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Defining your program's purpose and authority in a charter

by Rebecca Walker

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“To know yourself (your program) is the beginning of wisdom.” – Socrates

Compliance and ethics (C&E) program charters can be extraordinary tools in ensuring the independence and authority of a program. While I have been an advocate for program charters for years, I recently had an experience with a client that starkly demonstrated their value. The client—a large, publicly traded consumer products company—was in the midst of a difficult compliance investigation. An employee had made allegations against the director of finance at the company’s largest segment. The C&E team investigated, and the investigation partially substantiated the allegations. The chief C&E officer (CECO) recommended the segment finance director be terminated, but the company’s CEO disagreed. Because many at the company knew about the allegations (through no fault of C&E, who fortunately ran a faultless investigation), the implications for how the company dealt with the situation went far beyond this particular issue.

These situations are always challenging, of course. Guardrails can be critical to navigating such scenarios with minimal adverse impact. The C&E officer consulted the company’s program charter, which contained two helpful provisions:

1. The charter clearly provided that any significant disagreements between the CECO and any members of the executive leadership team (ELT) regarding a potential violation of the code of business conduct by an employee with substantial authority at the company must be escalated to the audit committee for review.
2. The charter made clear that the CECO reports to the audit committee of the board of directors, as well as the general counsel, and “has the authority and appropriate access to meet with the audit committee” as necessary.

The first provision above—regarding the escalation of significant disagreements between the CECO and a member of the ELT—is somewhat unusual. The company had added that provision to its charter over a dozen years ago when the predecessor CECO had a disagreement with the general counsel regarding how the company should address a known violation of employment laws. (In full transparency, I advised the company way back then also, and, to my knowledge, this was the first time that this particular escalation provision had been called into action.)

The current CECO was exceedingly grateful for that provision. It made it crystal clear that her obligation was to go to the audit committee with this matter. She was careful to set out both her position and the CEO’s position in a fair and responsible way. She treated the situation with an appropriate level of deference and respect. But she also had the strength of her convictions, precedent, and the C&E program charter.

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