

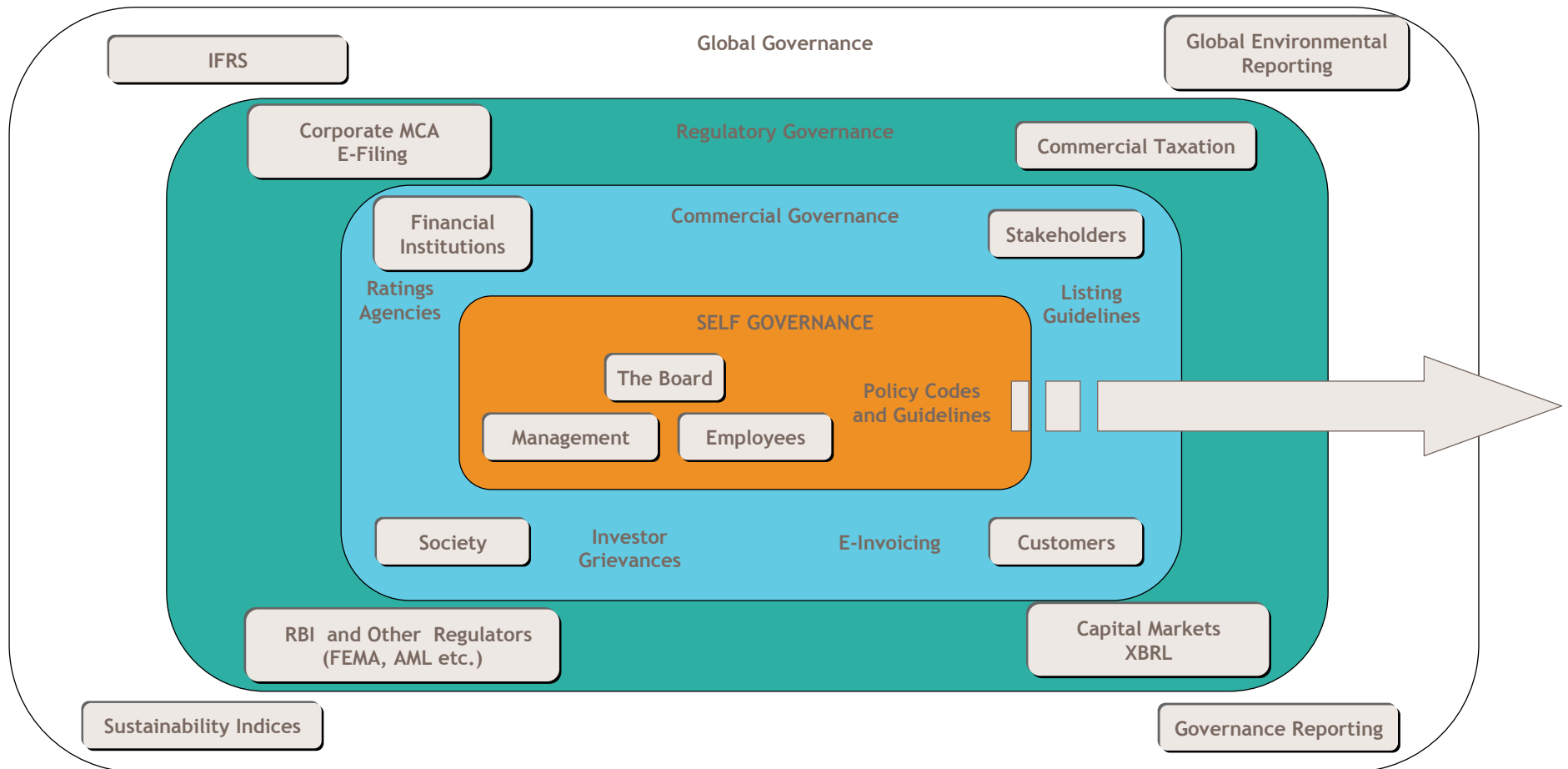


Corporate Ethics - Reading the Moral Compass of the Board

Shailesh Haribhakti

January 2010

Corporate Governance Ecosystem



Globalization, evolving regulatory legal and reporting frameworks and the shift to electronic governance with counterparty verification have made it imperative for companies to be truthful and ethical

The Truth Serum

- ERP systems, advances in forensic audit and regulatory counterparty verification have improved fraud detection capabilities and added incentives for truthful conduct and reporting
- The ability of companies to report true data that is a faithful representation of economic realities has emerged as a key value driver, creating a 'Truth multiplier effect'
- Institutional investors pay a premium for well-governed organizations with reliable data. A 2002 McKinsey study estimated this premium to be 22% - 40%
- Erosion of trust in accuracy of company reporting leads to instantaneous and significant value destruction. Value can only be restored by rebuilding trust

Illustrative Listing of Governance Failures and their Genesis



Fudging revenue and capital accounts



Mis management and poor decision making



Off Balance sheet entities, SPV's, synthetic leases



Mis management and poor decision making

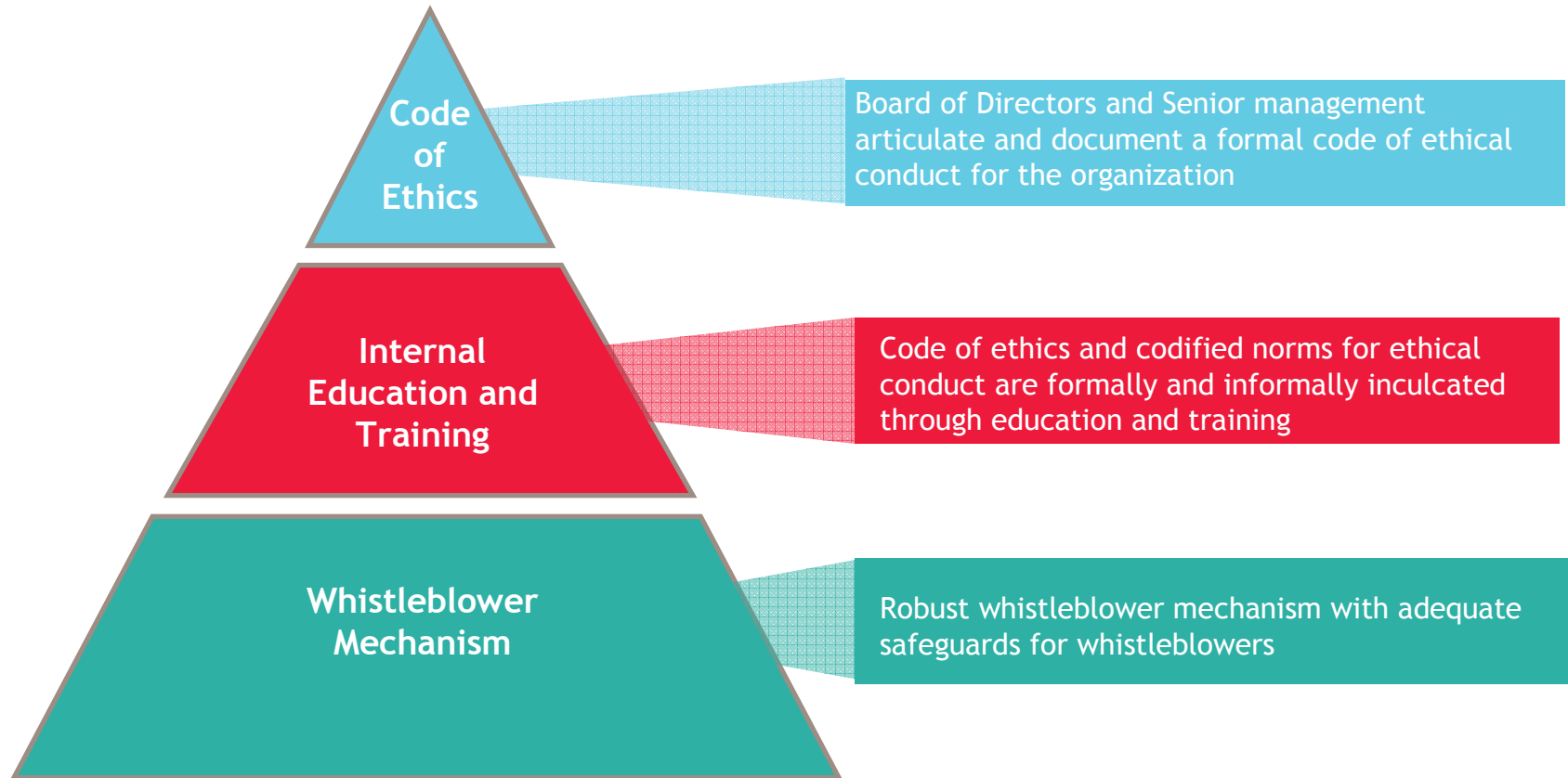


Overstatement of revenues

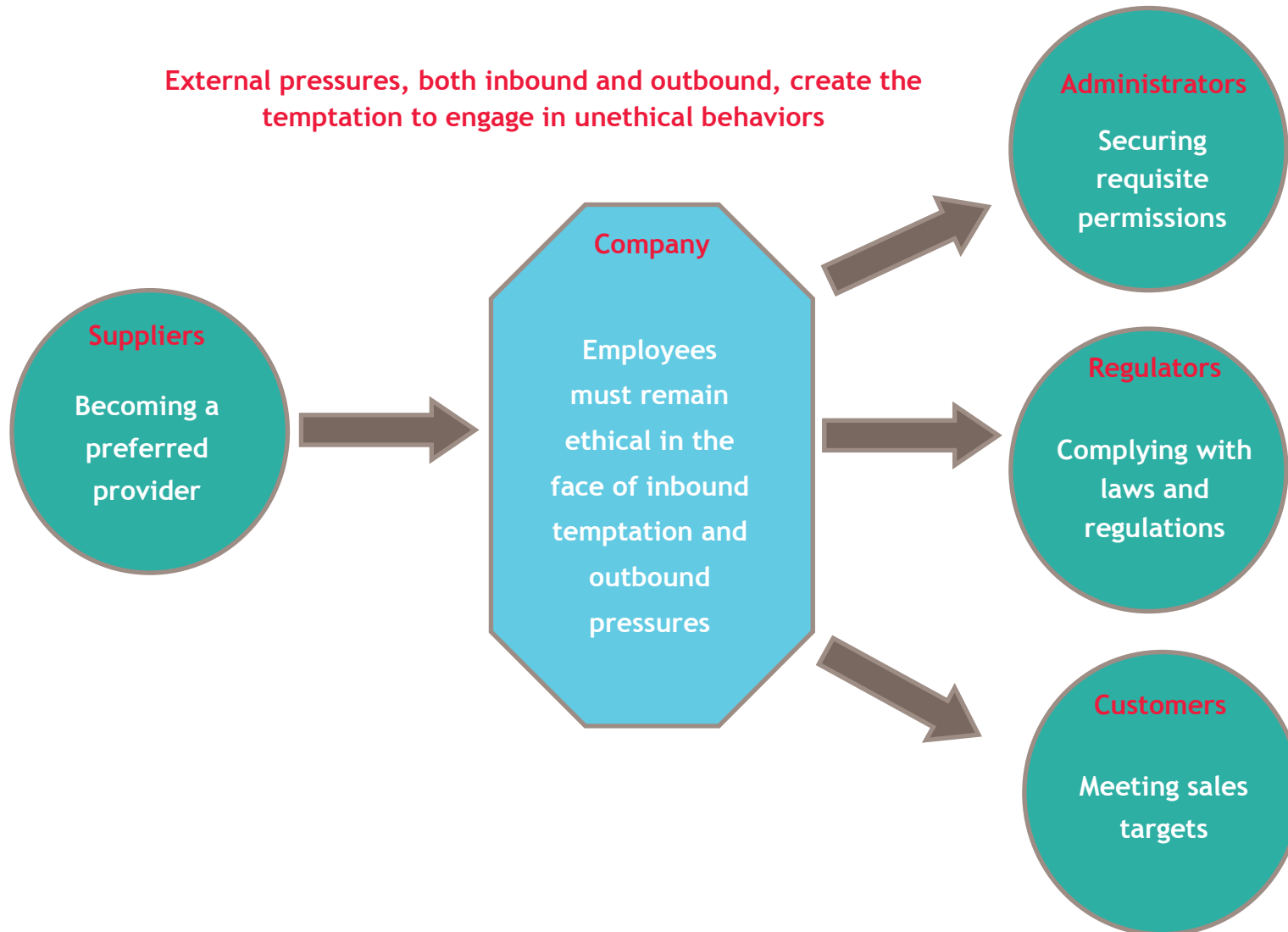


False and Misleading Financial Statements

Building blocks of an ethical organization



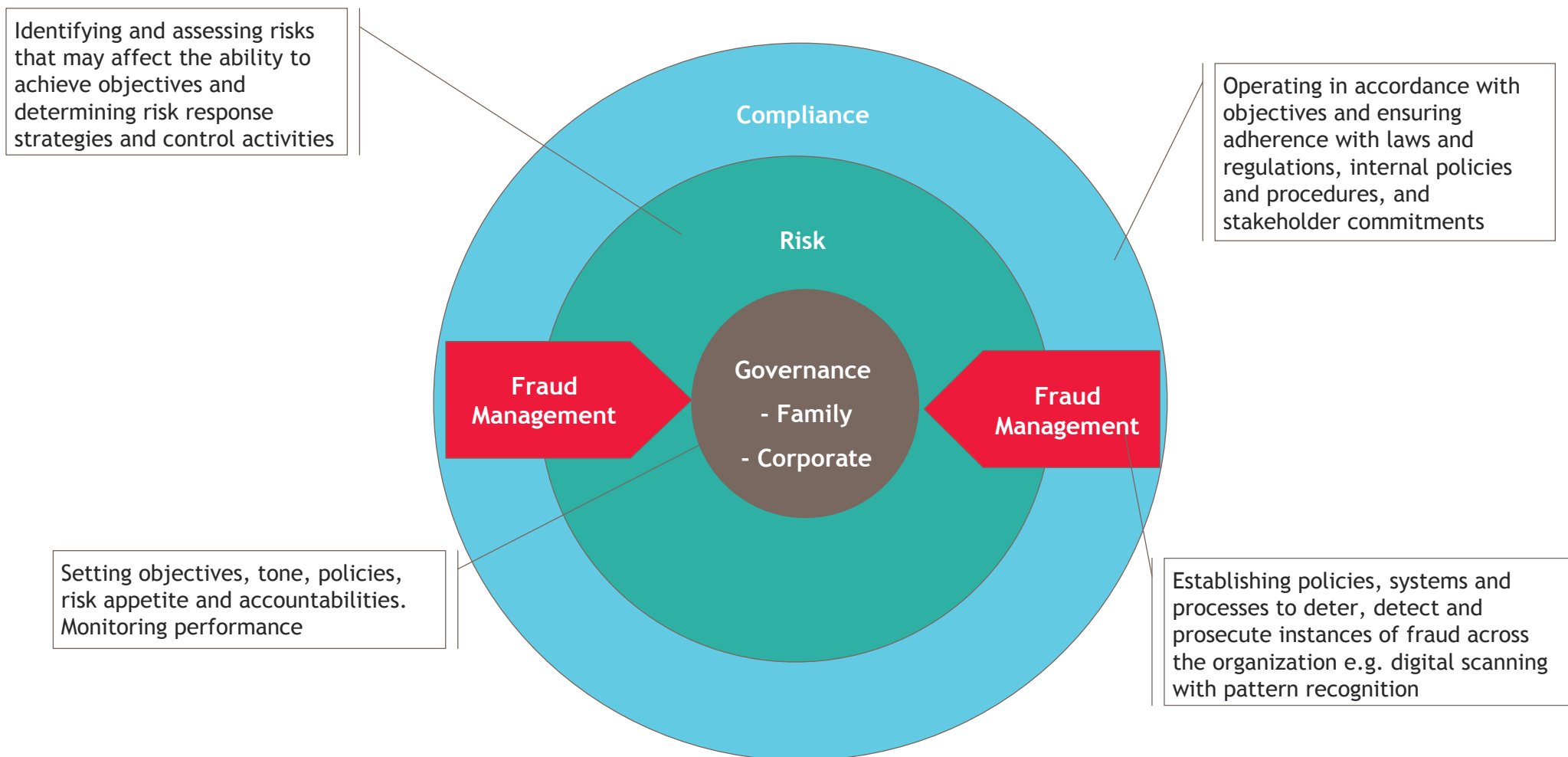
Ethical pressures on the Organization (Illustrative)



Companies must identify these pressure points and build in adequate control mechanisms to ensure ethical conduct

Integrating Governance, Risk, Compliance and Fraud Management

Building a moral compass for the Organization





Thank you