Chief Compliance Officer: View from CEO and Board of Directors

Brent Saunders
Chief Executive Officer & President

The 14th Annual Pharmaceutical Regulatory and Compliance Congress and Best Practices Forum
October 30, 2013
Washington, DC
From Compliance Expert to CEO & Board

- Trained as a lawyer
- Rewarding career with PWC
- Recruited as Chief Compliance Officer and member of Executive Leadership Team driving turnaround of Schering-Plough
- Line Management: Head of S-P Consumer Health; Led integration of major acquisitions
- March 2009 to August 2013: CEO of Bausch + Lomb; Led successful transformation
- August 2011: Board Member Forest; Compliance Committee
- October 2013: CEO & President, Forest

Career Path
Three Topics

**Board View of Risk & Compliance**
- CCO needed to help navigate risk and link to the business

**CEO View of Compliance**
- The role of the CCO as top management colleague and trusted advisor

**Raising the Bar on the CCO Role**
- Business Partner & Leader
- Reputational Risk Management
"Business Integrity"
A Broader View of the CCO Mission

- Compliance and ethics are vital foundations for sound business – and for meeting legal and regulatory requirements

- “Business Integrity” includes compliance, yet also goes beyond – do what is required, but ALSO follow your moral compass

- “Ethics” can vary socially and culturally - ’Business Integrity’ can be explained and understood across societal and cultural boundaries

- So while the title is usually ‘CCO’ – I like to express the mission as “Chief Business Integrity Officer”
Board Focus on Compliance/Risk

1 Setting the tone at the Top
   • Role model “The Way We Work”
   • Good risk ID and management practices

2 Understanding legal duties
   • More complexity in Pharma/Health Care
   • Overview BOD legal duties and top 10 risks annually

3 Holistic approach to risk oversight
   • Include risk & compliance in most business discussions e.g. performance goal setting
Board Issues of Concern

1 Keeping risk/compliance in proper perspective
   • Good processes are important to foster long-term high performance
   • Risk/compliance is not a stand-alone subject
   • Must be integrated to company’s long-range strategic direction

2 Getting the right information

3 Staying organized and coordinating issues
Seat at the Table – and Voice with the CEO

**Often**

- Functional
- Layer removed from CEO

**Desired**

- Member of the top team
- And a special channel of feedback to the CEO
Special Value of the CCO to the CEO

- Keep business integrity high on leadership team agenda
- Inject business integrity into key discussion and decisions
- Provide a feedback channel from deeper in the organization
  - Strong network characterized by trust & intimacy
  - Feedback mechanism while maintaining confidentiality
Added Value CCO Credentials: Deep Business Knowledge

By earning the respect and trust of leaders and people in the operations through intimate knowledge of their work, you will be ‘invited in’ to add more value.
Expectation: Both Business Partner and Business Leader

CCO as Business Partner

CCO as Business Leader
Which risk areas have the most impact on your business strategy?¹

**2010**
- 41% | Brand
- 28% | Economic trends
- 26% | Reputation

**Today**
- 40% | Reputation
- 32% | Business model
- 27% | Economic / Competition

**2016**
- 29% | Economic
- 26% | Business model
- 24% | Reputation / Competition

¹) Exploring Strategic Risk; 2013 Deloitte
Reputation Risk Management

- Reputational risk is the most challenging category of risk to manage, according to 92% of companies responding to an ACE Group survey\(^1\)

- Reputation management is understanding, monitoring and influencing a business’s reputation\(^2\)

- Use customer feedback for early warning signals to reputation problems and address content which is damaging to reputation

- Social media/technologies are one of the key factors driving increased concerns about reputation risk due to their speed and global reach

---

1) Holmes Report, July 29, 2013
Emerging Trends: New Realities Require New Approaches by Today’s CCO

New Issues
- Emerging Markets esp. Asia/Pacific
- Growth in difficult economy

New Challenges
- Reputation
- Social Media

New Partners
- Global Communications
- Human Resources
Forest Labs: Compliance Practices Woven Throughout the Company

- **Development, Retention and Selection of Talent**
  - Compliance related competencies are components of each
  - Keen focus on talent possessing a compliance aptitude
  - Measurements of success rooted in ethics, integrity and compliant behaviors

- **Compliance Department a Career Path and Destination**
  - Colleagues with variety of functional backgrounds with real-world relevant experience Increasingly attracting internal talent to develop and grow

- **Partnerships and Consensus Drive Operations at Forest**
  - Impressive track record of drug approvals and launches
  - Trusted resources; intimate knowledge of projects from concept through execution

- **Defined and Healthy Lines of Communication**
  - Healthy program has to go beyond just hotlines and evolve to a productive dialog
  - Openness is founded on mutual trust
  - Communication and self-disclosure are a part of the partnership
In My Experience:

• As a trusted voice with management colleagues and the CEO
• As both business partner and business leader
• By helping to build strength on the inside
• By helping to build strength on the outside

A CCO Becomes a Valued Management Asset—With Great Career Opportunities!