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What is the Value of Compliance?

May 4, 2018
9:00 - 10:15

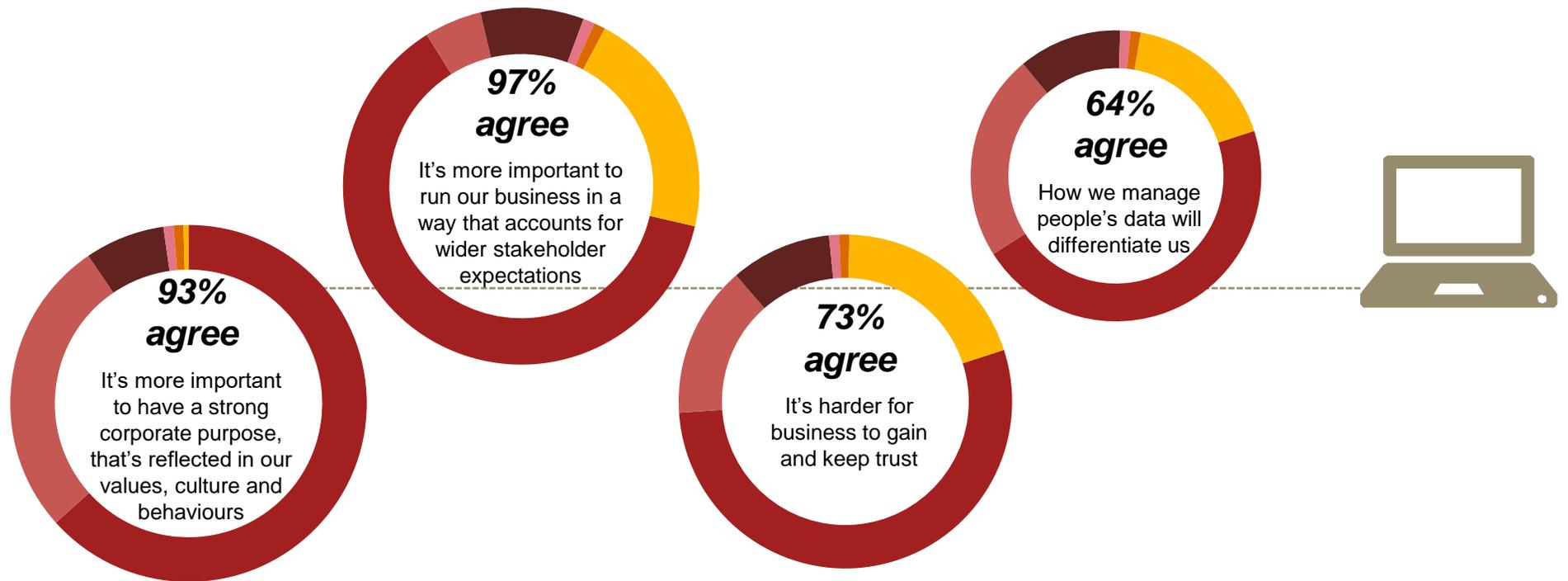


With you today...

- **Carlos Gouvêa**, Executive Director, Ethics Health Institute & Executive President, CBDL (Câmara Brasileira de Diagnóstico Laboratorial)
- **Erinn Hutchinson**, Principal, PwC
- **David Perez**, President and CEO, Terumo BCT
- **Kim Weistra**, Sector leader Social Affairs & Health, Ecorys

Now more than ever, companies are focused on keeping trust in an increasingly connected world

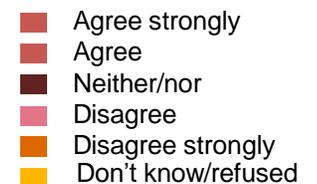
In 2003, only 30% of all CEOs in our survey thought corporate misdeeds posed a threat to growth. Today, 54% of Pharma/LS CEOs worry about lack of trust in business.



Note: The graphs may not add up to a 100% due to rounding errors

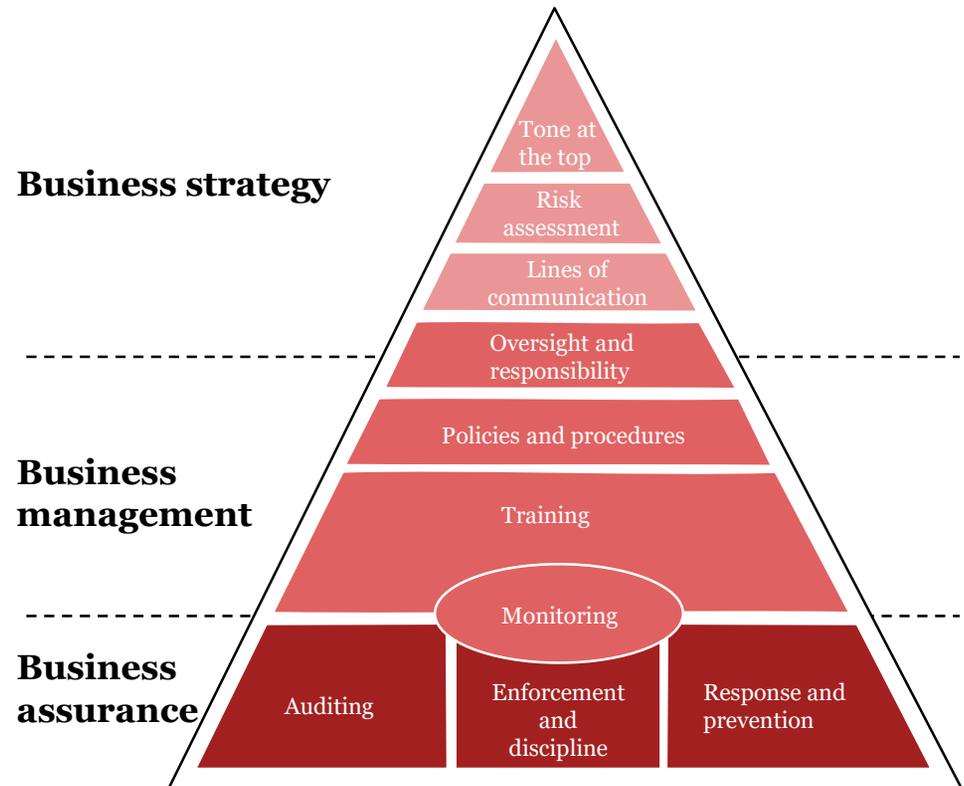
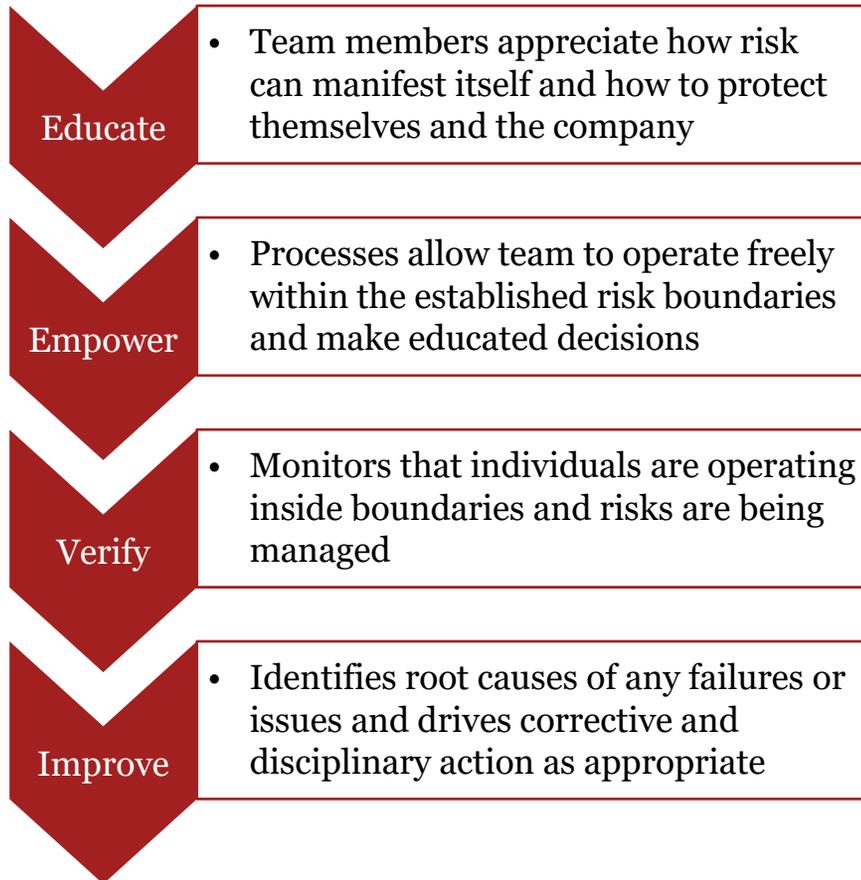
Q: In the context of an increasingly digitised world, to what extent do you agree or disagree with the following statements?

20th CEO Survey PwC



Compliance has always played an important role in safeguarding the organization

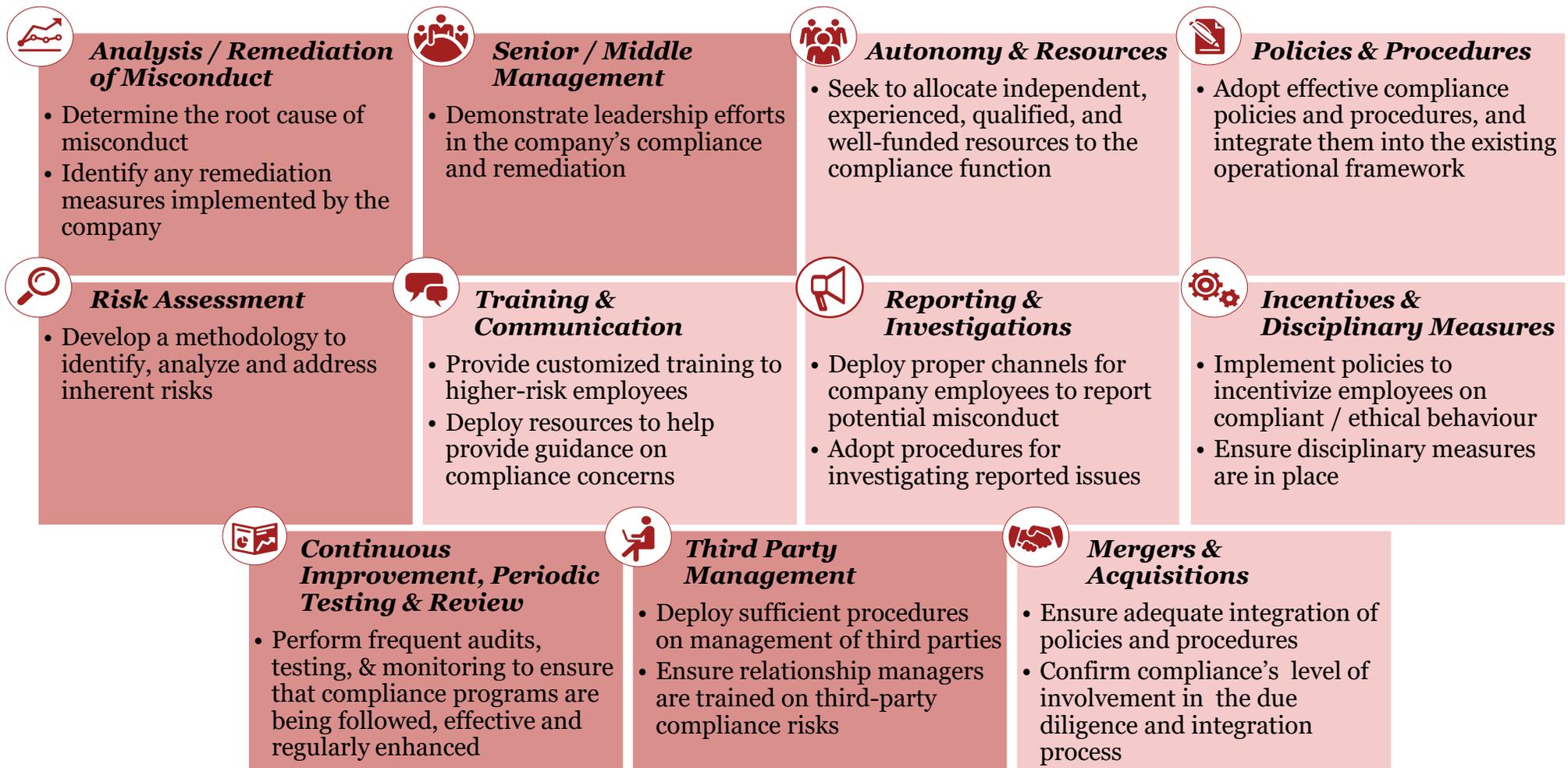
Successful compliance programs:



So that compliance becomes part of management functions

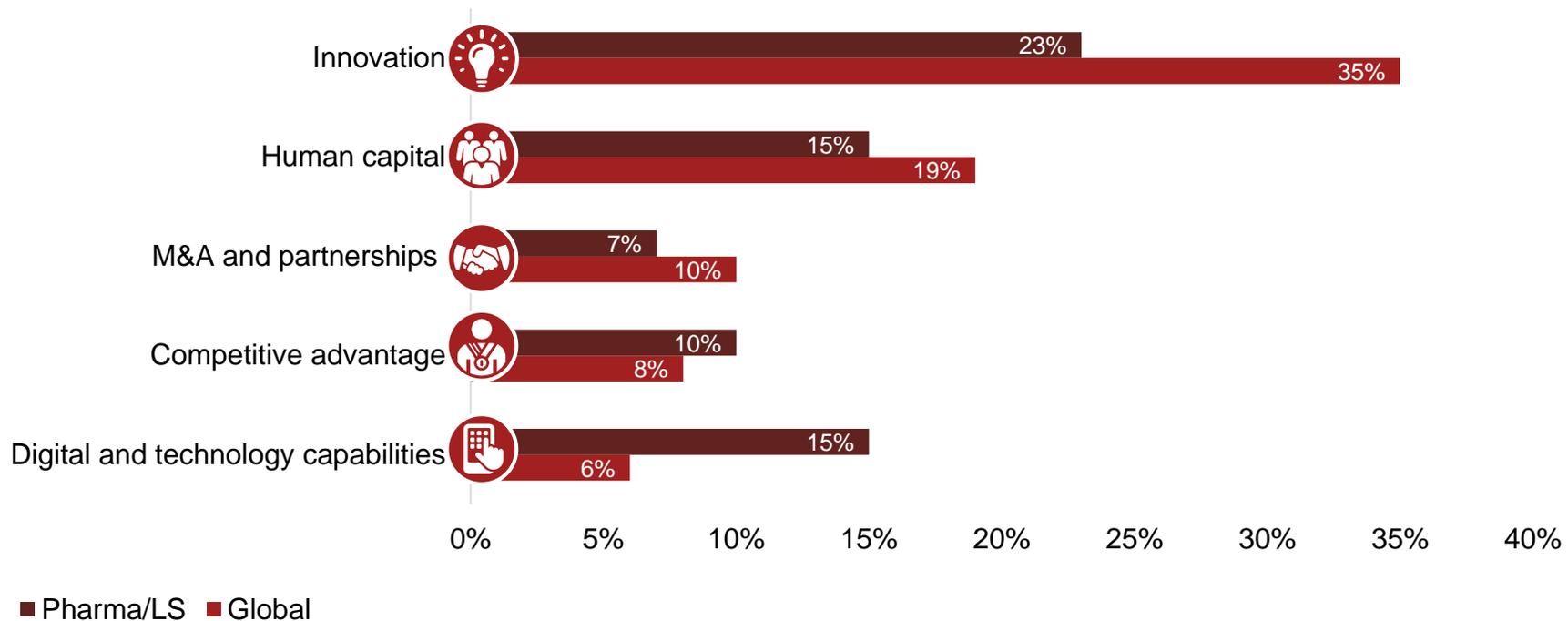
Compliance programs have traditionally been built to address regulator expectations

Many regulators and industry organizations have provided guidance as to what they believe are the required elements of an effective compliance program. The 2017 DOJ Guidance on Evaluating Compliance Program Effectiveness, provided some additional context for how they value program effectiveness



Truly effective compliance programs add value by enabling companies to make strategic decisions in line with risk tolerance

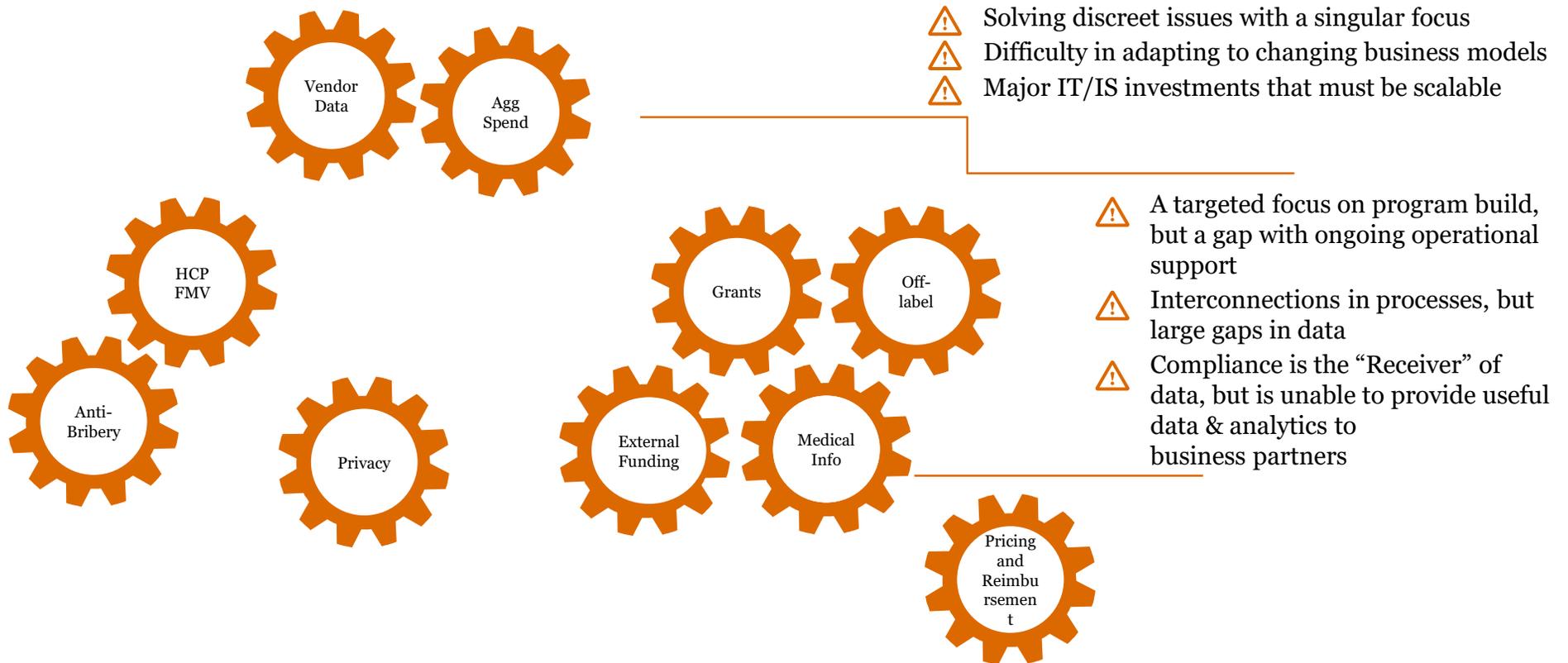
79% of Pharma/LS CEOs are focusing on organic growth over the next year and 35% most want to strengthen innovation in order to capitalise on new opportunities.



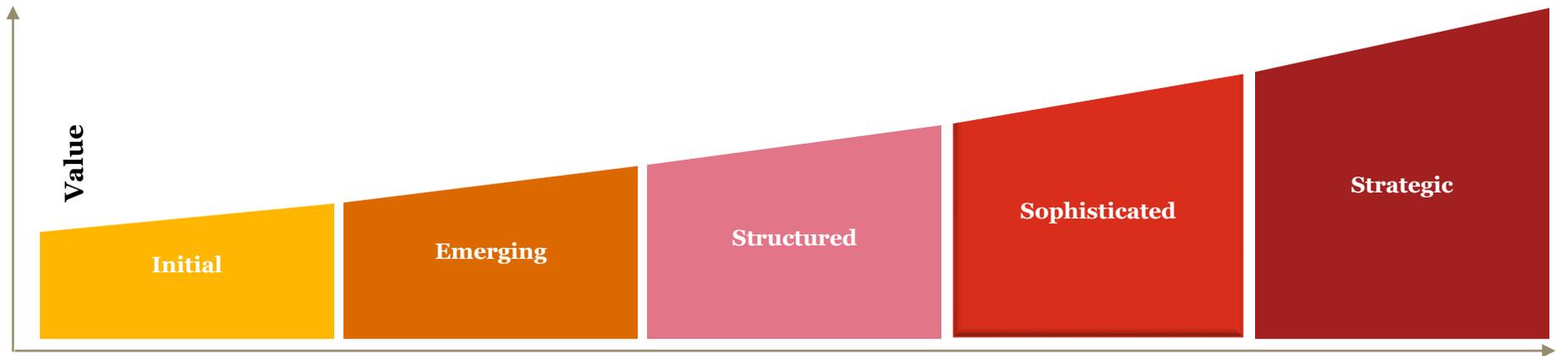
Source: PwC, 20th CEO Survey. Base: All respondents (1379) and all Pharma/LS respondents (89)

Q: Given the business environment you're in, which one of the following do you most want to strengthen in order to capitalise on new opportunities?
20th CEO Survey 12

However, as organizations grow, they may find themselves with silo'd, costly and inflexible operational solutions to manage risk and comply with regulatory requirements



As a result, compliance programs have been evolving as the industry business models change, in order to be true advisors to the business

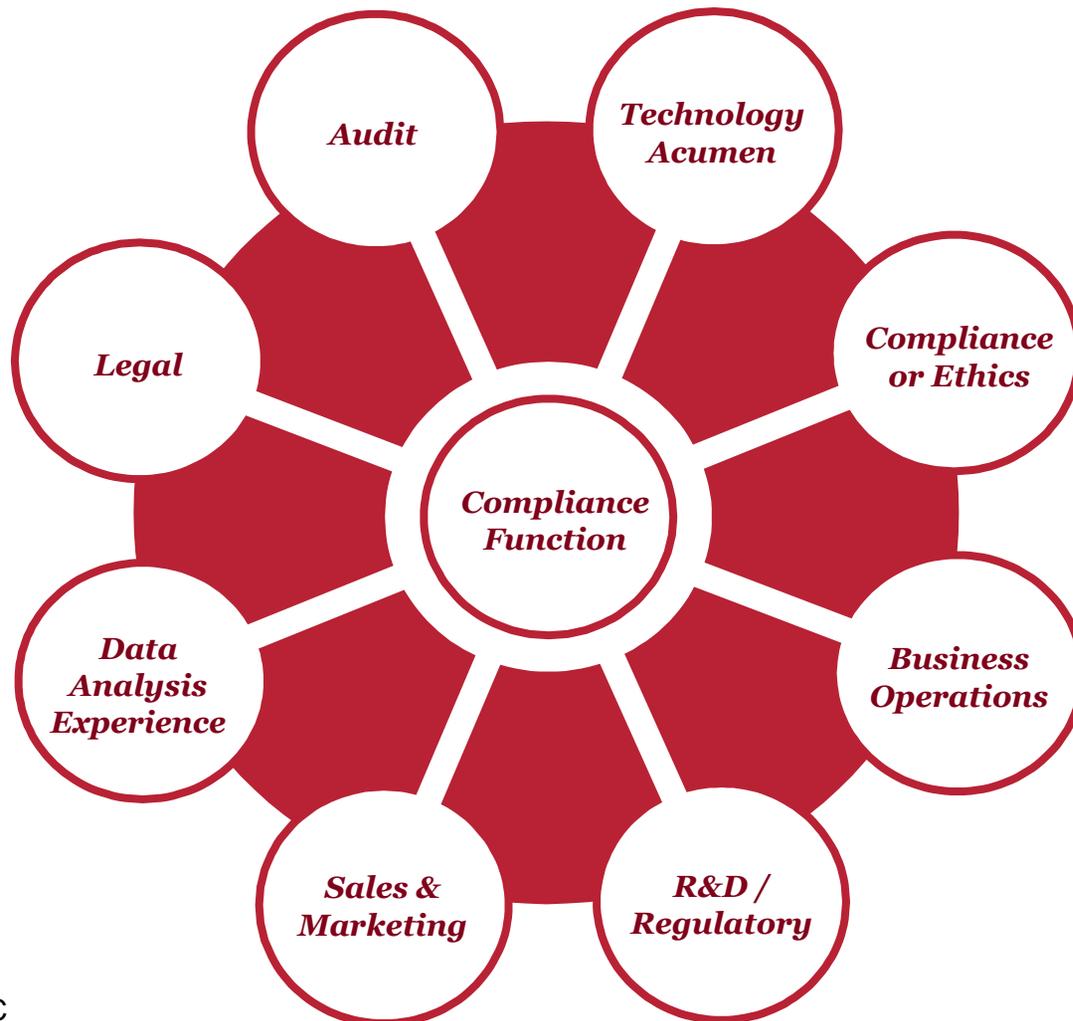


Maturity

- | | | | | |
|---|---|--|--|--|
| <ul style="list-style-type: none"> • Limited automation • Discreet tools for discreet tasks • Tools deployed reactive to events • Tools managed in individual functions • Little defined risk language or control frameworks | <ul style="list-style-type: none"> • Limited use of technology as an enabler • Risk activities/tools managed independently • Limited focus on the linkage between risk to strategies • Corporate IT/IS Risk Roadmap developed • Disparate monitoring and reporting functions • Multiple competing risk frameworks | <ul style="list-style-type: none"> • Communication of top strategic risks to the Board • Executive/ Steering Risk Committee • Semi- automated compliance controls • Leverage technology/operations as an enabler to the business • Standard reporting • Enacted common risk framework and IT/IS Risk Roadmap | <ul style="list-style-type: none"> • Knowledge sharing across risk functions • Coordinated risk management activities across functions • Automated compliance controls • Risk appetite defined • Formal risk monitoring, escalation, and reporting • Coordinated technology implementations from Roadmap | <ul style="list-style-type: none"> • Business enablement through integrated technology platforms, real time data/analytics and reporting • Proactive Monitoring/reporting guiding future risk strategy • Culture of compliance as a competitive advantage and contributor to resilient organization |
|---|---|--|--|--|

The evolution of the compliance program may require diversification of skill sets

Building a more diverse team, or leveraging existing skill sets within the organization will signal that the compliance function is not just a legal watchdog but also a strategic partner focused on business outcomes.



Diverse skill sets generate a more well rounded compliance function that is able to contribute more effectively to the business and corporate strategy.

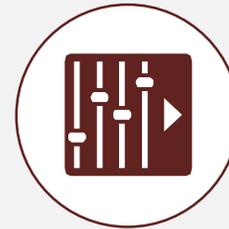
Measuring compliance value should include more than quantification of risk events and incidents

Is Compliance Effective?



How does Compliance provide a platform for creating value?

Value Creation



How well does Compliance protect current assets?

Value Protection

Is Compliance Efficient?



How much does our Compliance program cost us?
Are we obtaining an expected ROI and required value?

Cost of Risk Management



How much have prior risk events/incidents cost us?
How much could future risk events/incidents cost us?

Cost of Risk Events/Incidents

Thank You!

