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**Assess, visualize and improve
the effectiveness of your
compliance program**

SYMBIOSIS OF LEGAL EXPERTISE AND DATA ANALYTICS



“ The information we received via the Compliance Cockpit is worth its weight in gold.

Compliance Cockpit client

“ The Compliance Cockpit is our single most important compliance tool.

Compliance Cockpit client

Assess, visualize and improve the effectiveness of your compliance program

SYMBIOSIS OF LEGAL EXPERTISE AND DATA ANALYTICS

Most major companies have implemented a compliance program but often struggle with two issues: ensuring the compliance program remains effective in light of their existing and changing risk landscape and making it more efficient by leveraging technology. The Compliance Cockpit specifically addresses both issues.

What is the Compliance Cockpit?



The Compliance Cockpit is a concept that helps companies assess their global risk exposure and the maturity of their compliance program. Leveraging our global network of compliance experts for multiple areas of law, we define potential risk scenarios and collect and aggregate data and information from internal and external sources that are relevant to evaluate these risk scenarios. We then translate the collected data into a homogeneous data format and apply bespoke formulas. The results allow companies to constantly measure and visualize the effectiveness of their compliance program. Although we utilize state of the art tools and software to collect, evaluate and visualize the data, the core of the Compliance Cockpit is our global compliance expertise to reduce your company's liability risks.

What are the benefits for a company?

The Compliance Cockpit helps your company to

- measure the effectiveness of your compliance program
- lower the risk exposure of the company and its senior management
- align the compliance program with regulatory requirements or international compliance standards
- allocate your resources more efficiently
- track and visualize the development of the compliance program
- reduce enforcement risk in the event of a government investigation

Which areas does the Compliance Cockpit cover?

Companies can freely define the scope of the Compliance Cockpit. It can be limited to a high-level analysis or used for a detailed assessment.

In view of high liability risks, companies often start with an assessment of anti-bribery, antitrust and sanctions risks. Additional areas and modules can be added over time. The Compliance Cockpit can generally be used to assess and monitor risks in any of these areas:

Anti-bribery | Antitrust | Sanctions | Data Privacy
Anti-money Laundering | Fraud | ESG and others

Which companies should implement a Compliance Cockpit?

Generally, every company can benefit from a Compliance Cockpit. However, some industries or types of businesses benefit more from a Compliance Cockpit.

The second group of companies are **businesses that operate in high-risk industries or geographies**.

Some industries have been scrutinized again and again by multiple international regulators: the healthcare industry due to its interactions with healthcare professionals; mining, oil and gas because of the required licenses and permits as well as the industry often being the subject of embargoes; the construction and defense industry as well as suppliers for government agencies for bribery violations; and the automotive industry for cartel violations, to name a few.

In the worst-case scenario of an investigation or enforcement action by one or more authorities, companies in these industries often struggle to establish that they have a well-documented and effective compliance program that may help minimize potential fines or even lead to an acquittal. In such challenging situations, the Compliance Cockpit can be a powerful tool for demonstrating that the perpetrators deliberately circumvented the safeguards implemented to prevent misconduct.

How does the Compliance Cockpit help me as ...



Senior group management

Senior management is ultimately responsible for ensuring that the company operates within legal boundaries. The Compliance Cockpit visualizations help you make better-informed strategic management and investment decisions and lower the risk exposure for the company and its senior management.



Chief compliance officer and team

The Chief Compliance Officer is responsible for the design and effectiveness of the compliance program and for efficiently allocating resources to mitigate risks. The Compliance Cockpit functions as a tool for assessing, monitoring and mitigating risk in all group companies on an ongoing basis and for reporting improvements in risk reduction to senior management.



Local management

Local management is responsible for ensuring that the local operation complies with applicable internal guidelines as well as external laws and regulations. The Compliance Cockpit provides insights into the organizations risk exposure and implemented safeguards and controls.



Local compliance officer

Local compliance officers often only work for a certain percentage of their time on compliance topics due to other responsibilities in their local organization. The Compliance Cockpit assists the local compliance representatives by providing them with specific mitigating measures to be implemented in the local entity as well as monitoring tasks to ensure that the organization complies with internal policies and external regulations.

Data analytics is becoming a mandatory element of an effective compliance program

In June 2020, the U.S. Department of Justice (DOJ) published its revised guidance on the Evaluation of Corporate Compliance Programs, which emphasizes the importance of data and data analytics. The guidance has become an international best practice standard and compliance program benchmark for companies.

The guidance asks the following questions:

"Data Resources and Access – Do compliance and control personnel have sufficient direct or indirect access to relevant sources of data to allow for timely and effective monitoring and/or testing of policies, controls, and transactions? Do any impediments exist that limit access to relevant sources of data and, if so, what is the company doing to address the impediments?" (page 12)

"Updates and Revisions – Is the risk assessment current and subject to periodic review? Is the periodic review limited to a "snapshot" in time or based upon continuous access to operational data and information across functions? Has the periodic review led to updates in policies, procedures, and controls?" (page 3)

The Compliance Cockpit helps your company meet these requirements:



1. One of the first process steps to implement the Compliance Cockpit is to identify the relevant data sources to assess the risks of the company and to measure the status of the compliance program or to grant the compliance team access to such data.



2. The Compliance Cockpit allows the compliance team to continuously monitor the risk exposure of the company and how the compliance program addresses and mitigates the changing risk landscape.



3. The visualizations and reports created by the Compliance Cockpit help companies identify potential weaknesses or areas for improvement in their policies, procedures and controls.

What role can a Compliance Cockpit play in corporate transactions?

1. Assess compliance risks of the target via a M&A Compliance Cockpit

We leverage data that is made available by the seller or the target and merge it with our proprietary data sets around industry risks, geography risks as well as regulatory and enforcement risks and provide you with a risk score and overview that may have an impact on your investment decision as well as your negotiations with the seller regarding price, warranties or insurances.

2. Post-acquisition or post-merger integration / joint ventures

Once the target has been acquired, it needs to be integrated swiftly into the existing compliance program. The risk score provided by the Compliance Cockpit can form the basis for a more thorough risk assessment. In the context of the post-merger integration, the Compliance Cockpit can assist with monitoring timely implementation of all required mitigating measures.

The Compliance Cockpit can also be used in the context of joint ventures to analyze the compliance risks of the joint venture itself and the joint venture partner. As with acquisitions the Compliance Cockpit can provide guidance on the negotiations and assist with the implementation of a (joint) compliance program.


What are the benefits of the Compliance Cockpit for the Private Equity industry?

1. Manage risks in portfolio companies

Private Equity firms have to control their portfolio companies. Part of this is also to ensure that an effective compliance program is implemented. By implementing a Compliance Cockpit, portfolio companies are able to comprehensively report in a homogeneous format about changes in their risk exposure or on the status of their compliance program to their shareholders — enabling them to manage the overall risk of their investment portfolio.

2. Prepare a Private Equity portfolio company for an exit and avoid negative effects for seller

Before Private Equity firms divest, potential buyers typically assess the risk landscape and compliance program of the target to determine potential liability risks. Implementing a Compliance Cockpit early into the investment can provide significant (financial) benefits by allowing the seller or the target respectively to demonstrate the effectiveness of the compliance program, which in turn reduces or even eliminates the risk of price reductions due to compliance risks. Not having to deal with uncertainties relating to compliance issues can also positively influence the negotiations of reps and warranties. In the best-case scenario, the level of transparency may also have an impact on the insurability of compliance risks.



My company does not have a compliance program yet. Is the Compliance Cockpit the right concept?

Authorities expect companies to implement a compliance program that is tailored to the specific needs, risks and challenges of a company.

For companies that are at the beginning of their compliance journey, the Compliance Cockpit would function as a tool to cost efficiently conduct a risk assessment that will help them identify the high-risk areas of their business. In the succeeding implementation phase, the Compliance Cockpit helps the compliance team track the implementation of the required mitigating measures and controls in all entities.

My company already has a mature compliance program in place. How can we benefit from the Compliance Cockpit?

Companies with an already mature compliance program are currently looking for ways to assess its effectiveness and to make use of the growing number of compliance tools.

The Compliance Cockpit does not aim at reinventing your compliance program. It will take the mature status quo and help you elevate the effectiveness by extracting unique insights from available internal and external data and compliance tools into the risk exposure and the maturity of your compliance program.

The Compliance Cockpit can also help you align your compliance program across multiple risk areas that previously operated independently.

How does the Compliance Cockpit work?

The Compliance Cockpit's assessment generally comprises the following three steps:



A comprehensive understanding of the gross or inherent risks of an organization is necessary to design and implement a compliance program that effectively addresses the high-risk areas of the business.

If the company already has a (mature) compliance program in place, we analyze whether the design of the program being implemented addresses the identified risks and whether the required mitigating measures and controls are implemented in all entities.

The Compliance Cockpit allows you to visualize the net or actual risks in your organization and helps you to elevate the effectiveness of your compliance program in the future.

What makes the Compliance Cockpit unique?

The Compliance Cockpit combines the global expertise of a market-leading compliance practice, technological knowhow and years of research, continuous improvement and experience from numerous Compliance Cockpits implemented by a broad range of companies of all sizes and industries.

A more efficient way to conduct risk assessments

Traditionally, risk assessments were often conducted via a high-level, top-down assessment of the design of a compliance program or manually bottom-up via onsite visits, interviews and document reviews in all entities. The Compliance Cockpit combines the program design assessment with a process for collecting information on the risk exposure and the compliance program implementation status in each division, region, country or entity.

Turn big data into smart data

The Compliance Cockpit collects and aggregates various data sources (market shares, eLearning, whistleblowing, case management, third party due diligence etc.) and brings the data sets together into a meaningful structure. That way, chief compliance officers receive unique insights that enable them to steer the compliance program, i.e., to invest the company's resources in a way that most effectively reduces the risk exposure of the company and its senior management.

Industry-specific modules

We have created customized assessments for a broad range of industries (e.g., life sciences, oil & gas, manufacturing, industrials) taking into account industry-specific risks as well as standards and regulations.

Multi-modular approach increases effectiveness

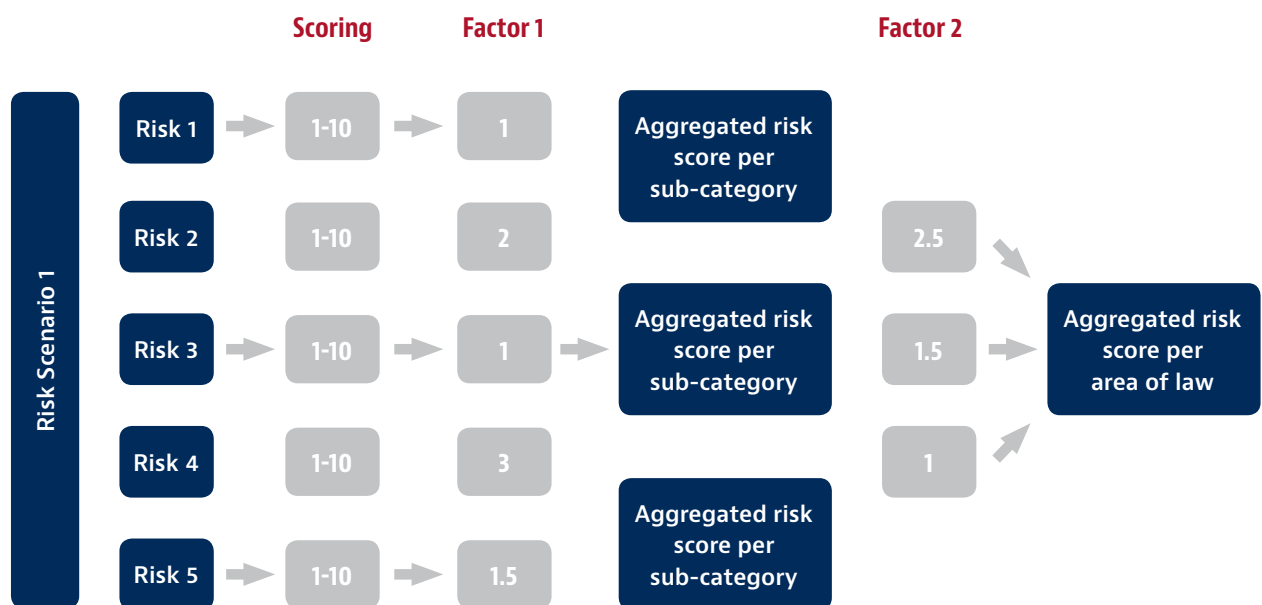
Each method for assessing a company's risk exposure and the maturity of its compliance program has its strengths and weaknesses. The Compliance Cockpit can combine multiple methods that complement each other for an even more effective compliance program.

The Compliance Cockpit grows with your compliance program

The compliance program like your organization is constantly changing due to the evolving business landscape, regulatory changes or because the company is moving into a new business area. The Compliance Cockpit can adapt to these changes and even visualize which effects a change in business strategy may have on your risk exposure and compliance program.

Step 1: How do you assess gross / inherent risks with the Compliance Cockpit?

While there are multiple ways to assess a company's compliance-related risks, a risk factor analysis is currently the most cost-efficient and at the same time the most reliable method. To be able to assess the global risks of an organization in a (semi-)automated way, we developed a concept that allows us to translate abstract information into meaningful risk ratings. Based on industry-specific templates, we create customized lists of risk factors around certain risk scenarios, e.g., bribery of public officials or horizontal cartel violations. We then collect and aggregate the relevant information from available data sources usually accompanied by a self-assessment via interactive questionnaires.



For each risk sub-category (e.g., interactions with public officials or third party risks), we have created a set of internally and externally available parameters (e.g., enforcement practice, membership in associations, use of sales agents, etc.). A customized scoring system is then applied to these risk factors followed by the application of a factor to reflect the relative importance of a risk factor. Once all risk factors for the various sub-categories have been evaluated, the total risk score for the subcategories are weighted against each other. The final result is an aggregated risk score per entity, region or division for each risk scenario.

How does the Compliance Cockpit visualize the results of the risk assessment?

The Compliance Cockpit allows you to generate customized reports – high-level graphs for senior management and very detailed and granular charts for the teams in charge of mitigating risks.

Here are a few examples of how the risk assessment results can be visualized:



The chart shows the overall results of the anticorruption risk assessment for the various group companies. The colors on each bar represent the total score of each sub-category, e.g., risks associated with the local organization, third-party risks, product-related risks, conflicts of interest etc.



Here, we have visualized the results of an antitrust market structure assessment. For each product group, we have defined criteria to assess whether a certain market is prone to cartel agreements.



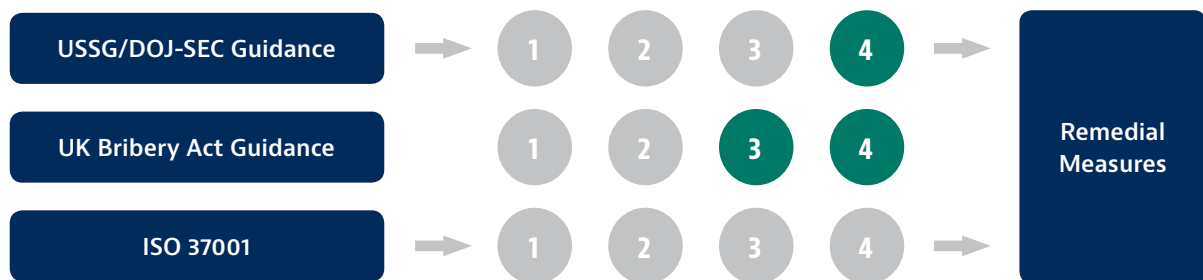
The chart indicates to the compliance team the product categories in the relevant entities with the highest inherent anti-bribery risks, because they are for example sold to government agencies or because the sales are facilitated by sales agents.

Step 2: How do you assess the maturity of your compliance program with the Compliance Cockpit?

Companies that operate internationally often have to comply with multiple regulatory requirements for each affected area of law. It is therefore challenging to obtain and to keep an overview of whether or not the local entities comply with the applicable regulatory landscape.

Phase 1: Test the design

The first phase in assessing the maturity of a compliance program is to review its design. Numerous companies choose to follow a single or a small selection of international standards, e.g., the US Sentencing Guidelines and FCPA guidance, the UK Bribery Act guidance or ISO standards. Does the compliance program cover all relevant areas that have become standard modules of more or less all internationally recognized compliance standards? Does it take the identified risk areas of the company's business into account? This assessment is done via interviews with the compliance leadership team and a review of the documented compliance program. But the results are structured specifically to meet the requirements of the implementation assessment in the global entities in phase 2.



Phase 2: Implementation assessment

For a compliance program to be effective, it is crucial not only for its design to be state of the art but also that it is implemented in all global entities. While several aspects like the distribution of policies or compliance trainings can be tracked, the implementation of adequate controls and the monitoring and auditing requirements often prove to be challenging. The Compliance Cockpit allows companies to assess whether the required mitigating measures and controls have been implemented in all entities and to track their implementation. The process is based on a self-assessment. To ensure the accuracy of responses, the entities are required to provide documented proof of implementation.

How does the Compliance Cockpit visualize the status and maturity of the compliance program?

The Compliance Cockpit allows companies to create regularly updated reports on the status and the maturity of the compliance program. Here are a few examples of how the results can be visualized:



This dashboard captures the implementation status per entity in a comparative chart. The number of mitigating measures and controls may vary depending on the regulatory framework. Such overviews can be used to invoke some peer pressure which will incentivize the responsible managers to implement the required mitigating measures and controls.



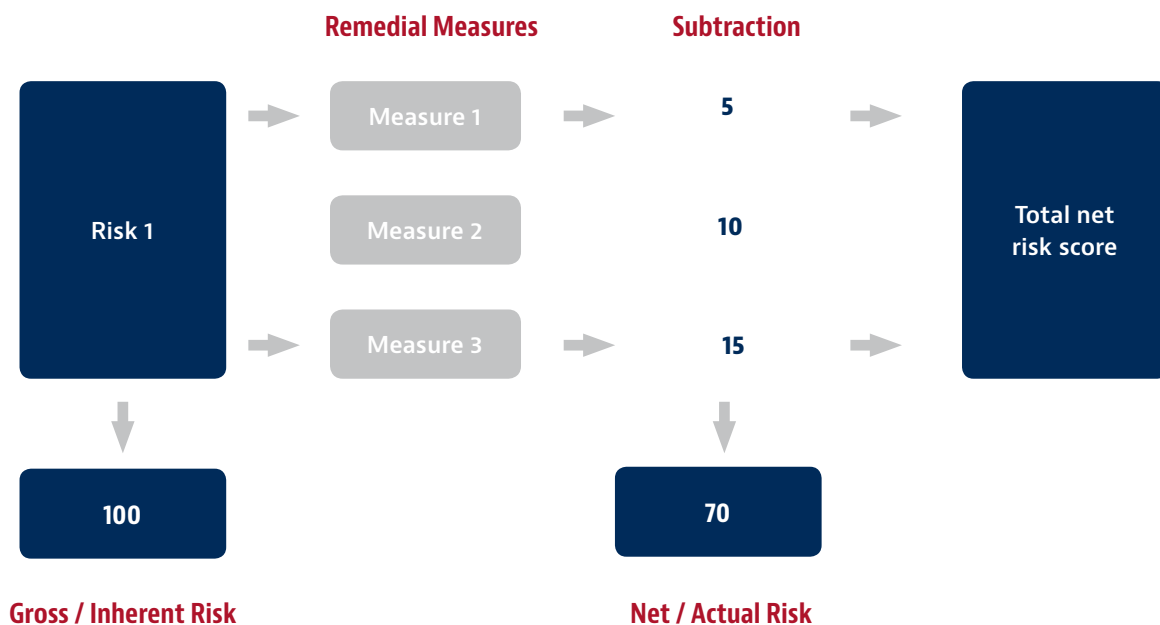
The panels can also visualize how the implementation status of the compliance program has improved. This can be a very useful tool for persons who are new in their roles such as general counsels, chief compliance officers or others.



A more detailed overview can be created for the team members responsible for tracking implementation. The chart allows the compliance team to identify patterns and deficiencies in the organization. It also highlights whether the measures with the highest risk reduction factor have been implemented globally.

Step 3: How do you measure the effectiveness of a compliance program?

To assess and measure the effectiveness of a compliance program, we merge the results of the risk assessment and the status and maturity of the compliance program to determine the residual, net or actual risk of each entity and the company as a global organization.



We have created formulas that allow us to calculate the net or actual risk of each entity. This is an important step in determining the risks of an entity because it shows that the entity takes the results of the risk assessment seriously and mitigates the identified high-risk areas or entities by effectively implementing a risk-targeted compliance program.



The visualization shows the net or actual risk score and the economic relevance of each entity allowing the compliance leadership team to make informed decisions on where resources should be allocated to further improve the effectiveness of the compliance program.

Does the Compliance Cockpit take the compliance culture and the perceived status of the compliance program into account?

Yes, it does. The risk factor analysis and assessment of the compliance program's status and maturity are driven by objective data. But even the best compliance program can prove ineffective if the compliance culture in the organization is low and the program's effectiveness is perceived as limited.



The Compliance Culture and Perception Assessment can be added to the assessment of risk factors and the status of the compliance program as a controlling module. They go beyond the analysis of data and take into account whether the compliance program is also subjectively effective.

Option 1: Perception assessment

The senior management and the compliance officers of the local entity have a good understanding of whether the compliance program effectively addresses the risks that exist locally. Often this valuable source of information remains untapped because the compliance program is mostly a one-way street, i.e., policies, standards and training are pushed onto the entities. The feedback loop from the local entities to the central compliance teams can be limited.

Perception assessment specifically addresses the perceived quality of the compliance program in light of the local challenges and helps the central compliance officers understand the issues as well as reflect them in the compliance program.

Option 2: Compliance culture assessment

Does the global and local senior management set the right tone from the top? Does the workforce understand the overall compliance message? Does the management preach integrity but still request that the company meets unreasonable sales targets? The aim of the Compliance Culture Assessment is to shed light on the perceived compliance culture in your organization. Target groups can, for example, be the sales team, local management, finance etc.

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The background of the advertisement is a dark blue gradient. On the left side, there is a vertical column of binary code (0s and 1s) in a light blue color. Overlaid on this is a stylized bar chart with several vertical bars of varying heights, colored in a gradient from light blue to white. A line graph with a few data points and connecting lines is also visible, extending across the upper portion of the image.

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Contact us to find out how your organization can benefit from the Compliance Cockpit.

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