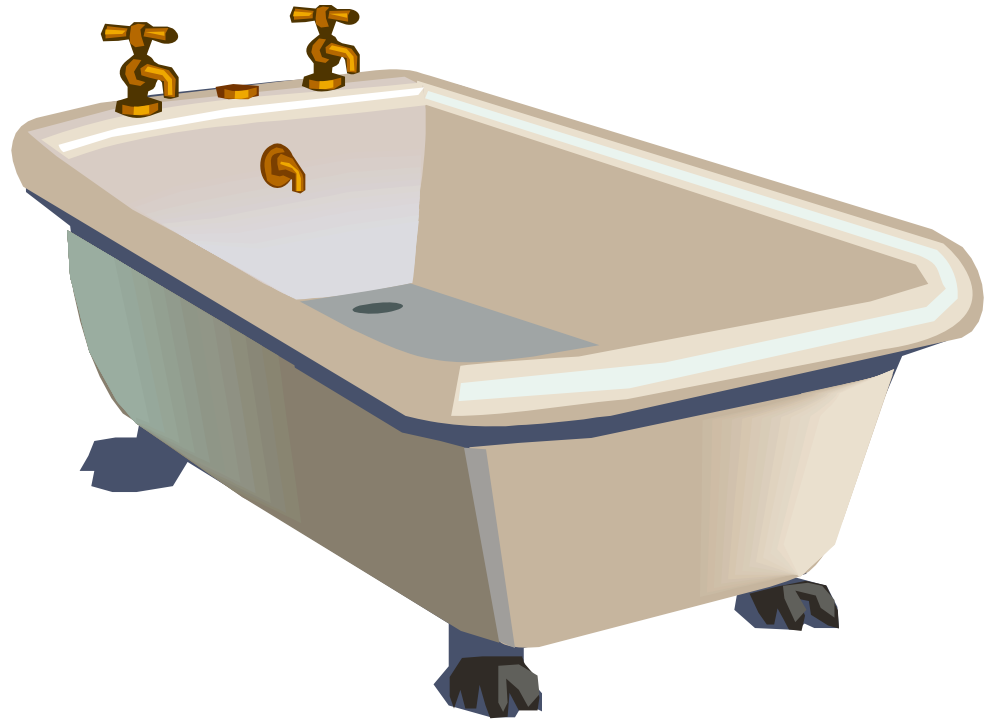




Deconstructing Dilemmas in Corporate Responsibility

■ Disclosure of Governance & Ethics Practices

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Effective Corporate Governance

“Effective corporate governance requires a proactive, focused state of mind on the part of directors, the CEO and senior management, who all must be committed to business success through maintenance of the highest standards of responsibility and ethics. Good governance is far more than a ‘check-the-box’ list of minimum board and management policies and duties.”

Principles of Corporate Governance, Business Roundtable white paper

May 2002



Inextricable Linkage of Governance & Ethics

- The nature of fiduciary duty
- Corporate governance increasingly involves balancing interests of broader range of stakeholders
- Corporate ethical scandals as governance failures
- 2004 amendments to Federal Sentencing Guidelines for Organizations (FSGO) increase board and management responsibilities for:
 - Organization's ethical culture
 - Oversight of implementation and effectiveness of ethics and compliance activities

■ General

- Need to restore public and investor confidence in soundness of corporate governance and reliability of financial reporting and controls.
- Unprecedented stakeholder scrutiny of ethical practices of Corporate America
- Mutual funds taking more active role with portfolio companies because of SOX, SEC rules and proxy voting report requirement.

■ Company-specific

- Strong values-based orientation and a good story; e.g. Johnson & Johnson.
- Making a break with past troubles; e.g. Tyco, CA.
- Industry issues and stakeholder concerns



- SEC final rules implementing Sarbanes-Oxley Act
 - CEO/CFO certification of financial reports
 - Auditor independence
 - Audit committee duties and responsibilities
 - Code of ethics disclosure
 - Internal control evaluation and disclosure

- Stock Exchanges' Corporate Governance Rules
 - Code of ethics disclosure
 - Corporate Governance Guidelines disclosure

Voluntary Disclosure

■ Compliance violations

- EPA Voluntary Audit Policy
- DoD Voluntary Disclosure Program for defense contractors
- DoJ incentives in FCPA cases

■ Corporate Ethics & Compliance programs

Corporate Ethics & Compliance Programs

- Activities and trends
 - The amended FSGO and program effectiveness
 - Board and management responsibilities
 - Global challenges
- Culture trumps compliance
- Program Maturity
- What is the present level of disclosure and how meaningful is it?

Meaningful Disclosure

- Board and senior management engagement in Ethics & Compliance issues
- Practices demonstrating attention to corporate culture
- Mid-level managers' responsibilities
- Training & communications
- Discipline and enforcement
- Performance evaluation

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