Case Study: Compliance integration of newly acquired company

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GE: A Digital Industrial Company

$123.7B IN REVENUE, 295,000+ PEOPLE OPERATING IN 180 COUNTRIES

2016 REVENUES

POWER
$26.8B
57K EMPLOYEES

AVIATION
$26.3B
45K EMPLOYEES

RENEWABLE ENERGY
$9.0B*
12K* EMPLOYEES

OIL & GAS
$12.9B
34K EMPLOYEES

HEALTHCARE
$18.3B
54K EMPLOYEES

TRANSPORTATION
$4.7B
10K EMPLOYEES

ENERGY CONNECTIONS & LIGHTING
$15.1B
53K EMPLOYEES

*2016 figures. Excludes LM Wind Power Data

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Compliance Program
We think we’re doing well . . . .

- Inaugural Corporate Award 2010
- 11 years in a row (2017)
- Founding Member 1986
- Top 10

☑ Benchmarked around the globe as best in class
☑ Recognized by US DOJ for strength of program
But we know no one is immune…

GE in the 1980's…

Air Force Ban on GE Covers GSA Purchases

Court: GE must stand trial in fraud suit

GE agrees to pay $3.5 million to settle four suits brought by whistle-blowers.
Compliance Organization

Infrastructure

- ~300 business compliance leaders
- Corporate investigations team
  Includes former prosecutors closely involved in integrity programs
- Corporate HQ compliance team
  dedicated executives
- Policy owners / coordinators
  for every S&L policy
- Region / Country Corporate GGO (Global Growth Operations) leaders, 12 compliance leaders + country resources
- ~600 ombuds contacts globally
- Corporate Audit Staff: compliance-related audits/reviews across businesses

Business Teams

- Regulatory relations
- Build the business culture

Policy owners
- Policies & procedures
- Domain expertise
- Lead initiatives across GE

Region / Country Leaders
- Identify pole / country trends
- EWS on country specific regs
- Lead & relate with regulators

Corporate Ombuds
- Company wide ombuds system
- Collect & review trends
- Global tool
GE’s compliance objectives

1. A Common Vision:
To create a world-class compliance culture

2. Common Objectives:
To Prevent...to Detect...and to Respond
GE's Code of Conduct: The Spirit & The Letter
# GE Code of Conduct

## The Spirit (Ethics)

**Helps us to do the right thing**

**GE code of conduct**

<table>
<thead>
<tr>
<th>01</th>
<th>Be honest, fair and trustworthy.</th>
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<tbody>
<tr>
<td>02</td>
<td>Obey applicable laws and regulations.</td>
</tr>
<tr>
<td>03</td>
<td>Be the Voice of Integrity and promptly report any concerns you have about compliance with law, GE policy or this Code.</td>
</tr>
<tr>
<td>04</td>
<td>Simple compliance is more effective compliance. Effective compliance is a competitive advantage. Work to run the company in as competitive a way as possible – with speed, accountability and compliance.</td>
</tr>
</tbody>
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## The Letter (Compliance)

**Our guide to doing it right**

**GE integrity policies**

- **IMPROPER PAYMENTS**
  - Don’t bribe; don’t permit bribes; watch third parties.
- **INTELLECTUAL PROPERTY**
  - Identify and protect GE innovations, don’t take or use IP without authorization.
- **INTERNATIONAL TRADE COMPLIANCE**
  - Never let GE goods, technology or services go to prohibited persons or places; know the risks and follow the rules for cross-border transfers.
- **WORKING WITH GOVERNMENTS**
  - Never take shortcuts when dealing with government; never deviate from the contract.
- **COMPETITION LAW**
  - Never agree with competitors to fix prices, rig bids, or allocate customers, projects or territories.
- **FAIR EMPLOYMENT PRACTICES**
  - Treat all employees fairly; respect the right to associate; base decisions on merit; don’t harass or discriminate.
- **CONTROLLERSHIP**
  - Documents, communications and accounting must be 100% accurate and honest.
- **CYBER SECURITY & PRIVACY**
  - Respect privacy rights and protect against cyber risks to GE information, networks and products.
- **ENVIRONMENT, HEALTH AND SAFETY (EHS)**
  - Follow EHS procedures and be alert to EHS hazards in your workplace.
The Spirit & The Letter

Our guide to doing the right thing that establishes the policies and standards that all GE employees must commit to follow.

- At the heart of **GE’s culture** is our non-negotiable commitment to acting with integrity
- GE’s integrity **strengthens customer relationships** and helps us stand out in the marketplace
- **Our success** depends on our commitment to obeying both the spirit and the letter of the law
- **The Spirit & The Letter** is a simple guide to help employees do the right thing, and to do things right
- Read it carefully to know **what is expected of you** and act immediately if you have an integrity concern

**How do I know if it is the right thing to do?**

- How would this decision look to others within our company and externally?
- Am I willing to be held accountable for this decision?
- Is this consistent with **The Spirit & The Letter**?
Compliance Integration . . . Early Culture Focus
Key early priorities . . .

• Extensively leverage pre-close integration work
  o M&A due diligence results
  o Compliance risk assessment
  o Control framework gap assessment
• Work closely w/ cross-functional Integration team (HR, IT, Finance/Ctrlshp, Ops, EHS, Sourcing, etc.)
• Launch 180-day integration plan with focus on culture
Culture ... the critical risk mitigant

- **Culture** ... attitudes, values, goals and practices ... **Influence how people behave**

- Culture doesn’t just happen ... **leaders build it**

Culture ... not rulebooks ... determines how employees
Culture & Leadership – Tone at the Top

Core Principle of GE Integrity Culture = Leadership Engagement

• Leadership engagement is the heart of GE Integrity program
• Business leaders own compliance culture
• Leaders’ engagement (what they say & do) is most important influence on

“I have worked for GE for 30 years and always have taken comfort and confidence in the core pillars of our culture and values – things like meritocracy, diversity, inclusion, and integrity. . . . You can count on the GE culture staying true to these principles for generations to come. Our core company values are unassailable.”

John Flannery, GE CEO

“… we don’t make the human resources people responsible for integrity; we don’t make the lawyer responsible for integrity. We make the business leaders, the CEO, the general manager and the sales leader; those are the people responsible for integrity…”
Clear & Simple Mandates Leaders Must Follow

- **Ensure employees understand** that business results are never more important than ethical conduct and compliance with GE policies.
- **Create an open environment** in which every employee feels comfortable raising concerns.
- **Personally set the example for integrity**, not just through words, but more importantly, through actions.
- **Know the policies** that apply to you and your team and regularly talk about compliance.
- **Document and escalate** any employee’s expressed concern.
- **Take prompt corrective action** to address identified compliance weakness.
Establishing an open reporting program

Trademarks of a good open reporting process

1. Leadership engagement to set the right tone & build trust with employees

2. Rigorous tracking of cases to ensure investigations are prompt & thorough

3. Open communication with employees to promote the open reporting “wins”

A global survey (*) of employees found:

- 22% pressure
- 33% observed misconduct
- 59% reported misconduct
- 36% experienced retaliation

* Results of the Ethics & Compliance Initiative 2016 Global Business Ethics Survey – 13,000 employee responses across 13 countries

Allows us to find mistakes early . . . Best indicator of health of culture, + or -
Example 180 Day Plan

Focus on culture … continuous reinforcement through communications
Thank you!