



Building a Culture of Ethics & Compliance

December 10, 2009

Daniela Nemoianu
Attorney at Law, LL.D
Head of Advisory, KPMG Romania

Ethics @ KPMG

KPMG's goal is to have an ethics and compliance program that is a model for professions or industries.

To achieve this goal, we seek to ensure that every individual feels personally responsible for the ethical culture of the Firm.



Ways to Build an Ethical Culture

- ◆ **Organize the Business to Support the Program**
- ◆ **A Practical Code of Conduct**
- ◆ **Effective Training**
- ◆ **Set the Tone at the Top**
- ◆ **Target Career Touchpoints**
- ◆ **Create Relay Stations for Key Messages**
- ◆ **Offer Many Channels of Communication**
- ◆ **Recruit HR as a Partner**
- ◆ **Ensure Consistency in Investigations and Discipline**
- ◆ **Review and Refine**

Organization and Structure:

Signal its Importance by Where You Place it

- **Executive Vice Chair, Legal and Compliance reports directly to the CEO**
 - Firm's Chief Legal Officer
 - Responsible for implementing, overseeing, and administering all aspects of the E&C Program.
 - Oversees:
 - Office of General Counsel;
 - Ethics and Compliance Group;
 - Firmwide Security;
 - Office of Government Affairs;
 - Corporate Communications;
 - Internal Audit and the Firm's Chief Compliance Officer also report to the EVC-
- LC, although they have separate reporting lines to others within the Firm to ensure independence.

- **Board Level E&C Support**
 - The Professional Practice, Ethics and Compliance Committee of the Board of directors has quarterly meetings to review the effectiveness of the E&C Program.

Our Global Commitments

KPMG IS COMMITTED TO:

- Treating everyone with respect and dignity
- Respecting the privacy of its partners and employees
- Fostering an environment in which partner and employee work/life balance can be achieved
- Providing a workplace that is free from discrimination, harassment, misuse of substances, and unsafe conditions

Respect and Dignity

OUR PROMISE

We are committed to fostering an environment of inclusion for all our people. Our success in the marketplace depends on maintaining a diversity of talents, languages, cultures, and management styles. By valuing our similarities and differences, we build upon our strengths and enhance our work environment. You should embrace the diversity of our people, their professional insights and individual perspectives, and treat others with respect and dignity.

IT STARTS WITH YOU

- Recruit, hire, train, and promote individuals irrespective of race, color, creed, religion, age, gender identity, national origin, citizenship status, marital status, sexual orientation, disability, veteran status, and other categories protected by applicable federal, state, and local law
- Make employment decisions based on an individual's knowledge, experience, and abilities, evaluating per-

BE ALERT TO

- Inappropriate e-mail or Internet use
- Behavior that may interfere with work performance or contribute to a hostile work environment
- Off-color jokes or otherwise inappropriate comments
- Unwanted, inappropriate, or disrespectful sexual advances or acts
- Anyone who refuses to work with

QUESTIONS AND ANSWERS

Q We won an engagement with a multinational company. The client wants all individuals who interact with senior management or the board of directors to be men. While we were writing the proposal, I worked very closely with a senior manager who I believe is qualified to serve this client. I would like to ask her to serve as the lead senior manager on the engagement, but believe the client will not allow her to interact with senior management or the board of directors. How can I manage this situation?

A Many situations involve balancing our responsibilities to our people and to our clients. A client may ask us to staff engagements in different regions of the world with individuals who are familiar with local language and customs. However, meeting this request must be balanced with our commitment to our people. In this situation, you should discuss with the client how you intend to ensure that overall engagement staffing meets the client's needs, and explain that you need flexibility to select the individuals you believe are the most qualified. The firm will work with you to manage such situations consistent with our values, even if it means losing the engagement.

Effective Training is Key



Training should be interesting, relevant, ongoing and reviewed regularly.

Set the **Tone** at the Top

- How do your employees define the 'Top'?
- Identify all places where 'Tone' is set in your organization - focus groups are a great tool
- Create tailored training and communications for every 'Top' to ensure your culture is supported from all directions

KPMG Integrity Survey: Perceptions of Local Managers and Supervisors



People are heavily influenced by their direct supervisor

Target Career Touchpoints

■ You can talk to your people during key **Touchpoints** in their career and remind them of the importance of ethics and integrity



TouchPoints

At KPMG, living our core values is part of our culture, and Professionalism and Integrity is a firm priority. We "do the right thing, in the right way," for our people, for our clients, and for the capital markets we serve.

We reinforce our expectations for that behavior through "touchpoints" that begin even before recruits join our firm and continue as our partners and employees build careers at KPMG.



Recruiting

We want college hires to understand the high professional standards we expect at KPMG, even before they join the firm. That's why, in all of our talks and presentations on college campuses, interviews with recruits, and publications, we emphasize our commitment to ethics and integrity and provide insight into our compliance programs. In the interview process we consider a candidate's fit with our culture, and we use the process as a way of explaining to the candidate what we believe in.

We know that integrating ethics into the curriculum of a business program is an important part of business training. In line with that, we worked with a professor at Fordham University to develop an Ethics Toolkit that is now available to college business professors throughout the country.

We also know that people learn by example. At KPMG, "tone at the top" is critical to the success of our program and we want students to know that too. That's why our top leadership travels to campuses to speak to students



Orientation and On-boarding

From the moment individuals formally agree to join KPMG, new hires are taught to understand the importance of professionalism and integrity and the behaviors we expect. With each offer letter, new partners and employees receive the Code of Conduct and are asked to review it and confirm that they will comply.

And, from the first day on board, they receive training about our Code of Conduct, the ethics and compliance resources available to them, and the behavior we expect, including the responsibility to "raise their hand" if they see behavior not consistent with KPMG's values.

In the first month they are on board, partners and employees are required to complete a number of Web-based training programs that help guide them on how to do the right thing in the right way. These include:

- Ethics & Compliance Training: An Introduction
- Ethics & Compliance Training: Protecting Information
- Security First Training
- Respect & Dignity Training
- Diversity in the Workplace

First Touchpoint: Recruiting



■ Recruiting

- University presentations
- Collaboration with colleges
- Interview questions
- Internships

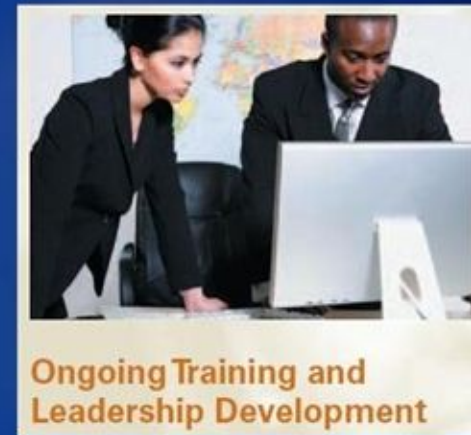
Second Touchpoint: New Hire Process



- Reinforced through orientation and On boarding
 - Include Code of Conduct with offer letter
 - First day: provide training on Code of Conduct, ethics and compliance resources, and expected behavior

Third Touchpoint: Ongoing Training

- Integrate ethics and compliance in ongoing training and leadership development programs Bring
- together training leaders
 - = Quarterly Training Summit



Fourth Touchpoint: Ongoing Communications

■ Annual Ethics & Compliance Report

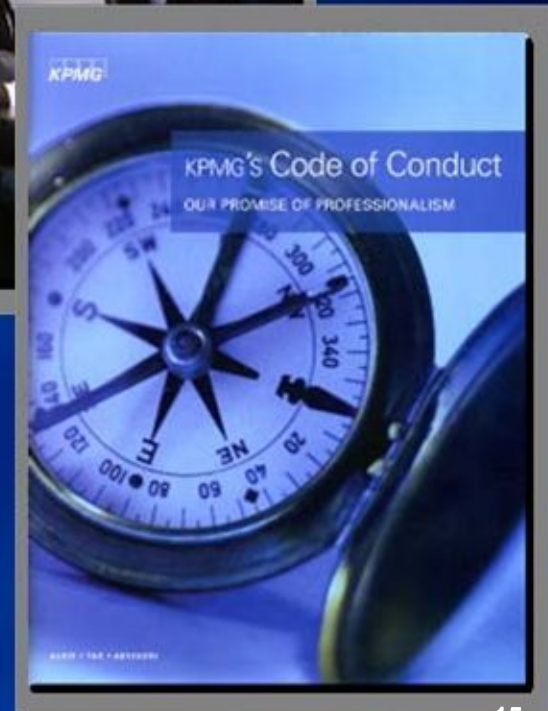
Interviews with key players in the E&C Program

Message from the Chairman
“Ethics Cases”

Hotline process and statistics

■ Code of Conduct

Promoted on E-mail message from top management - Series of “Know the Code” items



Last Touchpoint: Exit Interviews



- Potential issues identified at conclusion of employee's career
- Ask questions about possible ethics violations and concerns, and follow up

Create **Relay Stations**

- **Messages can be made stronger and more relevant when they are communicated through the organization at varying levels of the leadership chain.**
- **Important ethics and compliance communications are not seen just as remote messages from senior leadership, but are reinforced and made more relevant through direct communications from employees' immediate supervisors.**

Offer Many **Channels** to Raise Concerns

- Direct Supervisor / Performance Manager
- Next Level of Supervisor
- Human Resources
- Legal Department
- Board of Directors / Leadership
- Hotline



**Raise Your
Hand**

KPMG Integrity Survey: To Whom Employees “Feel Comfortable” Reporting Misconduct



Eliminating Retaliation

- **Have a clear anti-retaliation policy**
- **Publicize the policy**
- **Monitor for retaliation**
- **Investigate and discipline**

HR as a Partner

- Lines between ethical and HR issues often are blurred.
 - HR receives and investigates reports.
- HR communicates messages about ethics and compliance at key touchpoints.
- Compensation drives behavior.

Ensure **Consistency** in Investigations and Discipline

- To be credible, reports must be investigated and resolved consistently
- Centralization
- Standardization
- Active Monitoring

Review and Refine

- Solicit feedback
- Internal Audit reviews
- Stay abreast of emerging issues
- Change is good

Wrapping Up - Building an Ethical Culture

- ◆ **Organize the Business** to Support the Program
- ◆ **A Practical Code of Conduct**
- ◆ **Effective Training**
- ◆ **Set the Tone** at the Top
- ◆ **Target Career Touchpoints**
- ◆ **Create Relay Stations** for Key Messages
- ◆ **Offer Many Channels** of Communication
- ◆ **Recruit HR** as a Partner
- ◆ **Ensure Consistency** in Investigations and Discipline
- ◆ **Review and Refine**



Questions?