

September 16, 2019

To: Members of CA's Audit Committee

From: Jackie Tuma, Director of Internal Audit and Chief Staff Liaison

Cc: Andrew Stack, CA Board of Directors Chair
 Milton W. Matthews, President/CEO
 Sheri Fanaroff, General Counsel and Principal Ethics Officer

Re: Monitoring CA's Ethics Program

The Audit Committee's charter requires that the committee monitor CA's ethics program. In an effort to define this responsibility, the committee was presented with an overview of the current program at its meeting on June 10, 2019 (see attached) and discussed the concept of "monitoring". It was then decided that a smaller group would convene to examine the information further and bring their thoughts and recommendation to the Audit Committee at its meeting on September 23, 2019 for discussion. Ultimately, the Audit Committee will need adopt the activities that will allow the committee to fulfill its charter requirement to monitor the ethics program.

To this end, on August 23, 2019 Jim Young, Renee DuBois, Andy Stack and Jackie Tuma (collectively, "the Group") met at CA's headquarters, and they offer the following considerations and recommendation to the committee for discussion and ultimately, adoption:

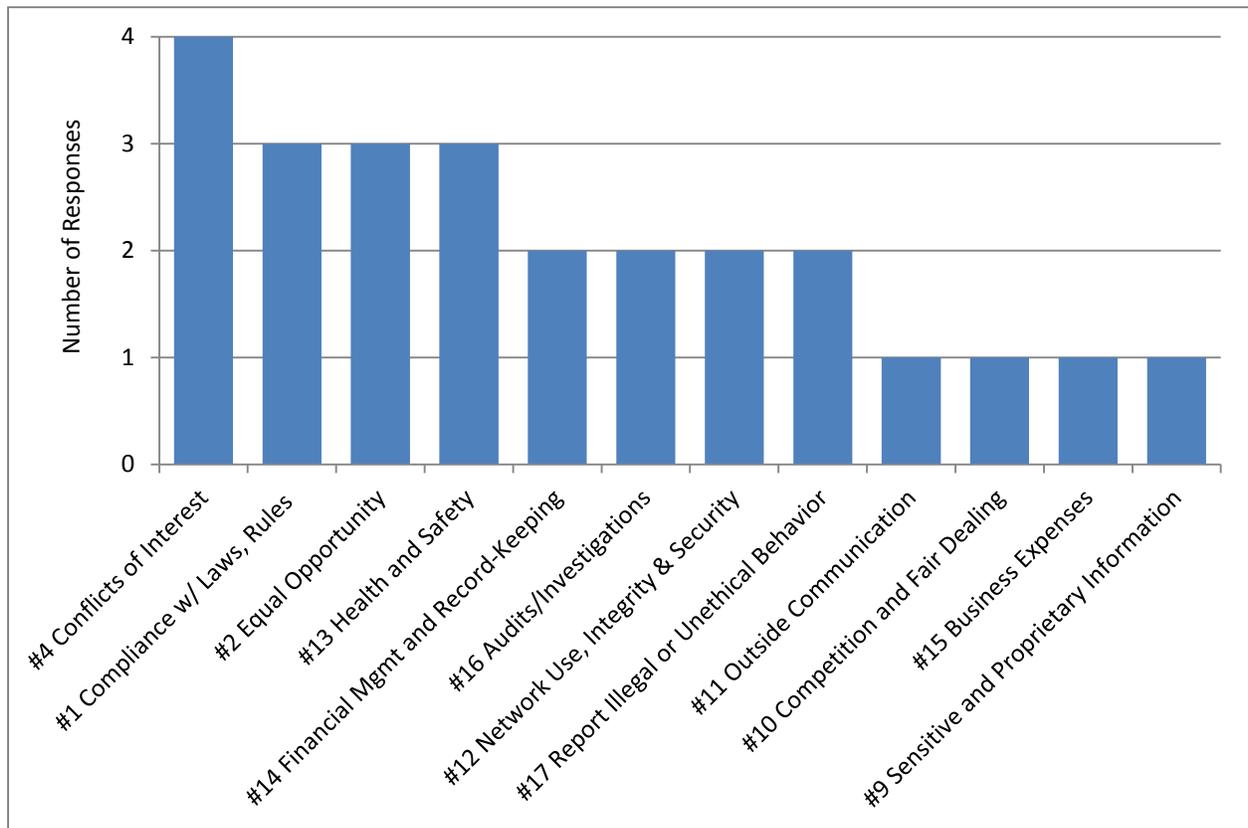
- 1) The Group agreed that the primary purpose of "monitoring CA's ethics program" is to *determine its effectiveness*. With respect to effectiveness, the committee should reflect on whether the program (a) fosters a culture of transparency, integrity, honesty and compliance; and (b) serves as a risk mitigation/management system.
- 2) In order to monitor the program and determine its effectiveness, a baseline of the components and key attributes which are intended to contribute to its effectiveness should be developed; e.g.:

| Components | Attributes for effectiveness |
|--------------------------|--|
| Policies and procedures | <ul style="list-style-type: none"> • Periodic reviews should be conducted by management • Approval of amendments should be made by the Board of Directors • Written acknowledgement of policies and procedures should be obtained annually from employees • Certain additional written acknowledgements should be obtained from senior management and Board and Board Committee members (conflict of interest and code of ethics and business conduct) |
| Ongoing training | <ul style="list-style-type: none"> • Training should guide trainees through ethical decision-making processes and include engaging content • Training modules should include a knowledge-based quiz with a minimum passing score • Training should be required annually |
| Reporting ethical issues | <ul style="list-style-type: none"> • The program should promote a non-retaliatory environment for conveying ethics concerns to supervisors or management • The program should offer an ethics hotline for anonymous reporting and regularly promote the availability of this tool. • Issues raised through the reporting modes should be investigated and resolved appropriately |

| Components | Attributes for effectiveness |
|-----------------------|---|
| Metrics and Oversight | <ul style="list-style-type: none"> Trends of issues should be monitored by appropriate senior staff members and be available for the Audit Committee’s review Key metrics, as defined by the Audit Committee, should be reviewed by the committee and/or Board of Directors |

Note: This chart provides a starting point for defining the elements of an effective ethics program. There are many specific components of CA’s current ethics program (i.e. financial disclosure reporting requirements, a designated principal ethics officer, quarterly reporting of ethics allegations to the Audit Committee – see a full description included in the attached document).

3) The *CA Code of Ethics and Business Conduct* document includes seventeen categories of conduct expectations. The Audit Committee members should rank them, as to which are most important for the committee to focus on with respect to mitigating risk through an effective ethics program. The results of a recent poll, asking Audit Committee members to indicate the five most important categories, is as follows:



The Audit Committee will discuss these matters at its meeting on September 23rd. Also for your reference, CA’s ethics policies can be found at <https://www.columbiaassociation.org/policies-statements/code-ethics-conflicts-interest/>

Attachment

May 29, 2019

To: Members of CA’s Audit Committee

From: Jackie Tuma, Director of Internal Audit and Chief Staff Liaison

Cc: Milton W. Matthews, President/CEO
Sheri Fanaroff, General Counsel and Principal Ethics Officer

Re: Monitoring CA’s Ethics Program

The Audit Committee’s charter requires that it monitor CA’s ethics program. While several protocols are in place to fulfill this requirement, the committee should evaluate its current practices to ensure that oversight is sufficient.

Related to this topic, on April 25, 2019, the Board of Directors approved implementation of periodic reporting on sexual harassment allegations. This report will be distributed through the Audit Committee since it has a process in place for disseminating confidential information on a quarterly basis.

While ethics and human resources issues often overlap, for purposes of managing these important matters CA has the following structure in place:

| | Ethics Program | Human Resources |
|--|--|---|
| Internal responsibility | Principal Ethics Officer (“PEO” - General Counsel) | Director of Human Resources |
| Governing oversight | Audit Committee (<i>monitors the program</i>) Board of Directors (<i>approves policy changes</i>) | President/CEO |
| Policies (see *Note below) | <ul style="list-style-type: none"> Code of Ethics and Business Conduct Conflicts of Interest Policy for Senior Management and Board of Directors Special Requirements for Members of Board of Directors Policy for Reporting Violations of Ethics Policies | <ul style="list-style-type: none"> Equal Opportunity and Sexual Harassment Policy Employment of Family Members Policy Drug and Alcohol Policy Dating Policy Workplace Violence Prevention Policy ADA Policy |
| Reporting requirements | <ul style="list-style-type: none"> Financial Disclosure Reports (completed by Board and specified employees; reviewed by PEO annually) Ethics Memo (summary of ethics allegations, investigations and outcomes; reviewed by Audit Committee at least quarterly) | <ul style="list-style-type: none"> HR litigation reports (provided by General Counsel to Board via confidential memo &/or closed meeting) <u>To be implemented:</u> Sexual harassment claims (Report template approved by BOD 4/28/19; will be reviewed by Audit Committee and Board quarterly) |
| Program components | Policies, training, reporting hotline | Policies, training, reporting hotline |
| Examples | Conflicts of interest, bribery, kickbacks, theft, misuse of corporate assets, compliance with laws/regulations, confidentiality. | Harassment, discrimination, alcohol/drug use, job performance, favoritism, health and safety. |
| * <i>Note:</i> There are many departmental policies and procedures (e.g. procurement, technology use, social media) that support CA’s ethics and human resources policies. | | |

Attached is a detailed description of CA's ethics program, provided by Sheri Fanaroff.

At the Audit Committee meeting, members will evaluate, and provide feedback to the Board as needed, on 1) its responsibility for monitoring CA's ethics program, and 2) implementation of a Board-approved report on sexual harassment allegations.



TO: AUDIT COMMITTEE
CC: MILTON MATTHEWS
JACKIE TUMA
MONICA MCMELLON-AJAYI
FROM: SHERI V.G. FANAROFF
RE: OVERVIEW OF CA'S ETHICS PROGRAM
DATE: MAY 31, 2019

The Audit Committee has the responsibility to “monitor the ethics program” of Columbia Association (“CA”). The purpose of this memo is to provide an overview of CA’s ethics program to enable the Audit Committee to discharge that responsibility. The following are components of the program.

A. Principal Ethics Officer

CA has a Principal Ethics Officer (PEO) who is tasked with the day-to-day management of CA’s ethics program. The PEO is responsible for handling all ethics matters, including investigating and making findings regarding ethics complaints, providing advice on ethics issues and enforcing CA’s ethics policies. CA’s ethics policies assign the role of PEO to CA’s General Counsel. (In contrast to the role of the PEO, the Audit Committee is responsible for broad oversight of CA’s ethics program to ensure that it complies with best practices.)

B. Ethics Policies

CA has in place a number of ethics policies. These policies have all been approved by the board of directors. From time to time, the PEO or a Board member may request a revision to one or more of the policies. Any revisions must be approved by the board. The ethics policies are as follows:

1. *Code of Ethics and Business Conduct*

This policy applies to all CA team members and the board of directors and sets forth the basic standards of ethical behavior expected of everyone in the organization. It covers a variety of matters, including

- Compliance with the law
- Conflicts of interest
- Prohibitions on acceptance of gifts
- Handling of sensitive/proprietary information
- Avoidance of unfair competition
- Prohibitions on speaking on CA’s behalf without authorization
- Accurate financial record-keeping

- Proper use of CA assets
- Protection of CA's network security
- Procedures for compliance with the ethics code

The Code of Ethics includes an acknowledgment that must be signed annually by each board member. Each team member must sign the Code when hired and when revisions are made to the Code.

2. *Conflicts of Interest Policy for Senior Management and Board of Directors*

This policy details the requirements regarding disclosure, review and handling of conflicts of interest. It includes an acknowledgment that must be signed annually by each board member and team members occupying senior management and certain financially or otherwise sensitive positions.

3. *Financial Disclosure Report*

This is an attachment to the Conflicts of Interest Policy. It provides a mechanism for identifying potential conflicts of interest and must be completed annually by board members and team members occupying senior management and certain financially or otherwise sensitive positions. These reports are reviewed by the PEO and maintained in a confidential file.

4. *Special Requirements for Members of Board of Directors*

These requirements outline additional ethical duties of board members and detail restrictions on board member activity. This document must be signed annually by each member of the board of directors.

5. *Policy for Reporting Violations of Ethics Policies (the "whistleblower policy")*

This policy prescribes procedures for making an ethics complaint, investigating the complaint and reporting findings and recommendations.

C. Hotline

CA maintains an ethics "hotline" that is operated by a third-party provider and enables team members to report ethics complaints either by phone or online. (Of course, a report also can be made in person to a manager, or the PEO or the Human Resources Director.) The hotline allows team members to report anonymously if they so choose and provides a mechanism for dialogue with the reporting party while anonymity is maintained.

The PEO and the Director of Internal Audit (the "Auditor") are the co-administrators of the hotline, so both receive an alert whenever a report is made. This redundancy is an important control: it ensures that reports are always reviewed even when one or the other individual is out of the office and helps to ensure that reports are handled appropriately. Reports that relate solely to human resources issues (for example, an allegation of discrimination or a complaint about unfair treatment by a supervisor) are referred to the Director of Human Resources. To the extent that a complaint involves an allegation of financial wrongdoing, that allegation is investigated by the Auditor. All other ethics complaints (for example, an allegation of a conflict of interest) are handled by the PEO in accordance with the procedures set forth in the whistleblower policy. (If, however, the complaint concerns the PEO, the President, a member of the board of directors or the Chair of the board, there are provisions in the whistleblower policy for the complaint to be handled by another specified person.)

The hotline has been in place for approximately nine years, and previously was run by a third-party provider named MySafeWorkplace. During FY19, the PEO and Internal Auditor evaluated that provider's services and rates in comparison with a number of other providers, and decided to move forward with a new vendor, Ethical Advocate. The transition was completed seamlessly and the new ethics hotline went live in February 2019.

A number of methods have been used to ensure that all team members are aware of the availability of the hotline. Posters are displayed at every CA facility, and email and snail mail communications were sent to all team members this past winter. We are also working to implement a semi-annual reminder for all team members about the hotline.

D. Training

All new team members and those returning to CA after one year or more of separation are required to complete 4 hours of core compliance training within 30 days of hire/rehire. Active team members are required to complete compliance refresher training on an annual basis. The online ethics training includes quizzes, which the team member must pass, or the team member is required to retake the training. Every team member's completion of these training requirements is tracked by the Learning and Organizational Development division of the Human Resources department, and team leaders are accountable for ensuring that their team members meet these requirements.

The subjects covered by CA's compliance training for team members include:

- Code of Business Conduct
- Harassment and Discrimination
- Workplace violence
- Data Security
- Reporting ethic violations

The PEO includes the ethics policies in the training provided each year to new board members.

E. Reports to Audit Committee

On a quarterly basis, the PEO provides the Audit Committee with a report summarizing any ethics complaints that have been filed (via the hotline or otherwise) during the preceding quarter. The board also voted in April 2019 to require the Human Resources Director to provide the board (through the Audit Committee) with a quarterly report on sexual harassment claims in the form of the attached spreadsheet.

F. Recommended Improvements to the Ethics Program Based on Best Practices

- *Formalized ethics training for the Board of Directors.* There is currently no formal ethics training requirement for board members. Effective training is consistently cited as a necessary component of ethics compliance programs. Consequently, I recommend that all board members be required to complete an annual online ethics course similar to the one required of team members.

- *Revision of Financial Disclosure Form to include disclosure of familial connections.* I recommend that a section be added to the Financial Disclosure Form requiring the signatory to disclose whether (s)he has a family member employed by CA. This would allow for better identification of potential conflicts of interest and a determination as to whether recusal is necessary with respect to a particular vote or project.
- *Revision of attached proposed Sexual Harassment Claims Report Form.* I recommend that the column headed “Litigation” be deleted. This information is unnecessary, given that I already report all significant litigation matters to the board. I suggest that a column be added to the form identifying the facility or department in which the claim arose.

Attachment: Sexual Harassment Template, approved by the CA Board of Directors on April 25, 2019

| Sexual Harassment Matters | | | As of DATE | | | |
|---------------------------|--|-------------------------|------------------------------|----------------------------|-------------------|-----------------------|
| Case ID | Month and Year Reported to Any Manager | Month and Year Resolved | General Nature of Allegation | Senior Staff-Related (Y/N) | Litigation? (Y/N) | Determination/Outcome |
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