and online resources. OCEG members enjoy online access to selected materials, registration discounts and additional opportunities to influence agendas and interact with speakers and sponsors.



## standards & guidelines

All members have access to the OCEG standards & guidelines. This information is presented in several “core” publications and in an online database from which custom reports can be created.



### FOUNDATION “RED BOOK”

The OCEG Foundation “Red Book” provides guidance for implementing, operating, benchmarking, evaluating, and improving a program. It addresses all basic components of a high-performing program.

### DOMAIN SUPPLEMENTS

Domain Supplements provide specific industry, functional or topical guidance. Initially, OCEG will release supplements that cover those topics that generally apply to most organizations. Additional domains will be developed in response to demand and interest.

### GUIDELINE DATABASE

All guidelines and standards are stored in a robust data model. Users can create custom reports by pulling select information from the database.

### TECHNOLOGY STANDARDS

OCEG provides a number of technology standards that help an organization design and select a technical architecture to support the program. In addition, OCEG technical standards define how system components interact -- which drastically reduces the cost of integrating solutions.

## evaluation criteria & benchmarks

### FOUNDATION (PROGRAM) CRITERIA & METRICS

A suite of evaluation criteria and metrics are available to measure how your program is performing in terms of effectiveness, efficiency and responsiveness.

### EVALUATION TOOLS

Evaluation tools and associated checklists provide the basis for assessment of a program and applicable domains.

### BENCHMARKING

OCEG provides diagnostics and surveys that help an organization understand how it compares with its peers. Initial benchmarking data will be provided by experts and organizations that are willing to share their expertise with the OCEG community. Over time, OCEG will provide a significant repository for benchmarking via voluntary collection of data from members.



## online tools & resources

### TOOLS & EXAMPLES

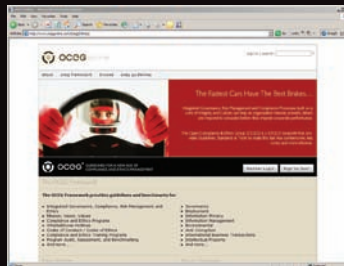
Online resources offer specific ways to address minimum and recommended responses, including model policies, outlines of procedures or other information useful to personnel managing the Domain or Foundation component addressed. Tools & Examples are developed based on demand and interest.

### COMMUNITY OF PRACTICE

Several applications are provided that allow organizations to extend the OCEG database and share these extensions with peers. Each working group develops a repository of articles, sample policies and training materials, and other resources relevant to the Domain. These materials are available to members through the OCEG website. Working groups also develop bulletin boards and other vehicles for exchange of information.

### IMPLEMENTATION TOOLS

OCEG provides self-diagnostic tools and employee surveys that help an organization better understand its current capability and what is required to enhance it.



## coaching & advisory services

OCEG staff are available for training compliance and ethics management personnel regarding the OCEG Framework — and how to best implement a robust compliance and ethics program using the Framework. In addition, OCEG staff are trained to provide executive coaching to governance, risk management, compliance and ethics professionals.



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[www.oceg.org](http://www.oceg.org)