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# Putting It All Together – Increased Management Involvement GHER Quarterly Meeting

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## Dow International Business Profile

- Chemical manufacturing and sales business
  - Customers in more than 175 countries
  - 156 manufacturing sites in 37 countries
  - 42,000 employees – 53% in North America
  - \$49 Billion sales – 43 % in North America
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## An Effective Ethics and Compliance Program is a Function of:

- Organizational culture, especially leadership tone
  - Organizational checks and balances – governance
  - Effective Board of Directors oversight – Senior Management pays attention to what they want to know about
  - Prevention and control mechanisms
  - Systems that encourage ethical behavior and punish unethical behavior
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## Ethics and Compliance Program Evolution

- Initial assessment of structural elements and controls – address gaps
  - Increased recognition that senior management support and involvement – especially in the business – is critical to program effectiveness
  - Initial perception of ethics and compliance as a functional program versus key component of business strategy
    - Senior management involvement helps break down that initial perception
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## Role of Senior Management

- USSG (as of 11/1/04) now define role of senior management to ensure the effectiveness of the ethics and compliance program
- More importantly we know that the ethics and compliance program can't be truly effective without senior management support and active participation
  - Tone at the top drives behavior and culture
- Senior management is well intentioned – problems usually occur because of inadvertent mistakes or blind spots



## Examples of Blind Spots, Inadvertent Mistakes and Mixed Messages

- Business communications focused on the what of expectation without appropriate emphasis on how
  - Bad conduct tolerated or rewarded
    - The higher the level the more the effect and reputation risk
  - Tolerance of actual or perceived conflicts of interest
  - Focus on short term results versus long term strategy
  - Failure to hold high performers accountable for bad conduct in any visible way
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## Increased Management Involvement

- Ethics and compliance partners with corporate communications to help senior management set (and sustain) the appropriate tone
    - Values based
    - Aligned with corporate strategy
    - Match up the “how” with the “what” of expectations
  - Ethics and compliance partners with Human Resources to engage senior management on:
    - Training
    - Leadership development processes
    - Performance management/pay planning
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# Establishment of Business Portfolio Ethics and Compliance Liaisons

- Business V.P. level role
  - Drives ethics and compliance into the businesses
  - Demonstrates business leadership tone
  - Facilitates ethics and compliance risk assessments
  - Coordinates with Regional Ethics and Compliance Committees
  - Ambassador role – M&A, performance management, promotions, etc.
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## Regional Ethics and Compliance Committees (RECCs)

- Key control element of Dow's ethics and compliance program
  - CEO-appointed members – top Commercial, Legal, Finance, HR people
  - Integrates geographies, businesses and functions
  - RECCs responsible for regional matters and for developing ethics and compliance strategy aligned with corporate strategy
  - Ethics and compliance provides training, communications and other support for RECCs
  - Activities governed by Charter – report to corporate ethics and compliance
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# Dow Global Investigation Process (DGIP)

- A standardized, global investigative process used by all functions for a wide range of subject matters
  - DGIP applies to all Dow operations, products and businesses worldwide – no exceptions for high level personnel
  - A method to ensure all investigations are conducted fairly, objectively and impartially
  - Senior management engaged in determining appropriate discipline and other remedial steps
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## DGIP – What Results Do We Expect

- Fair, consistent treatment of employees
  - Transparency
  - Adherence to the Code of Business Conduct
  - Promotion of best practices for investigations
  - Eliminate duplication of effort
  - Early detection of significant problems
  - Identification of emerging trends and issues
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## Summary

- Senior management wants the same things we do but lacks the time to fully appreciate how all the dots are connected
  - Involving them where appropriate:
    - Educates them
    - Creates ethics and compliance ambassadors
    - Increases their ownership and acceptance of accountability for ethics and compliance issues in the businesses
    - Demonstrates to others their commitment and leadership tone
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