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# Compliance & Ethics PROFESSIONAL<sup>®</sup>

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## **The Red Flag Group**

The Red Flag Group  
raises the bar with  
support from the  
Academies

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“ Product development, professional services, client services, and sales should have a complete and holistic understanding of compliance. ”

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by Jeffrey M. Kaplan

# Establishing compliance and ethics duties

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**E**stablishing the right duties related to compliance and ethics (C&E)—particularly for management and the board of directors—can be of paramount importance in the success of a program. What should C&E professionals bear in mind in undertaking this task?



Kaplan

First, in addition to identifying the C&E duties of all employees, the code of conduct should have a separate discussion of managers' duties. Among the latter should

be maintaining a work environment in which employees feel free to report possible violations, following the company's escalation policy should any such matters be reported to them and helping to ensure that C&E controls are operating as intended.

Second, one should train managers on how to meet their C&E-related duties. This can be standalone training or part of general training for managers.

Third, managers' C&E duties should be the subject of other communications. Particularly useful in this regard can be remarks made by senior personnel in a "town hall" setting, which can help to convey the importance of the issue. But there are doubtless many other occasions to do this, too, at any given company.

Fourth, the C&E-related section of the annual performance evaluation should be consistent with the C&E duties from the Code. This can be an important way to make the

latter "come alive," but too few companies take advantage of the benefits provided by such a linkage.

Moving beyond the duties of managers, expectations must be established for the board of directors (or appropriate committee thereof). While all public companies presumably have basic charter language on C&E, boards should consider implementing a best-practices approach, which can entail,

**The C&E-related section of the annual performance evaluation should be consistent with the C&E duties from the Code.**

among other things, taking appropriate oversight measures regarding the C&E function's independence, resources, and clout.

And what of senior management—who typically do not have a charter the way a board committee does? Their C&E duties, which should go beyond those of line management and are key to the cultural dimension of compliance, can be articulated in a charter for a senior management C&E committee, assuming there is one.

The other possibility in this regard is drafting what is sometimes called an overall program document, which can document the C&E duties of not just senior managers but other functions as well (e.g., human resources, internal audit, finance, law, security). It can also serve as a position description for the chief ethics and compliance officer. \*