



107 Global Regulatory Compliance & Ethical Business Conduct

Mark A. Hester
Assistant General Counsel
Delphi Corporation

Ted Polakowski
Director Environmental, Health & Safety Assurance
Agere Systems

Debra Sabatini Hennelly
Vice President & General Counsel
Integrity Interactive Corporation

Faculty Biographies

Debra Sabatini Hennelly

Debra Sabatini Hennelly is vice president & general counsel of Integrity Interactive Corporation, specializing in internet-based corporate compliance and ethics programs.

Ms. Hennelly is an experienced lawyer who spent the last nine years in the corporate legal departments of AT&T Corp., Lucent Technologies Inc. (AT&T spin-off), and Avaya Inc. (Lucent spin-off). Until early this year, Ms Hennelly was corporate counsel for regulatory and compliance at Avaya, a \$7 billion company with more than 20,000 employees. Prior to her role at Avaya, Ms. Hennelly served as corporate counsel for Lucent's Business Communications Systems, where she was the company's Y2K counsel and provided commercial legal support for parts of the business, and as corporate counsel for environment and safety for Lucent and AT&T. Before joining AT&T, she practiced environmental law with Bryan Cave and with Riker, Danzig, Scherer, Hyland & Perretti. Originally trained as an engineer, Ms. Hennelly began her career as a construction and tank engineer for Exxon Company, USA..

Ms. Hennelly has written and lectured extensively on environmental and compliance issues and is currently chair of the American Corporate Counsel Association's Environmental Law Committee. She is also a member of the board of trustees of the Electronic Industries Foundation, which fosters science and math education to help develop the technology workforce of the future.

Ms. Hennelly earned a bachelor of science magna cum laude from Duke University. She then attended the University of Virginia Law School, where she earned her law degree, and has been active for more than 10 years with its Alumni Council.

Mark A. Hester

Mark A. Hester is assistant general counsel in charge of environmental matters for Delphi Corporation in Troy, MI. Delphi is the world's largest automotive component supplier, and a Fortune 67 company with 179 plants in 41 countries. Mr. Hester has been in his present position since Delphi's spin-off from General Motors. During the spin-off, the largest in corporate history, he was environmental counsel. Prior to that time, he was a member of the General Motors legal staff where his work focused on diverse issues affecting stationary and mobile sources.

Prior to working at General Motors, Mr. Hester was in private practice with a boutique law firm in Chicago. He also worked as an attorney with the Illinois Pollution Control Board.

Mr. Hester is a past chair of ACCA's Environmental Law Committee. He also has been a program participant for a number of environmental seminars and conferences, and has coauthored professional publications.

Mr. Hester graduated from Northern Illinois University with a BS. He received a JD and MBA from the University of Illinois and was a member of the school's National Moot Court Team.

Ted Polakowski

Ted Polakowski is the director of environmental health and safety at Agere Systems. He is responsible for assuring that Agere has a consistent and world-class third party certified ISO 14001 and BS8800 based environment and safety management system at all Agere locations around the globe. Mr. Polakowski is responsible for developing the strategies that will make Agere Systems a company that practices sustainable development while making sound business decisions. He coaches a small group of experts and project managers that leads teams of involved individuals in achieving significant EH&S performance improvements.

Mr. Polakowski holds six patents in the field of printed wiring board processing. He has done tours of duty in R&D, manufacturing engineering, corporate strategy, and was the manager of a large printed wiring board production facility. He is currently located in Berkeley Heights, NJ.

Mr. Polakowski is a certified Occupational Safety Professional and holds a bachelors degree as well as a master of science degree in research and development from New Jersey Institute of Technology.



Developing and Implementing a Global Ethics and Compliance Program

ACCA Annual Meeting
October 21, 2002

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Some High-Level Ethics and Compliance Program Goals

- To proactively integrate ethics and compliance considerations into the business operations, making the program a value-added proposition for the employee, the company and broader community.
- To optimize the use of global, web-based tools to coordinate and communicate the program across the enterprise.
- To create an atmosphere in which every employee understands that they are in a position to see, question, cause and prevent ethics and compliance issues

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What are the “Selling Points” for an Ethics and Compliance Program?

- Protect Company Reputation and Brand
- Minimize Officer & Director Personal Liability
- Avoid Paying Corporate Fines
- Meet US Federal Sentencing Guidelines for Organizations
- Meet NYSE Listing Standards and Sarbanes-Oxley Act
- Avoid Outside Counsel Defense Costs
- Protect Customer, Employee and Investor Confidence
- Avoid Government Debarment
- Protect Business Continuity
- Avoid High-Risk Premiums
- Protect Favorable Credit Ratings

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Some Initial Program Goals & Objectives

- Senior Management Commitment/ID Compliance Officer
- Project Plan, Budget and Timeline
- Form Compliance Council Across the Business
- Identify and Prioritize Risk Areas
- Draft or Revise Code of Conduct
- Select Web-based Training Vendor/ID Training Priorities
- Draft Key Policies
- Create and Launch Web Site (and external site?)
- Develop Communications and Training Plans
- Create Code of Conduct Acknowledgement Process
- Processes for On-going Policy Development, Communications & Training Deployment, Mgt. Review

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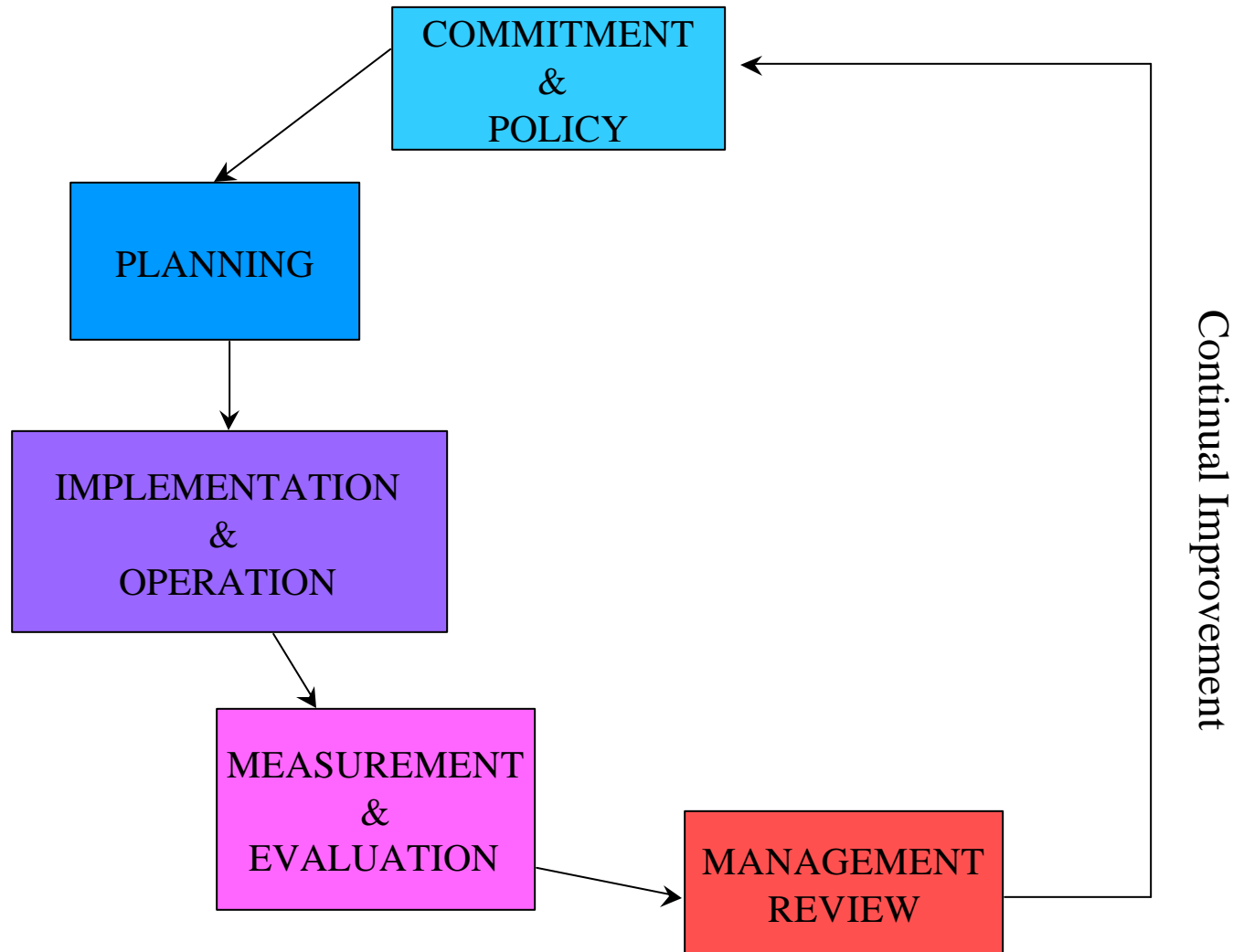


Components of an Effective Corporate Ethics and Compliance Program

- A comprehensive system to prevent, or detect and correct, violations of law and company policy
- Reasonably designed, communicated, implemented across the enterprise
- Practical, accessible policies/programs, integrated into the way the business runs
- Visible executive management endorsement and accountability
- Distributed ownership model through competent, cross-functional team (lawyers, subject matter experts, business managers)
- Effective communication and training of the affected employees
- Optimized use of Web-based documents, communication and training
- Documented, coordinated institutional memory
- Consistently audited and enforced
- Results reviewed by management periodically

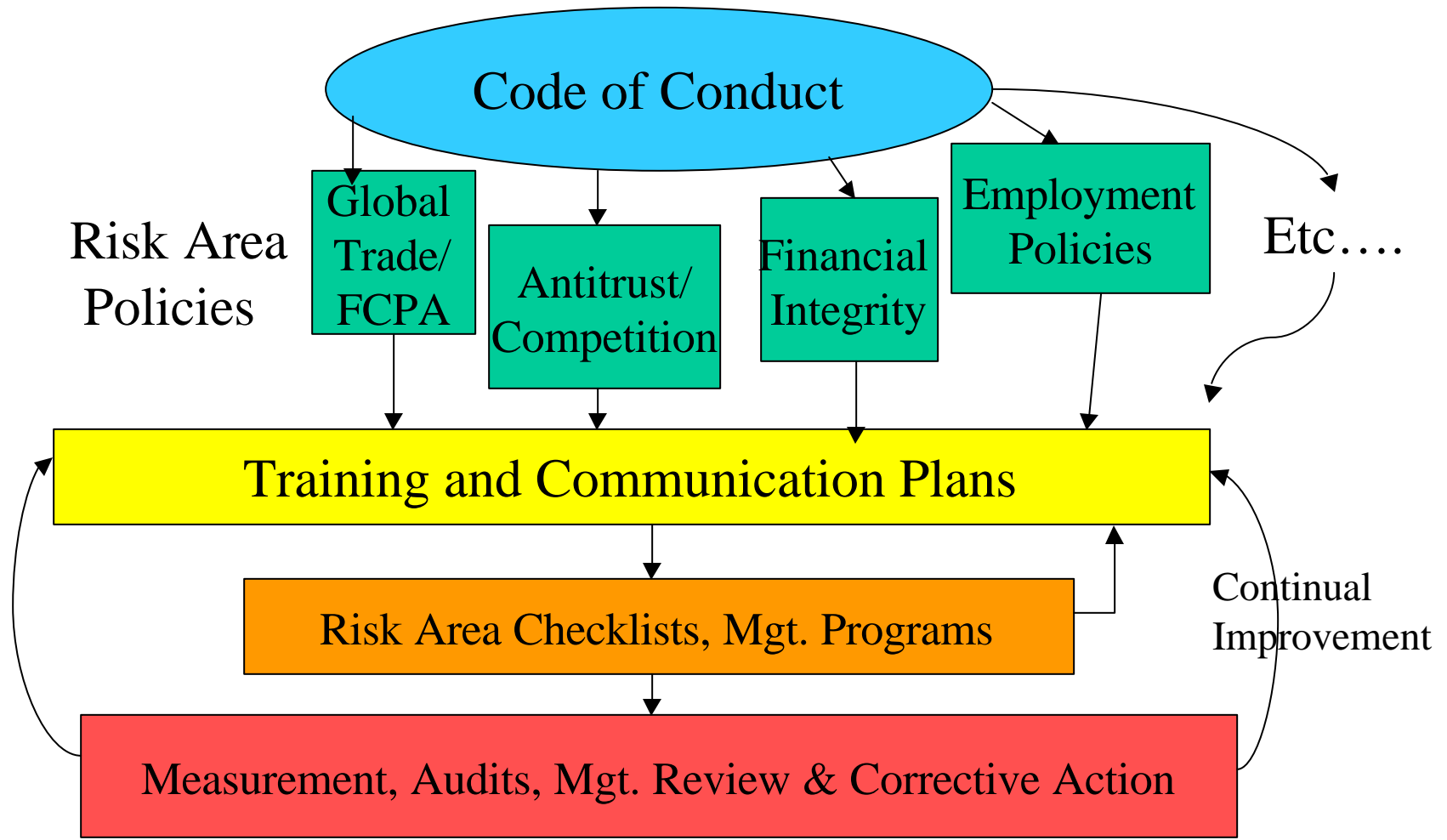
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Key Components of a Management System



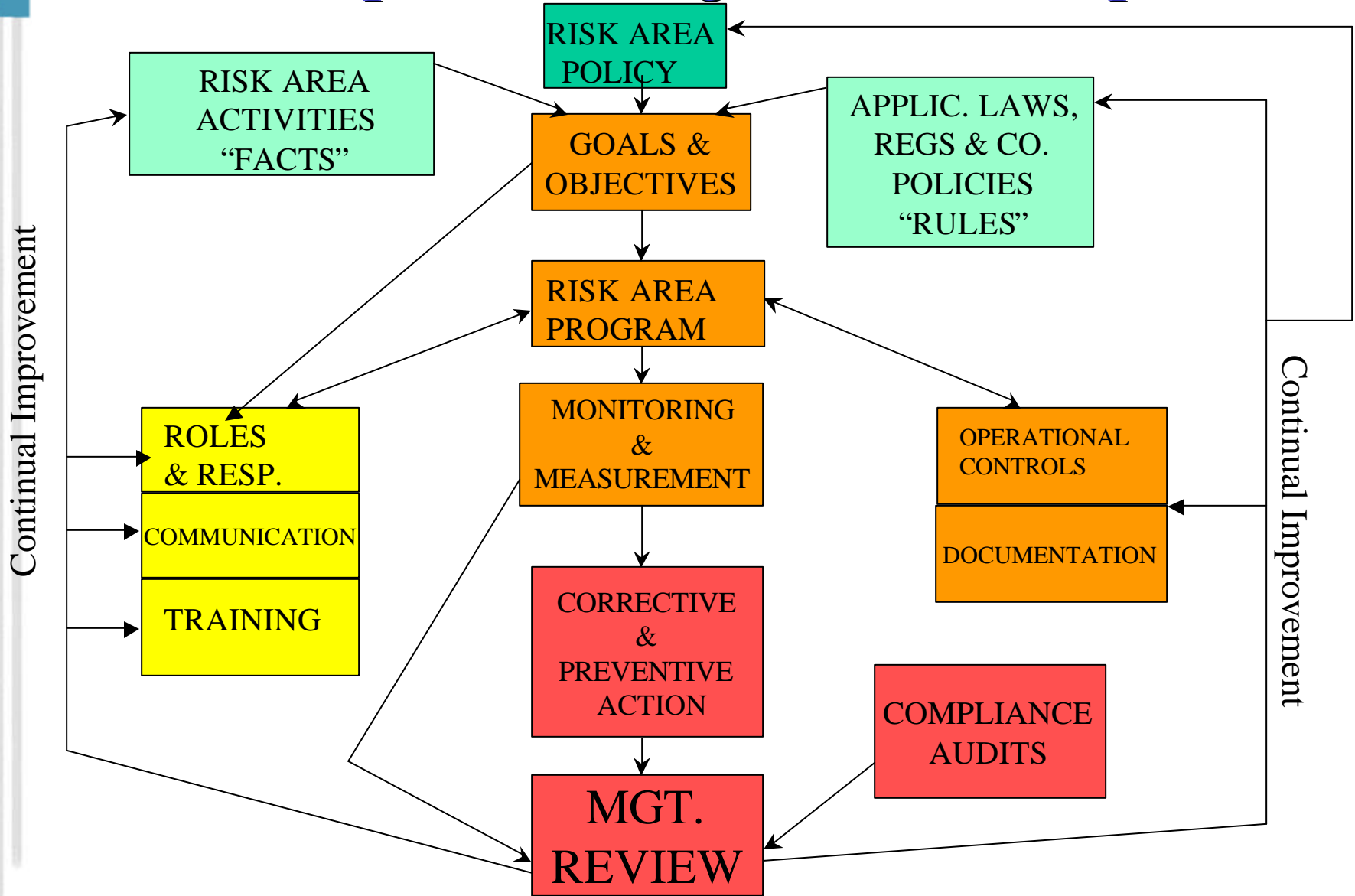
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Compliance Program Deployment



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Compliance Program Roadmap



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Ethics & Compliance Web Site

- Centralized Resource and Information center on Intranet
- Audio message from Senior Management (preferably CEO)
- Code of Conduct
 - navigable table of contents
 - include printable version (avoid publishing costs)
 - Include translations, also printable
- Policies and Guidance documents
- Resource Links and Contacts, including:
 - hotline and compliance e-mail
 - Compliance contact directory
 - Law Division directory
 - HR, IT, Finance links/directories
 - Corporate Security
 - Environment, Health & Safety
- Web-based compliance training portal
- External Web Site—at least the Code of Conduct (for NYSE listing stds)

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Ethics and Compliance Training

- Focused, relevant compliance training (web-based and some in-person) focused on targeted employee groups and their responsibilities/risks
- Code of Conduct training—and acknowledgement process —roll out to all employees: can be hard copy, live or web-based
- Risk Area Training for “high risk” employees and compliance professionals
 - Senior leadership
 - Sales & Marketing
 - Managers (cascade down through business as appropriate)
 - Compliance Council and Law Dept.
 - Targeted employees, based on risk assessment
- Training coordinator (or vendor) role:
 - creating relevant course content and roll-out
 - managing training communications
 - completion tracking

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Ethics and Compliance Training

(cont'd)

- On-going Communication Plan
- Completion Tracking Process
- Follow up for by Compliance Council members and managers with “delinquents”
- Incorporation into new employee orientation
- On-going communications and training—not a one-time event

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Some Effective Approaches

- Initial and on-going senior management engagement
- Program not wholly-owned by Law or HR—networked ownership and accountability are key to assimilation into business operations
- Context and expectations set—responsibility for knowing the rules, accessible expertise and resources, no retribution for raising issues
- Deployed like any other business initiative and kept on the “radar screen” of the business
- Optimize the Web as the program medium—supports breadth, accessibility and allows program to be dynamic
- Compliance program’s service e-mail can provide conduit for asking questions, finding experts and answers, tracking issue resolution
- On-going relevant training and communication keep program alive
- Allow time to gain some “traction” before auditing
- Audits, surveys, focus groups and management review drive continual improvement

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Some Insights to Keep in Mind

- Re-prioritize constantly
- Don't wait for "perfection" to launch
- Take every opportunity to communicate
- Make extensive use of networking groups (like ACCA, EOA) to obtain best practices and first drafts of policies
- Don't wait for union negotiations to be complete before launching training to non-represented employees
- Ask for employee feedback routinely to ensure tools and training are practical, accessible, relevant
- Simultaneously operate proactively and reactively
- Keep an eye on the goal of maintaining an atmosphere in which every employee understands that they are in a position to see, question, cause and prevent ethics and compliance issues

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Some Conclusions

- Provide employees with practical tools, training and resources to help identify and flag issues, and then contacts with lawyers and subject matter experts to address what they raise.
- Create an atmosphere and set expectations:
 - Keep communicating and training
 - Ethics and compliance considerations integrated into the way the business runs
 - Concerns and violations will be taken seriously and addressed
 - No retribution for raising issues
 - Acknowledge the tension between “making our numbers” and “do the right thing”
 - “When in doubt, ask for support”

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agere systems

ACHIEVING GLOBAL REGULATORY COMPLIANCE THROUGH AN ISO 14001 / BS8800 MANAGEMENT SYSTEM

TED POLAKOWSKI
DIRECTOR, EH&S ASSURANCE
AGERE SYSTEMS

agere systems

The Building Elements Of Our SEMS

our POLICY

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our VISION / MISSION statements

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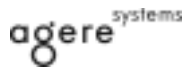
an Understanding of our
BUSINESS DECISION MAKING PROCESS

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the ISO 14001/ BS 8800/
AGERE Worldwide STANDARDS

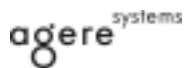
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AGERE'S Safety & Environmental MANAGEMENT SYSTEM



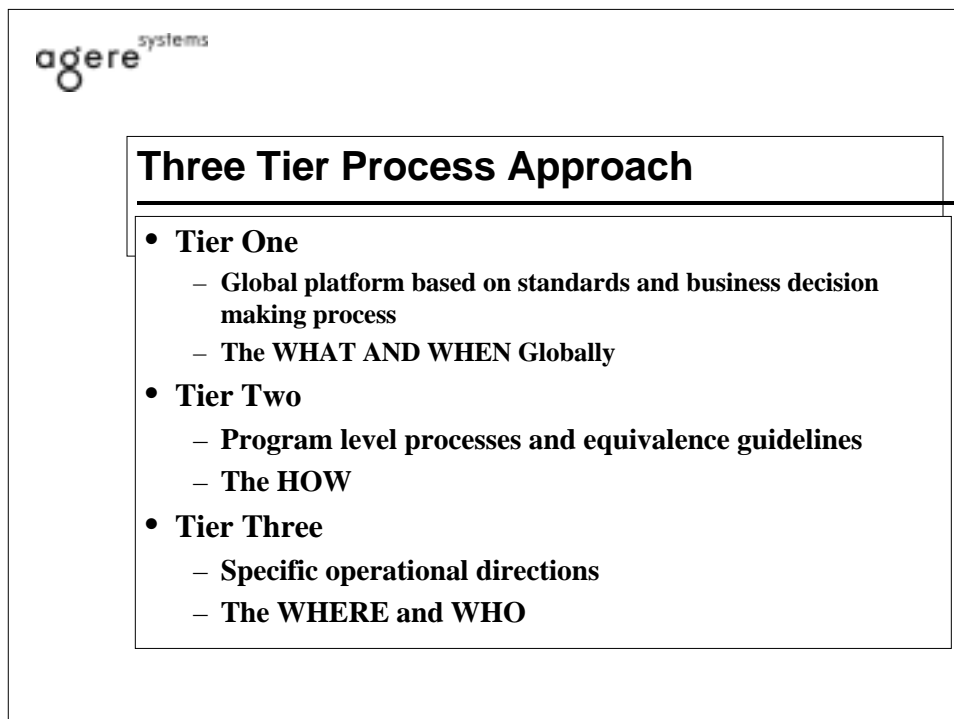
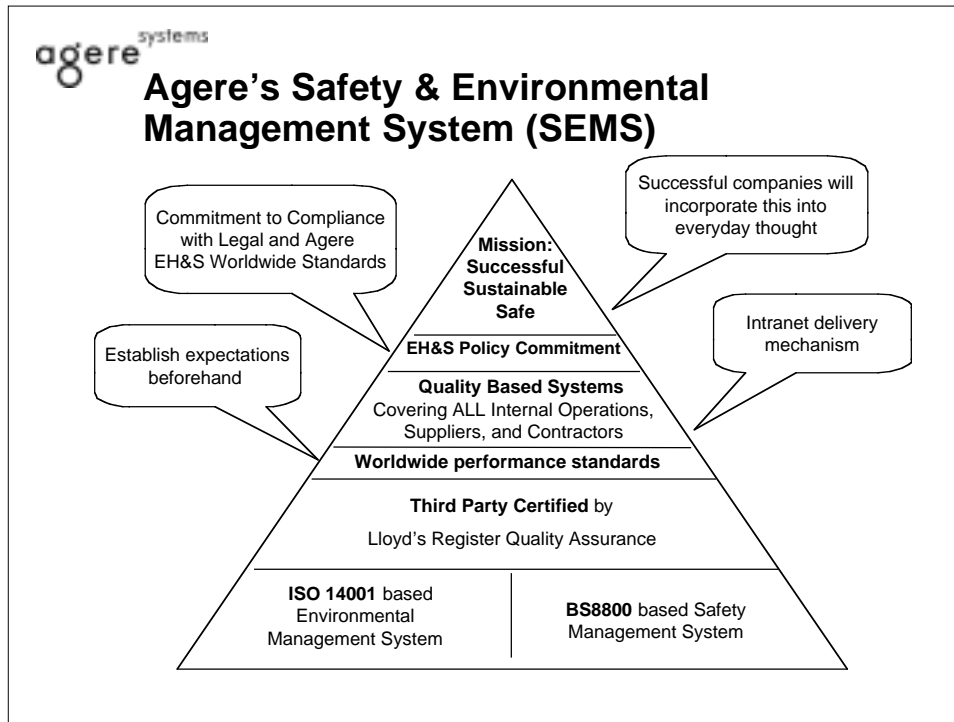
The Agere Systems EH&S VISION

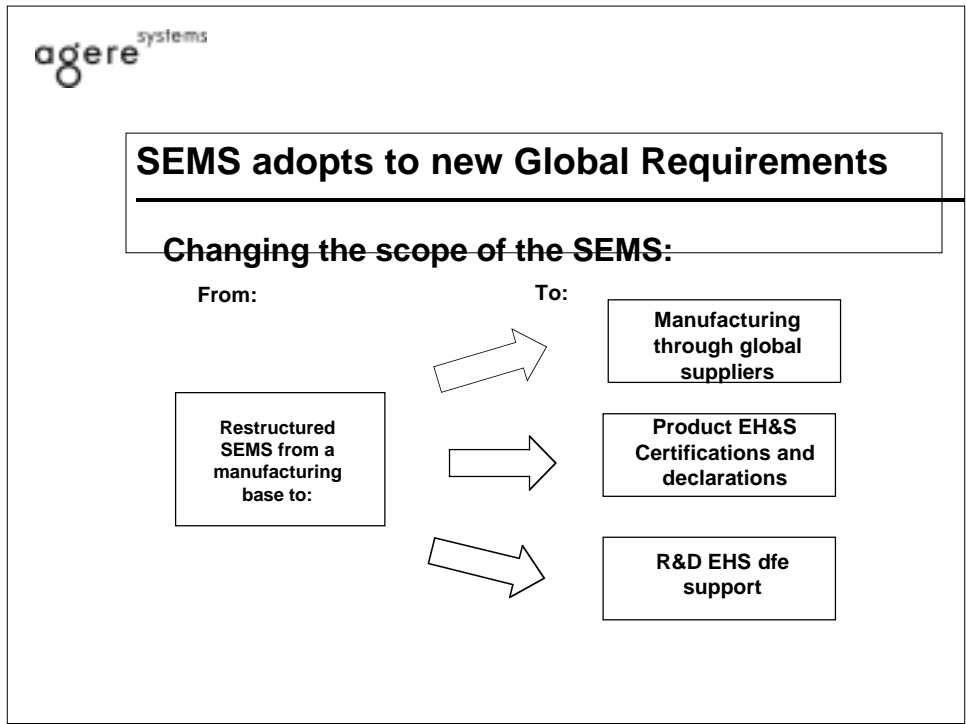
To fully integrate Product and Process environmental and safety considerations into the business decision making process, thus making these endeavors a value added proposition to the customer, company and community.



Our EH&S Mission

**To achieve a business that is
simultaneously sustainable, safe
and successful**





agere systems

Manufacturing including Suppliers

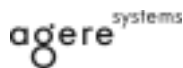
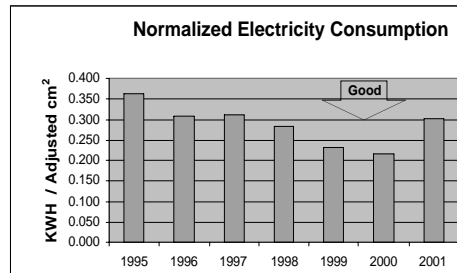
- The recession affected our performance for the first time ever and made us reconsider our metrics and how carefully we must consider the form that declares our results to the public.
- Suppliers becoming mainstream to SEMS causing a SEMS integration with Purchasing and Quality systems

The text block contains two bullet points discussing the impact of the recession on performance and the integration of suppliers into SEMS with purchasing and quality systems.



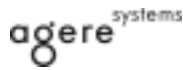
Manufacturing EH&S performance

Energy: Although we reduced consumption by approx. 15% in 2001 our normalized rate increased by 30%.



Manufacturing and suppliers

- **Supplier Surveillance program revisited to:**
 - Increase number and type of suppliers in program
 - Increase the speed with which potential suppliers are reviewed and improvement agreements reached
 - Increase the effectiveness of follow-up
 - Work on methods to better understand chemicals and materials used or contained in products
 - Support the EIA project for composition reporting



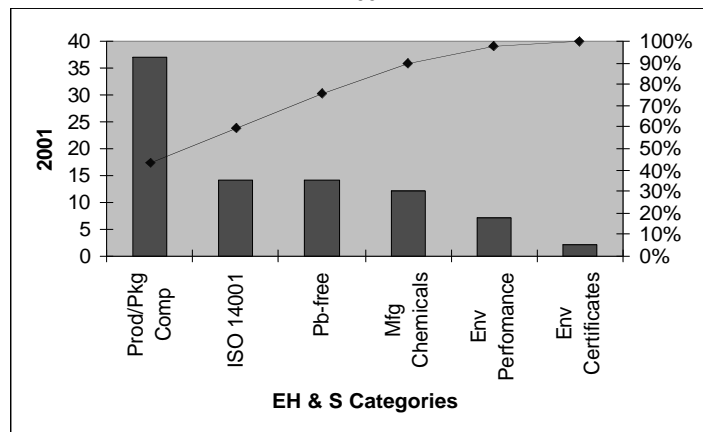
Product EH&S Certification

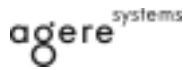
- **DfESH program being enhanced to assist designers in choosing design approach for appropriate product EH&S certifications**
- **Enhancing our management system processes to include new organizations with quite different EH&S concerns.**
- **Extends SEMS full stream from strategic marketing to sales.**



Customers encourage our scope change:

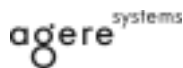
Agere's EH&S Customer Requests
FY2001





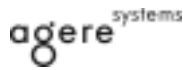
Administrative and R&D EH&S Support

- **Special challenges**
- **Low risk not no risk operations**
 - Many facilities
 - Usually no on-site professional support
 - Not on anyone's radar screen
- **Basis of next generation performance improvements will come from this area through**
 - Products
 - After life considerations



SEMS-lite meets the global challenge

- **Agere is developing a self directed EH&S hazard identification and reduction arm of our management system**
- **Based on a logic tree self-help approach that incorporates web based knowledge transfer and remote expertise availability, but only when needed**
- **Currently in beta-site at our Ascot England facility**



Summary and Conclusions

- **Our SEMS provides a disciplined base that is allowing Agere to make major business direction changes without any serious EH&S issues arising**
- **Building on the SEMS base has allowed the EH&S professionals to transition into new global “product-lines” with speed and acceptance**
- **Customers are expressing satisfaction with our expanded scope and reach**
- **Our SEMS has proven itself as durable yet quite flexible but most importantly BENEFICIAL**

COMPONENTS OF AN ENVIRONMENTAL COMPLIANCE PROGRAM

Mark Hester
Assistant General Counsel – Environmental
Delphi Corporation

WHAT IS DELPHI?

- The World Leader in Mobile Electronics and Transportation Components and Systems**
- Fortune 67 Company**
- Formerly Part of General Motors, Separated and Became Fully Independent Company in 1999**
- \$26 Billion Annual Sales, 191,000 Employees, and 179 Manufacturing Facilities Globally**


CHALLENGE: HOW TO ASSURE COMPLIANCE AND ENVIRONMENTAL AWARENESS THROUGHOUT GEOGRAPHICALLY DISPERSED OPERATIONS

- U.S. & Canada: 61,000 Employees and 49 Sites**
- Mexico & South America: 79,000 Employees and 47 Sites**
- Europe and Middle East: 45,000 Employees and 64 Sites**
- Asia Pacific: 5,000 Employees and 19 Sites**

FOR DELPHI, ANSWER HAS BEEN TO ESTABLISH AND SUPPORT A NUMBER OF GLOBAL COMPLIANCE – RELATED PROGRAMS

- Environmental Performance Criteria
- Environmental Audit
- Regulatory/Legislative Database
- Transactional Due Diligence
- ISO 14001 Certification

ENVIRONMENTAL PERFORMANCE CRITERIA (EPCs)

- Universal Performance Requirements Designed to Protect Human Health and the Environment, Where Regulatory Programs Do Not Clearly Address These Objectives
- Define Performance Objectives for Specific Environmental Media and Provide for Orderly Process of Planning and Implementation, With Some Allowance for Flexibility 

ENVIRONMENTAL AUDIT

- ❑ **Purpose**
 - **To Provide Management and Facility Personnel an Objective and Independent Assessment of the Compliance Status of the Facilities and to Allow for Informed Business Planning**
- ❑ **Philosophy**
 - **Provide Professional Auditing Services and Learning to All Worldwide Operations to Allow Them to Maintain Compliance With Environmental Rules, Government Regulations and Company Policies and Procedures**
 - **Improve Regulatory Awareness**
 - **To Verify That Adequate Management Systems Are in Place to Ensure Continued Compliance and Inform Senior Management of Status**

ENVIRONMENTAL AUDIT (CONT.)


- ❑ **Basically Four Types of Audits Conducted At Delphi:**
 - **Self-check (Annual): Internal Environmental Audit Conducted by Facilities and Manufacturing Subsidiaries; Country-specific Checklists Available on Company Intranet Site**
 - **Compliance Audit (Every Four Years): Audit Conducted by Corporate Audit Group Using Professional Auditors That Covers Legal Requirements (National, International, State, Local) and Other Corporate Requirements (Environmental Performance Criteria)**
 - **ISO Periodic Audit (Annual): Audit Conducted by the External Certification Body on ISO 14001 Conformance**
 - **Environmental Audit (Annually Only in Europe): Comprehensive Audit Conducted by a Team of Internal Professional Auditors (From Delphi Facilities) That Covers ISO Related Materials Such As the Reduction of Environmental Impacts, Risk Management, Community Involvement, and ISO Compliance**

REGULATORY/LEGISLATIVE DATABASE

□ Description

- An Electronic Tool for Accessing EU, National & Regional Environmental Regulations for Europe, Asia, and South America

□ Elements

- Regulatory Summaries in English and the Local Language – Updated Quarterly
- Links to Access the Original Text of the Reg
- Search Capabilities 

REGULATORY/LEGISLATIVE DATABASE (cont.)

□ Benefits

- Edited to Focus on Delphi's Operations
- Intra & Internet Availability
- Cost Savings Estimated at \$112 K/yr
- Satisfies 14001 Requirements for Availability of Regs & Update Process

ENVIRONMENTAL DUE DILIGENCE (EDD) REQUIREMENTS FOR ACQUISITIONS AND DIVESTITURES

- Environmental Due Diligence assists the business team in understanding potential environmental liabilities relating to a transaction**
- EDD Has Two Components**
- Environmental Assessment (EA): EA process has 2 phases**
 - Phase I: to identify recognized environmental conditions (RECs) where there may have been a historical release of chemicals at levels which could adversely impact public health or the environment.
 - Phase II: to collect environmental data to determine if a release into the environment is above an applicable regulatory standard or protective health-based value.
- Environmental Compliance Audit (ECA): to determine the current environmental regulatory compliance status of facility operations (e.g., status of permitted wastewater discharges and air emissions)**

ISO 14001 CERTIFICATION

- As of Mid-August, Delphi Had 90% of Its Global Facilities Recommended or Registered as ISO Certified**
- On Track for Almost 100% of Facilities Recommended or Registered by End of 2002**