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Purpose and General
Characteristics of a
Compliance Program

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What is a compliance program and what are the reasons for such an initiative

- Compliance: cost or opportunity?
- Compliance = observance of rules and regulations but also soft law; codes of ethics and conduct.
- Involves all legal entities under a duty to comply (the business and its representatives, employees, agents and resellers as well as business partners) and concerns the area of activity that the rules apply to.

What is a compliance program and what are the reasons for such an initiative

- In Italy the law expressly refers to a business as an aggregate of assets organized by an entrepreneur, in turn is defined as a person who professionally engages in an organized economic activity (articles 2555 and 2082 of the Civil Code).
- Top management is under a duty to comply with the principle of proper management and in that context must, among other things, ensure that the administrative and organizational structure is adequate.
- Over time the meaning of that principle has broadened from management aimed at satisfying the income expectations of shareholders and protecting creditors to encompassing the safeguarding of the legitimate expectations of all third party stakeholders.

What is a compliance program and what are the reasons for such an initiative

- Corporate governance is the system of rules and principles, company organs, supervisory bodies and operating procedures through which companies are run.
- From this perspective international best practices value integrated systems of control capable of managing any form of business risk and outside adverse factors.
- Therefore, within the context of corporate governance, compliance is the process organized for observance of the rules and the management of business risks.

What is a compliance program and what are the reasons for such an initiative

- An effective risk management contributes to:
 - risk mitigation with reduced business loss
 - risk insights with business operations' optimization
 - increase return by reducing cost to support risks

How should a compliance program be adapted to the specific needs of each company

- Any compliance program has its own first core and indispensable foundations in the clear, constant and strong commitment of the Senior Management: it is a top down process.

How should a compliance program be adapted to the specific needs of each company

- **6 steps to tailor a compliance program to your business:**
 1. **risk identification**: depends on an analysis of the nature, size and organization of the business / market to identify possible areas of exposure
 2. **risk assessment**: awareness of sensitive areas; of their frequency and possible impact → risk level rating
 3. **mitigation factors**: organization changes; new operative approaches; policies and procedures; training
 4. **monitoring**: periodical review to ensure program / progress effectiveness

How should a compliance program be adapted to the specific needs of each company

- **6 steps to tailor a compliance program to your business (cont.):**

5. **updating**: adapt and enhance the program to build on lesson learnt; to take into account changes in organization, business, market; to include and prevent new areas of exposure
6. **deterrence**: application of disciplinary actions vs. directors; officers; employees; business partners in case of violations