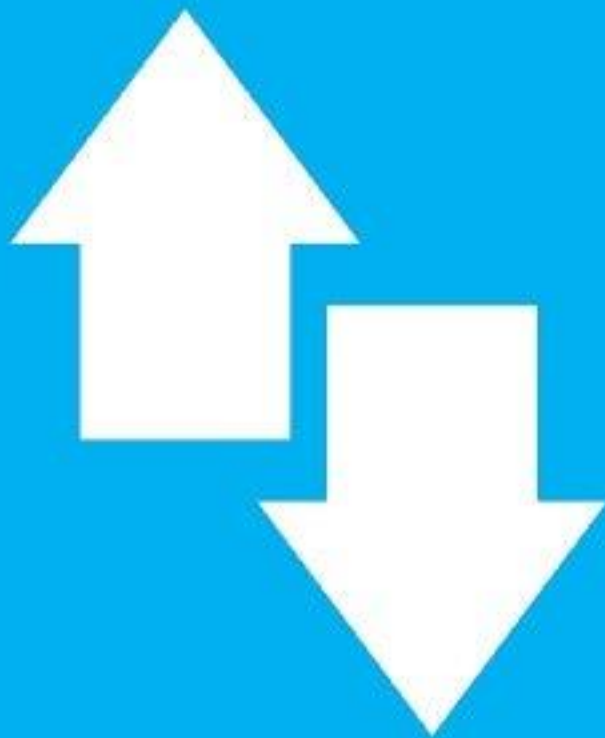


Managing Risk from the Top to Bottom



How to Safeguard Against Misconduct

From C-Suite Level to Regular
Employees – and Using HR as a
Gatekeeper

Presented at American Conference Institute's
3rd Asia Pacific Summit on
**Anti-Corruption,
Compliance and Risk
Management**
December 03-04, 2014, Hilton Singapore





Eric Pesik

Associate General Counsel and Compliance Officer
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Director, Ethics and Compliance
Cummins Distribution Business

Defining Your Legal Universe



Legal Universe

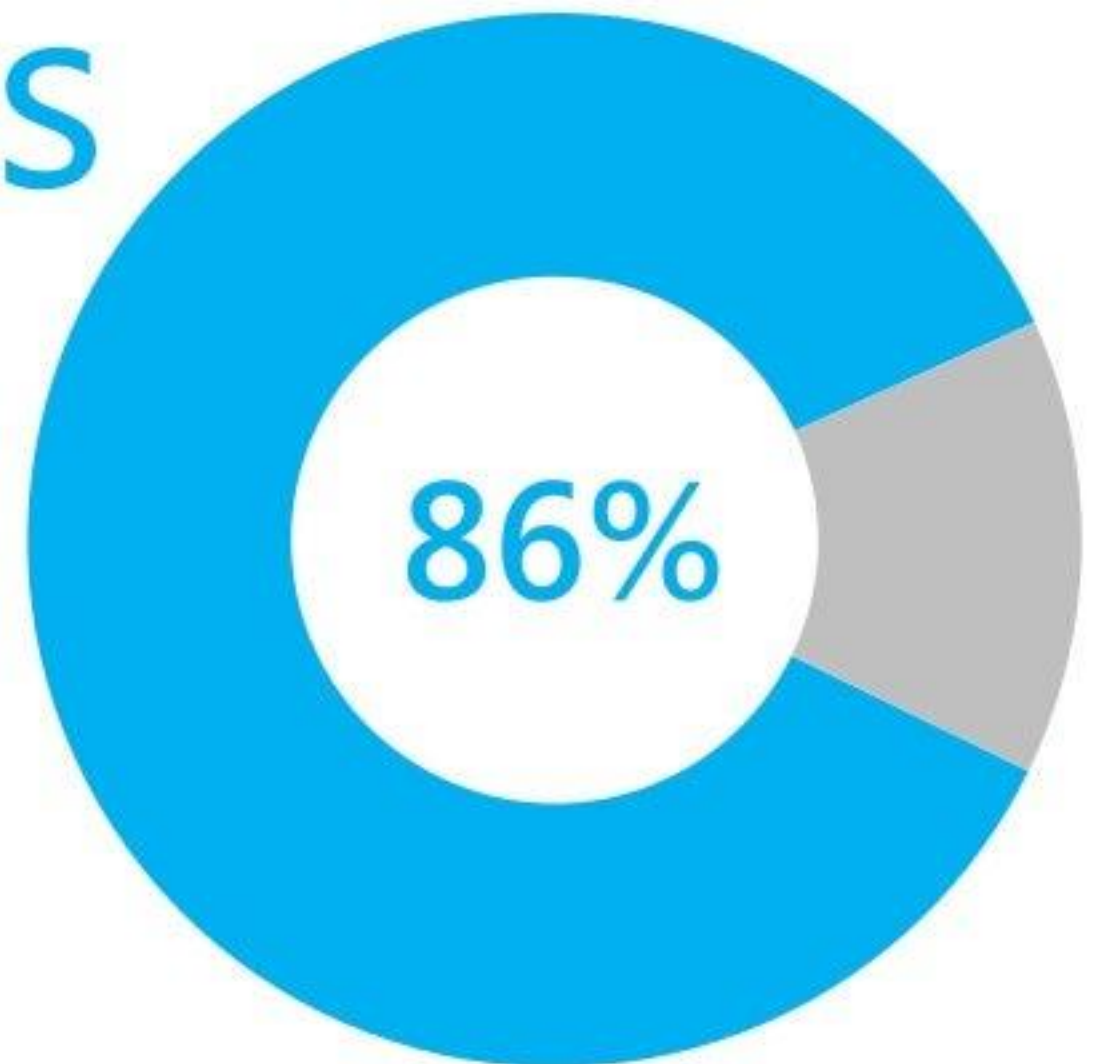
- Local vs Home Jurisdiction
- Collateral Laws and Related Issues
- Territorial vs Personal Jurisdiction



Risk Mitigation Actions From the Top



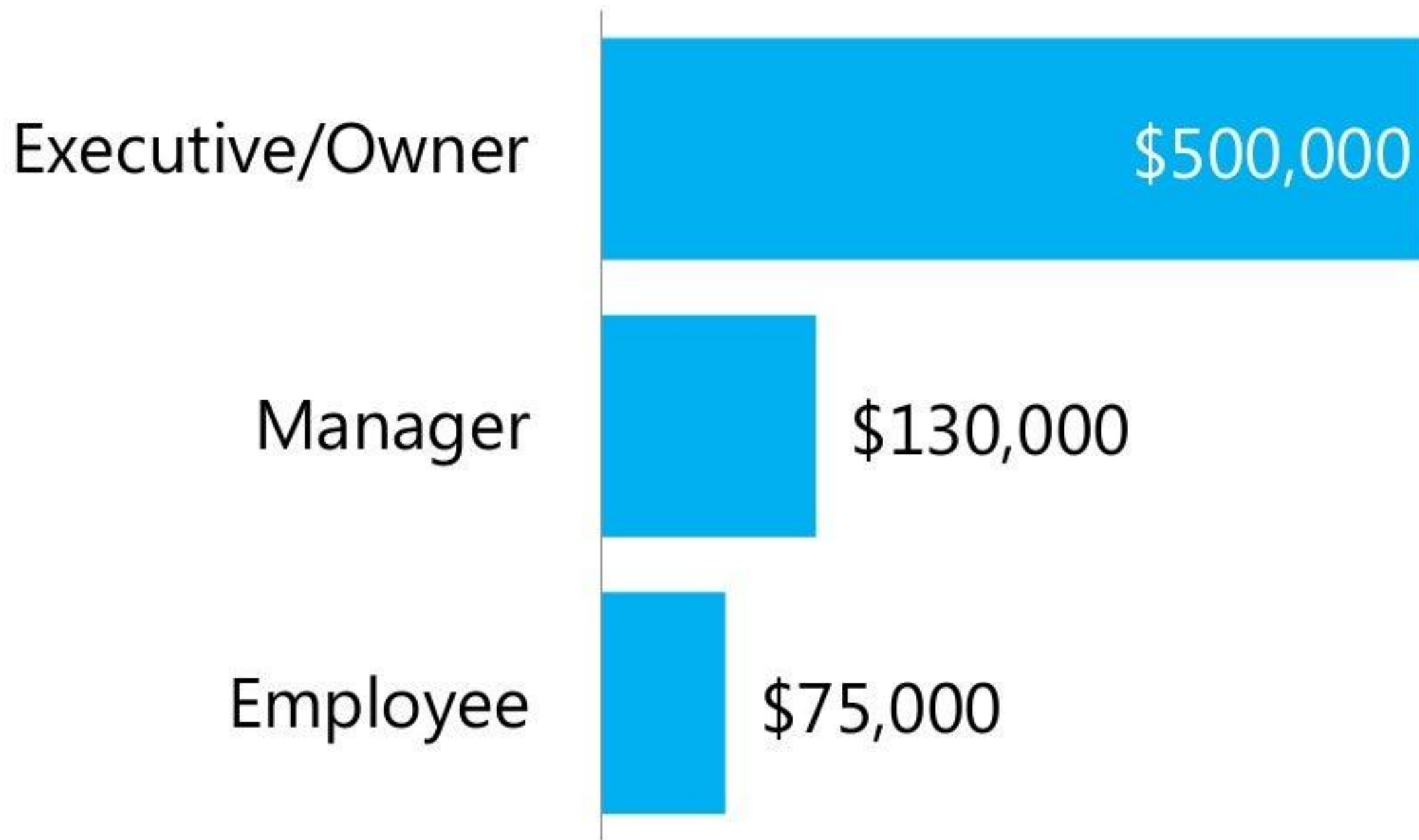
86% of corporate fraud is
known or perpetrated
by senior
executives



If you wanted to design an incubator for generating misconduct, it would
**look a lot like
the C-Suite**



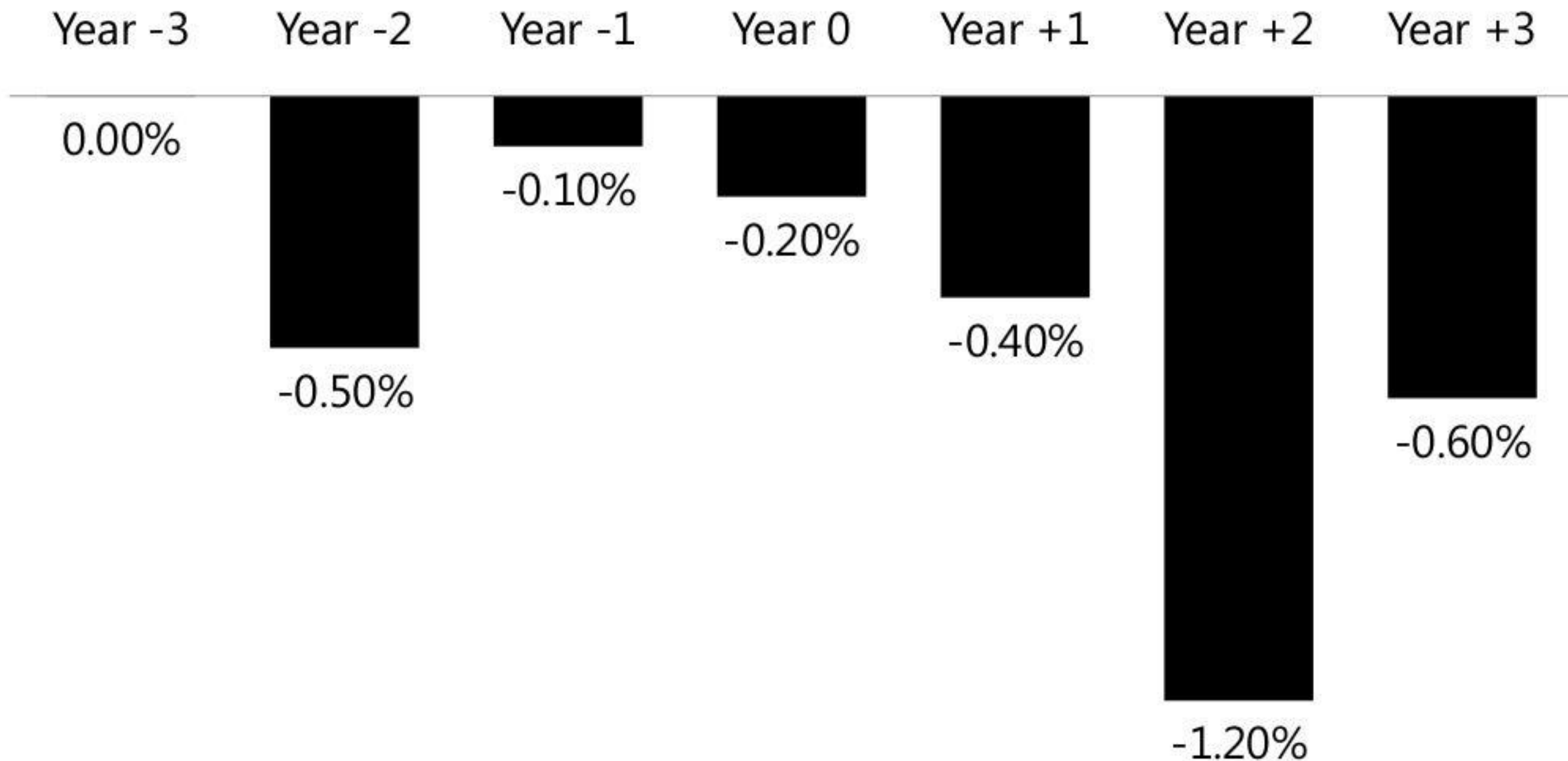
Median Loss (USD) to Fraud by Position of Perpetrator



“CEOs are prone to viewing
the company's success as
indistinguishable
from their
own.”

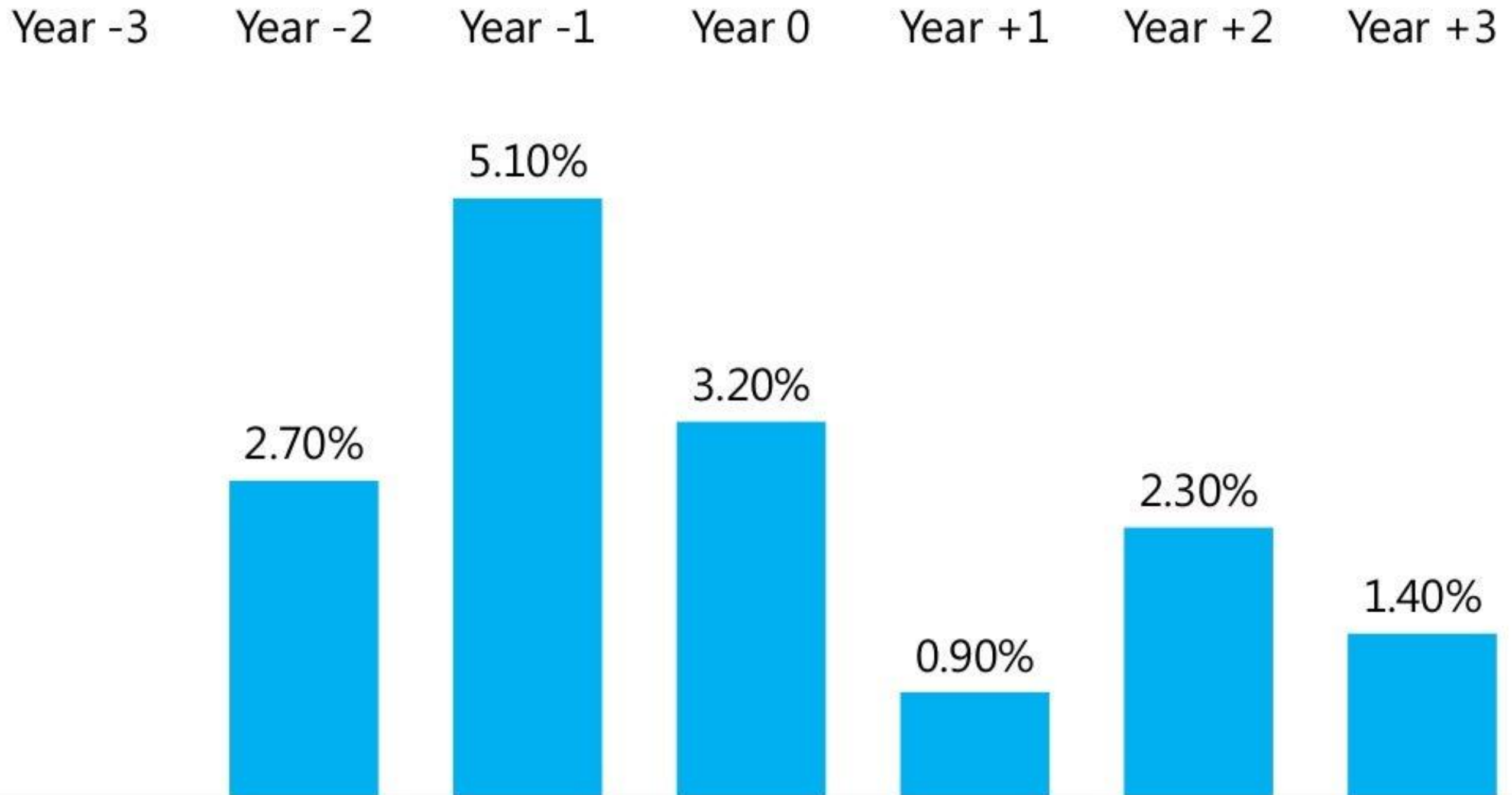


Net Profit Margin



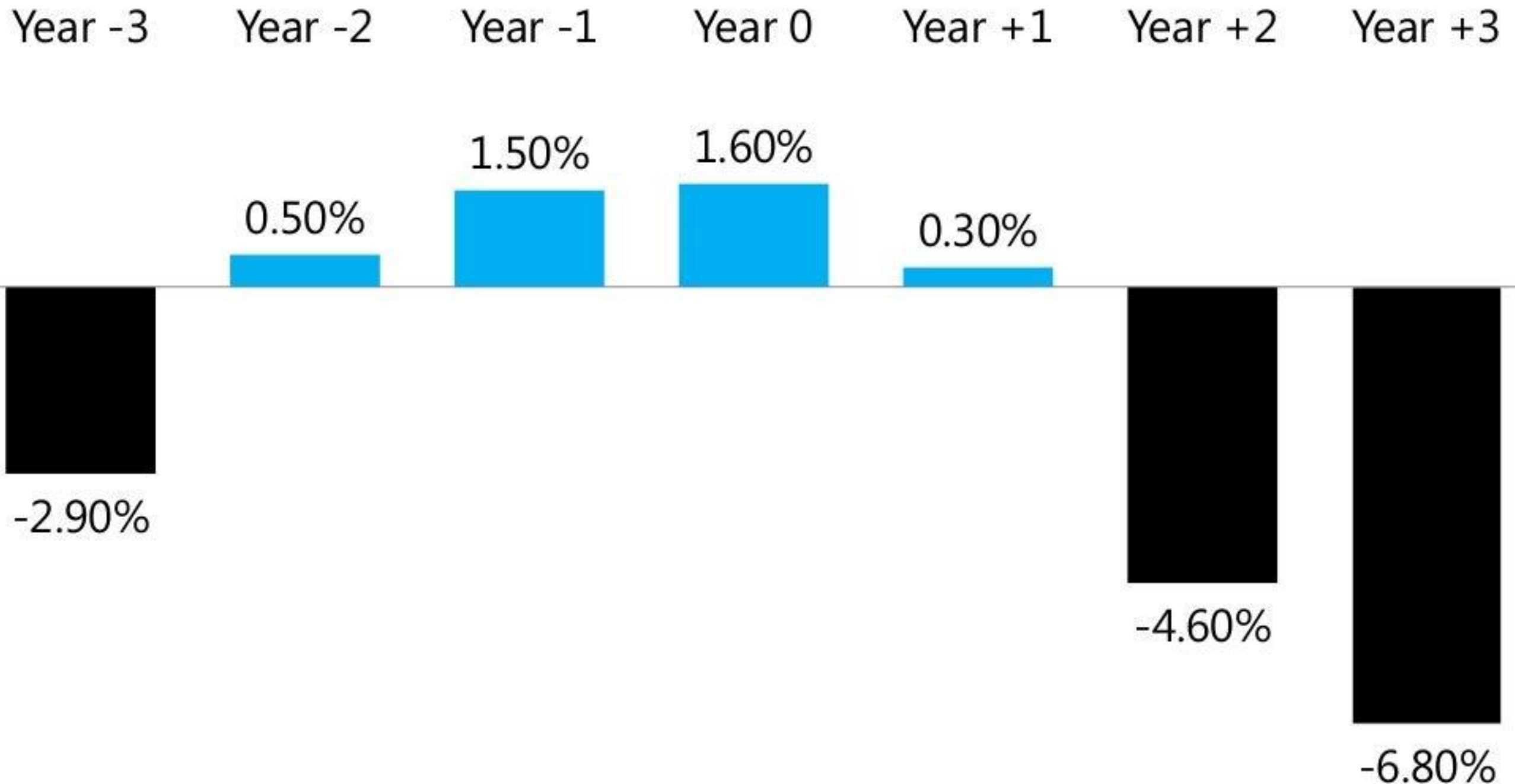
Companies that bribe have poorer net profit margin (net income divided by sales revenue)

Sales Growth



Companies that bribe have greater sales growth compared to control firms

Cumulative Abnormal Returns



Companies that bribe have poorer cumulative abnormal returns (difference between the sum of the monthly returns for bribing firms versus control firms)

From the Top

- Tone From the Top
- Risk Management Oversight
- Establishing Internal Controls
- Guiding Middle Management

Risk Mitigation Actions From the Middle



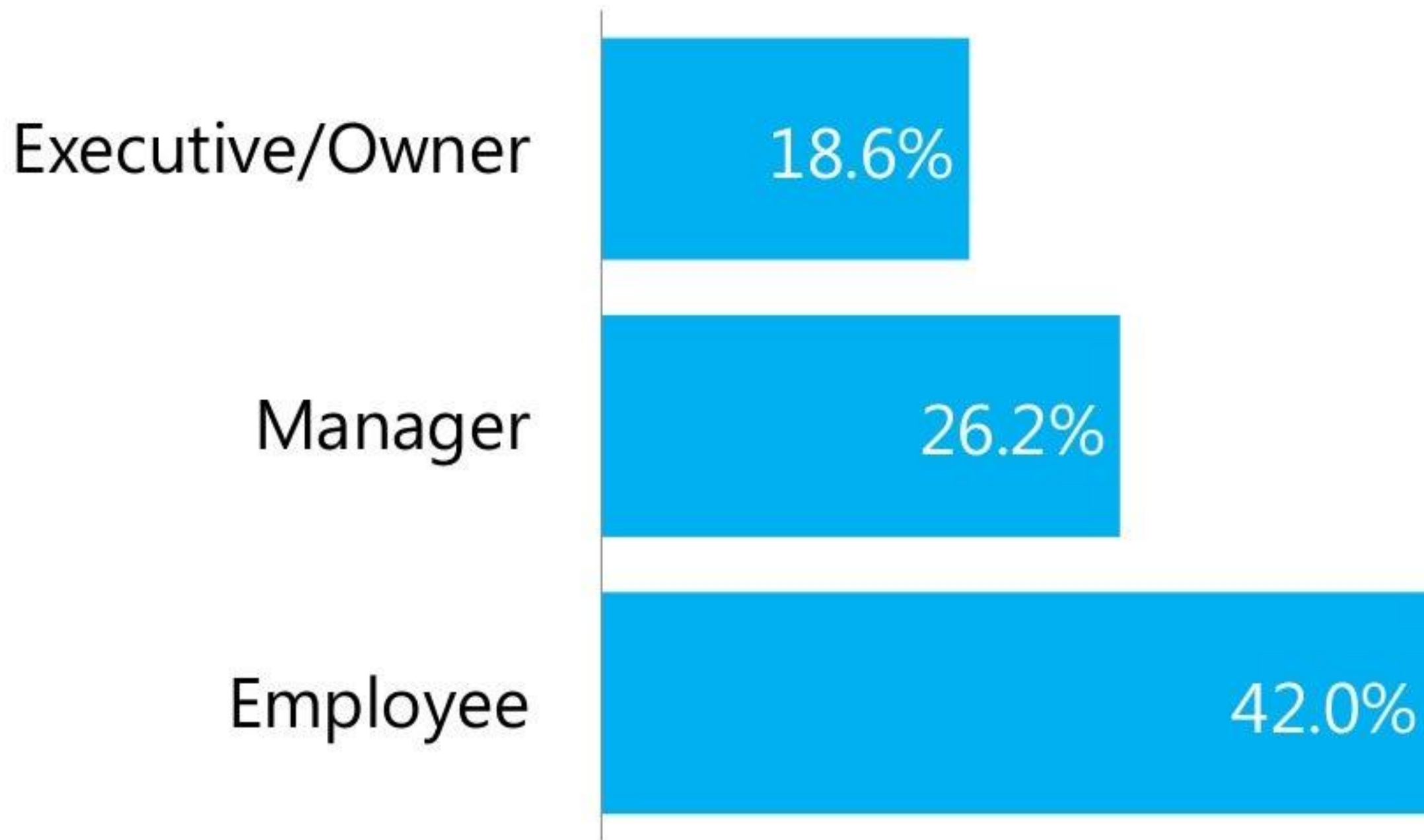
From the Middle

- Tone From the Middle
- Anticipate and Recognize Ethical Dilemmas
- Communicate Ethical Values
- Report to Top

Risk Mitigation Actions At the Frontline



Occupational Fraud Frequency by Position of Perpetrator



Fraud Triangle

