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How to Build a Compliance Program

Claire Rauscher
Whitney Kamerzel

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Creating an Effective Compliance Plan

What does creating an effective compliance plan do for the company?

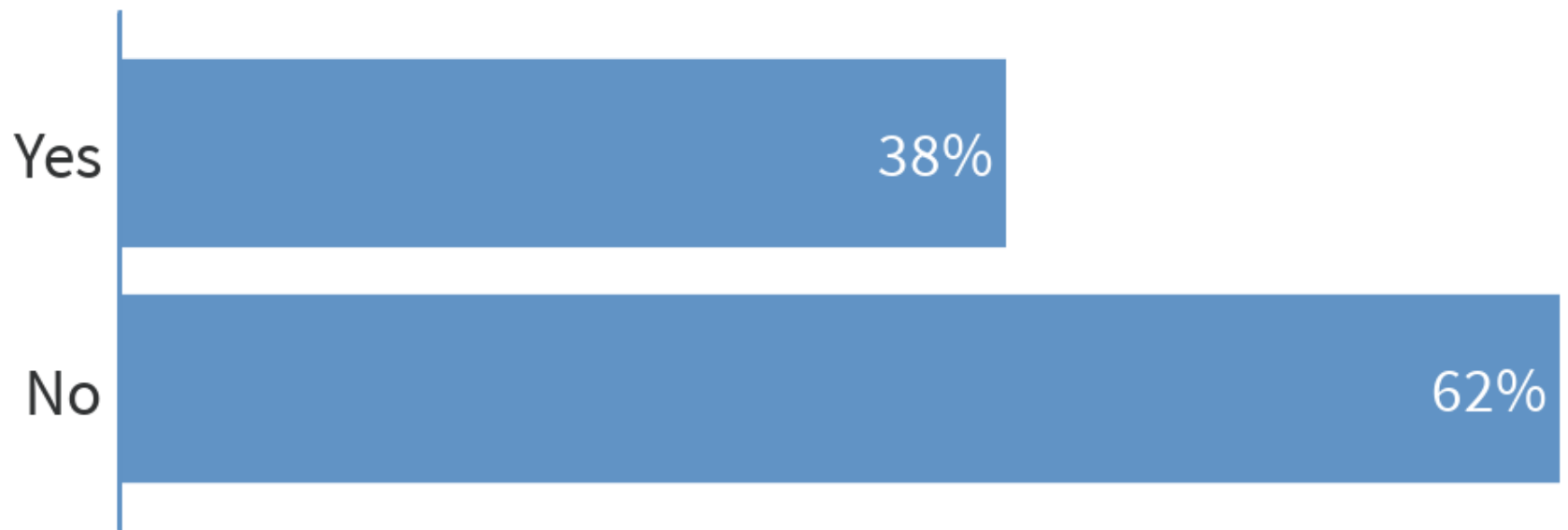
1. Communicates to employees and regulators that the company is committed to complying with all laws and regulation
2. Reduce risks and provides guidance to managers and supervisors
3. Avoids prosecution by the government and violations by regulatory agencies
4. Avoids harm to the company's bottom line
5. Avoids reputational damage



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Are you satisfied with the effectiveness of your current compliance plans?



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Do you have your compliance plans reviewed by someone outside the company?



Step One: Establish a Strong Code of Conduct

Elements of an Effective Code of Conduct:

1. Sets out the company's core values
2. Provides sanctions
3. Provides avenue for reporting misconduct
4. Provides consistent training
5. Provided to all employees
6. Requires individual certification



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Do you post your Code of Conduct throughout the company?



Step Two: Identify Areas for Compliance Assessment

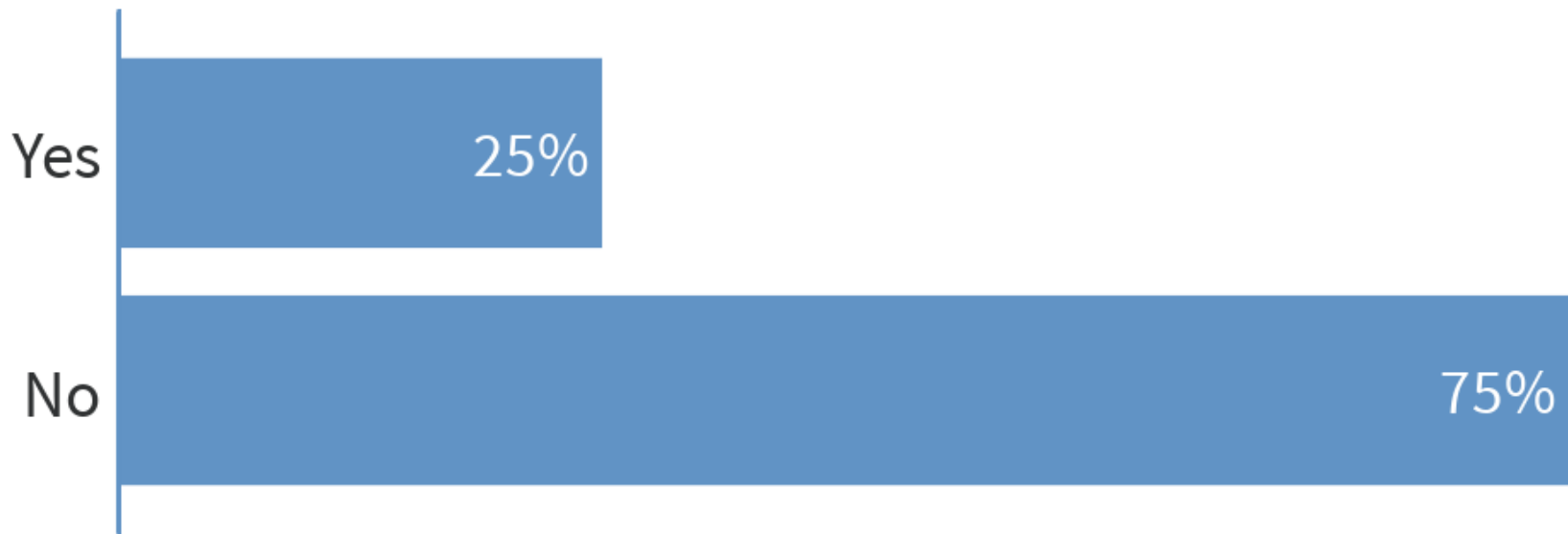
1. Accounting Practices
2. Employment and Labor Law
3. Workplace Safety
4. Environmental
5. Data Privacy
6. Data Protection/IT
7. Anti-corruption
8. Export Controls
9. Government Contracts
10. Political Contributions
11. Records Management
12. **Regulatory Requirements**



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Do you have compliance plans that cover all of these areas?



Step Three: Conduct Risk Assessments*

1. Evaluate the nature, probability and severity of all potential legal, business and compliance risks
2. Consider the prior company history and others such as prior criminal, civil or regulatory enforcement actions
3. Identify and evaluate the necessary steps the company should take to detect and prevent the identified risks

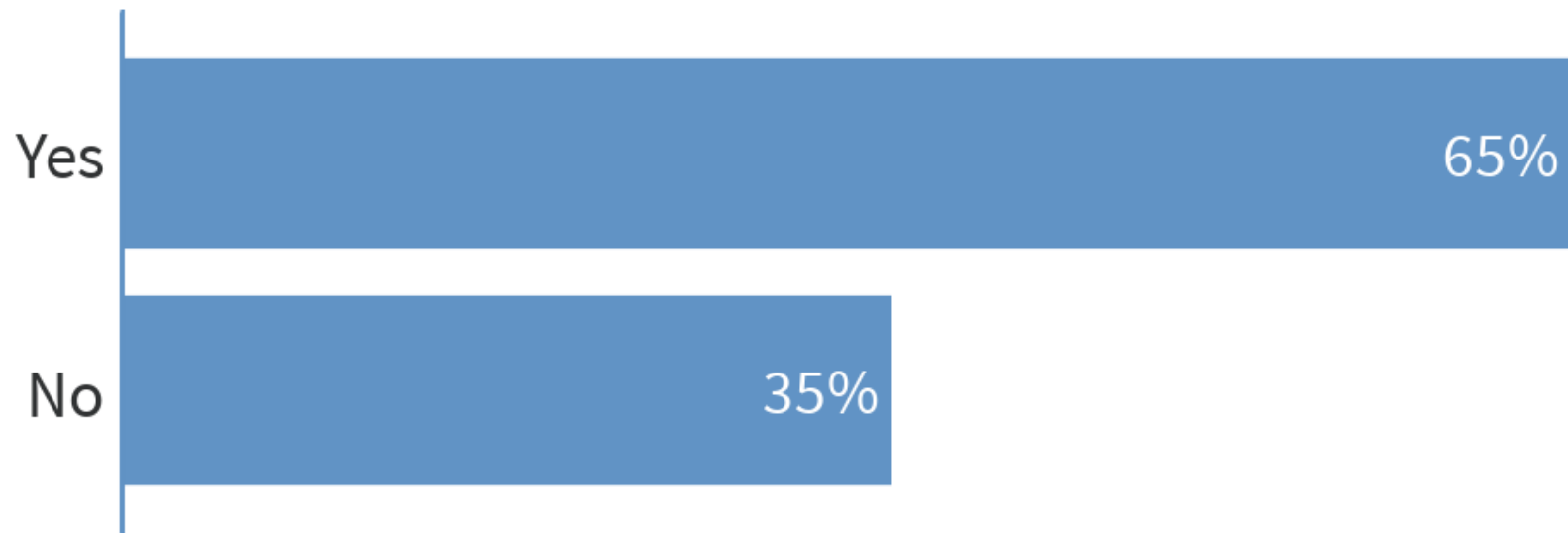
*Risk assessment should be performed through counsel to protect attorney-client privilege



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Have you performed a risk assessment over the past year?



Step Four: Prioritize Areas for Risk Assessment and Compliance Plan Development

1. Identify and prioritize the greatest risks
2. Tackle each risk, one at a time
3. Conduct necessary training
4. As each risk area is completed, review to ensure program is fully integrated and follows the overall compliance strategy

Step Five: Training

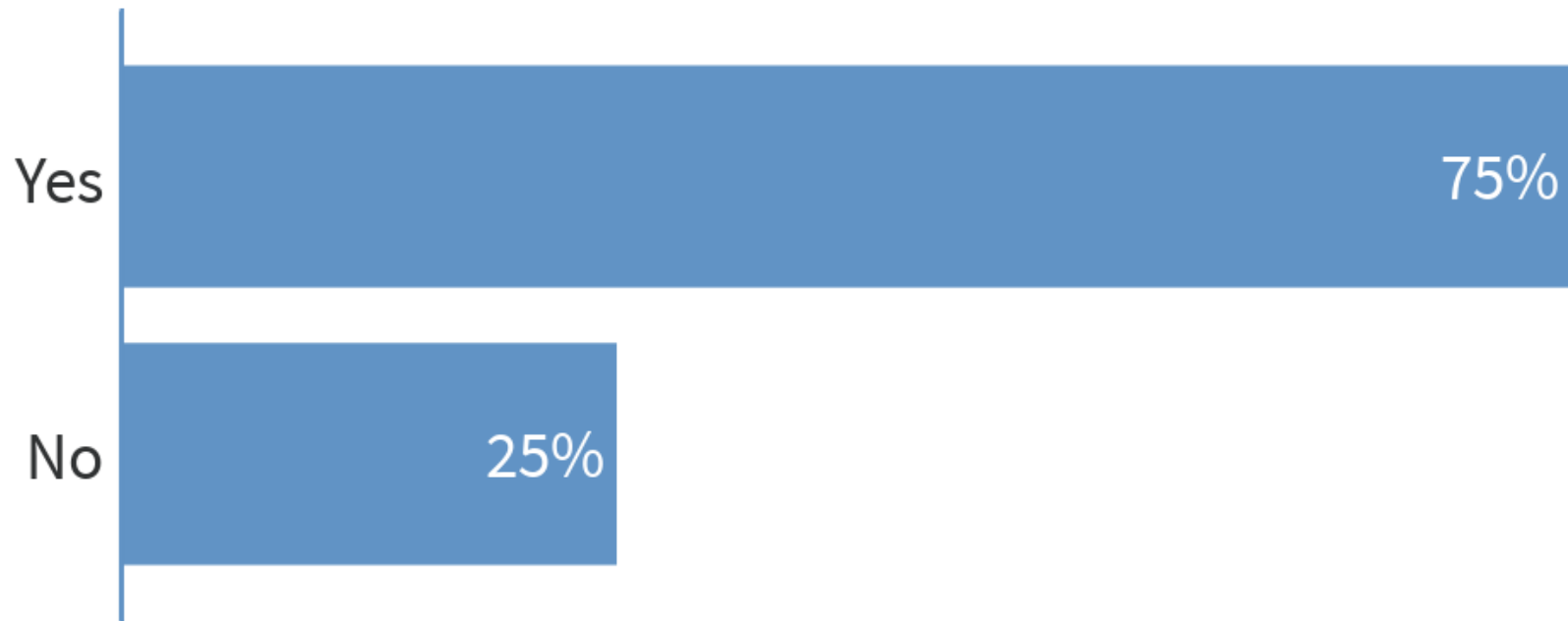
- This is the critical component to a successful compliance program
- Must be adequate and consistent
- Must be understandable and interesting
- Need to create staff “buy in” to ensure success



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Do you conduct training programs annually?



Regulatory Compliance Specific to the Furniture Industry: Proposition 65



Flammability: Key Considerations

- No national flame retardant (FR) standard
- CA FR ban: AB 2998
 - January 1, 2020 but applicable to products manufactured before
- Monitor for CA chemical updates, state legislation
- Vendors:
 - Are they testing with knowledge of AB 2998?
 - 2 step process: elemental screen for chemicals, if detected, test concentration to determine if above limits

HCHO EPA Rule: Formaldehyde Emissions Standards for Composite Wood Products

In December 2016, EPA issued its final rule to reduce exposure to formaldehyde emissions from certain wood produced domestically or imported. There are different dates for compliance with the rule's requirements. These products include: hardwood plywood, medium-density fiberboard, and particleboard, as well as household and other finished goods containing these products.



Key areas to address in an HCHO Compliance Program

1. Identify whether you have products that are covered by the rule.
2. If so, the products must be certified by TSCA Title VI TPC
3. Ensure products undergo quarterly testing and routine quality controls (are you following the specified methods?)
4. Confirm proper labeling exists (Producer's name, lot number, TPC number, statement of compliance)
5. Maintain required records (testing, production, purchaser, transporter, etc.) for 3 years
6. Maintain records reflecting eligibility for reduced testing of limited exemption for certain production



Enforcement Audits: Overview

- A compliance audit is a comprehensive review of an organization's adherence to regulatory guidelines. Audit reports evaluate the strength and thoroughness of compliance preparations, security policies, user access controls and risk management procedures over the course of a compliance audit.
- In each case, organizations must be able to demonstrate compliance by producing an audit trail, often generated with data from event log management software, as well as internal and external audits.

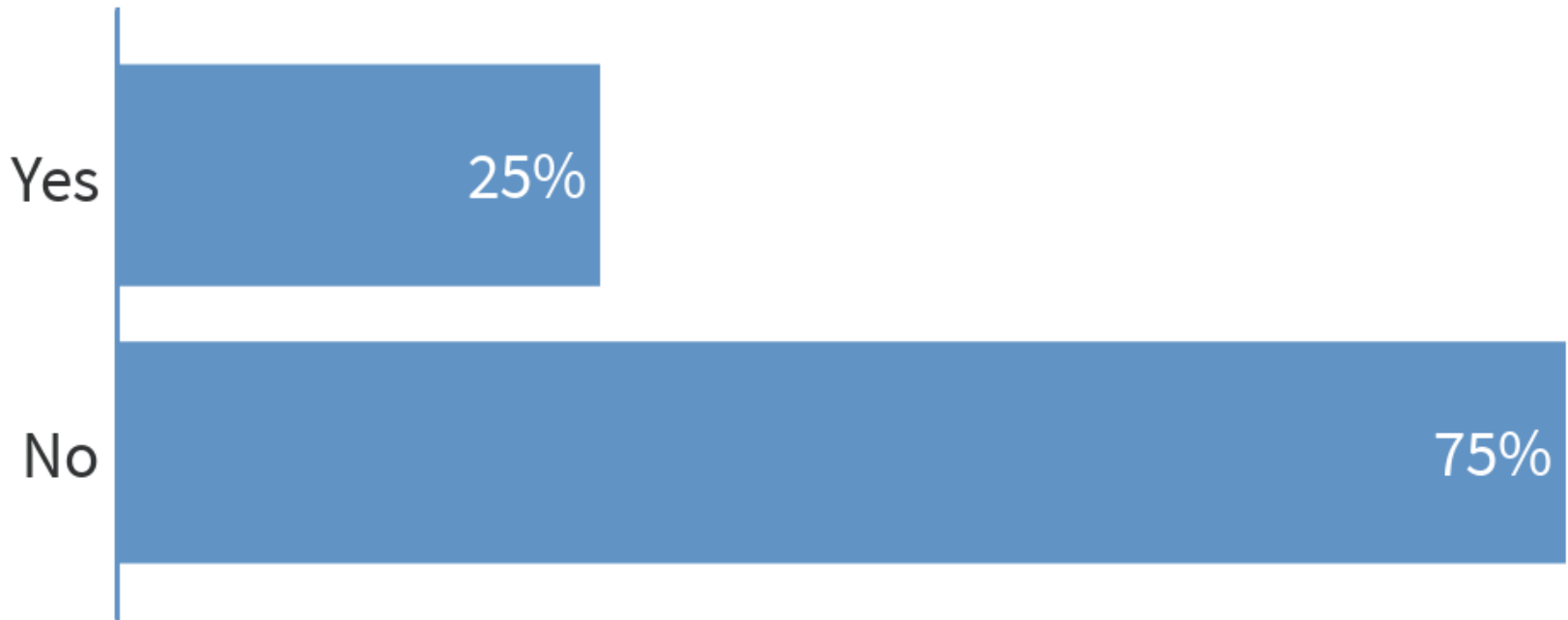
Keys to Preparing for an Enforcement Audit

- Systematic- need to demonstrate existence of standard practices
- Documented- need to have recordings in writing, by computer or software and ability to track
- Periodic- need to conduct your own regular audits. Set a schedule and stick to it
- Objective-audits are best performed by those with no vested interest in the outcome.
- Verify Compliance- continue to review and refresh compliance plans

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Have you had an enforcement audit?



EPA “Audit Policy”

Incentives for Self-Policing, Discovery, Disclosure, Correction and Prevention of Violations

EPA has a strong emphasis is on Incentivizing self-disclosure therefore an effective compliance plan can identify issues and violations for early self-disclosure.

Incentives for self-disclosure:

1. Can result in a reduction of penalties (can be up to 100% if through systematic process)
2. Can lead to a recommendation for no criminal prosecution if specific policy conditions met
3. Use of an eDisclosure portal
4. Small Business Compliance Policy exceptions



Questions?



Claire Rauscher

Claire.Rauscher@wbd-us.com
704-331-4961



Whitney Kamerzel

Whitney.Kamerzel@wbd-us.com
704-331-4997



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