

**Spring  
& Meeting  
Board Election**

**EDA**  
CONSORTIUM

# Government Changes Impacting EDA & IP

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# “Achieving Multi-National Compliance - No Rest for the Weary”

Thoughts on the Road Ahead



Panel Discussion: *Government Changes  
Impacting EDA & IP Companies*



# Compliance legislation is a global fact of life...

	U.S.	Canada	UK	EU/ Global	Japan	India/ China	Other Asia
<b>Reporting, Solvency &amp; Securities</b>	<ul style="list-style-type: none"> <li>•Sarbanes-Oxley 2002</li> <li>•GLBA 1999</li> <li>•SEC 1935</li> <li>•SAS 70/ ASII</li> </ul>	<ul style="list-style-type: none"> <li>•Bill 198/ MLI 52-109/11 2004</li> </ul>	<ul style="list-style-type: none"> <li>•Combined Code on Corp Govern. 1999</li> <li>•Turnbull Guidance</li> </ul>	<ul style="list-style-type: none"> <li>•GAAP/ IFRS</li> <li>•Basel II</li> <li>•Solvency II</li> <li>•Loi de Sécurité Financière</li> </ul>	<ul style="list-style-type: none"> <li>•JSOX</li> </ul>	<ul style="list-style-type: none"> <li>•Code of Corporate Governance Ch - 2001</li> </ul>	<ul style="list-style-type: none"> <li>•Developing...</li> </ul>
<b>Privacy/ Data</b>	<ul style="list-style-type: none"> <li>•HIPAA 1996</li> <li>•FCRA 1974</li> <li>•ECPA 1986</li> <li>•COPPA 1998</li> <li>•ESIGN 2000</li> </ul>	<ul style="list-style-type: none"> <li>•Privacy Act 1992</li> <li>•PIPED 2000</li> </ul>	<ul style="list-style-type: none"> <li>•Data Prot Act 1998</li> <li>•Access to Health Records Act 1990</li> </ul>	<ul style="list-style-type: none"> <li>•Data Protection Directive 1995</li> </ul>	<ul style="list-style-type: none"> <li>•Personal Info Protection Law 2005</li> </ul>	<ul style="list-style-type: none"> <li>•Developing...</li> </ul>	<ul style="list-style-type: none"> <li>•Elect Comm – KR 99</li> <li>•Comp Proc Data – TW 95</li> </ul>
<b>Labor/ Social Equity</b>	<ul style="list-style-type: none"> <li>•ADA 1990</li> <li>•FEPA 1965</li> <li>•FLSA 1938</li> <li>•ADEA 1967</li> <li>•ADEA 1965</li> </ul>	<ul style="list-style-type: none"> <li>•OHS 1990</li> <li>•Canadian Human Rights Act 1977</li> </ul>	<ul style="list-style-type: none"> <li>•Employment Practices Code</li> </ul>	<ul style="list-style-type: none"> <li>•Code on Employer's Monitoring Practices</li> </ul>		<ul style="list-style-type: none"> <li>•Labor Law Ch – 1994</li> </ul>	<ul style="list-style-type: none"> <li>•Developing...</li> </ul>
<b>Environmental/ Other</b>	<ul style="list-style-type: none"> <li>•OSHA</li> <li>•EPA</li> <li>•Civil Rights 1964/ 1991</li> <li>•US Red of Spam</li> </ul>	<ul style="list-style-type: none"> <li>•CEPA</li> </ul>	<ul style="list-style-type: none"> <li>•Environment Act 1995</li> </ul>	<ul style="list-style-type: none"> <li>•Kyoto Accords</li> </ul>	<ul style="list-style-type: none"> <li>•Basic Environmental Law 1993</li> </ul>	<ul style="list-style-type: none"> <li>•Basic Environment Ch - Act 2002</li> </ul>	<ul style="list-style-type: none"> <li>Developing...</li> </ul>

...SOx is only a starting point...

## ... and compliance mandates are a growth industry

- Federal Register adds over 75,000 pages per year in regulations, proposed regulations and commentary (growing 9-10% per year)
  - In 2002, 4,167 new rules were issued by Federal Agencies
- OMB estimated that the cumulative cost of “major” regulations to be between \$38-44 billion between 1992-2002
  - The same report suggested the total cost of all federal rules to be much as *10x larger!*
  - In the early 1990’s, the Rand Corporation reported that corporations spend *more on tax preparation than they do on federal government in taxes!*
- In 2002, *Unified Agenda* reported 4,187 regulations in various stages of implementation by the Federal Government
  - Of the 4,187 new regulations, at least 135 were believed to have an economic impact of over \$100-million each, and 892 targets SMBs
    - DOT, Treasury, Agriculture, Interior and EPA account for 50% of ‘economically significant’ rules
- The Cato institute estimates the total cost of regulation in the US to amount to \$885-billion (*exceeding 100% of estimated corporate profits*)

# Sarbanes-Oxley was a 'wake-up call' ....

## US SOX Impact

### ***Significant Compliance Spend***

**\$15 BILLION**

Amount organizations will spend on compliance activities in 2005

Source: AMR Research

**70,000**

Additional man-hours spent by large firms on SOX Compliance

Source: Deloitte

**\$2.4 MILLION**

Avg. amount paid for audits, in excess of what was anticipated (up to 3x )

Source: searchCIO.com

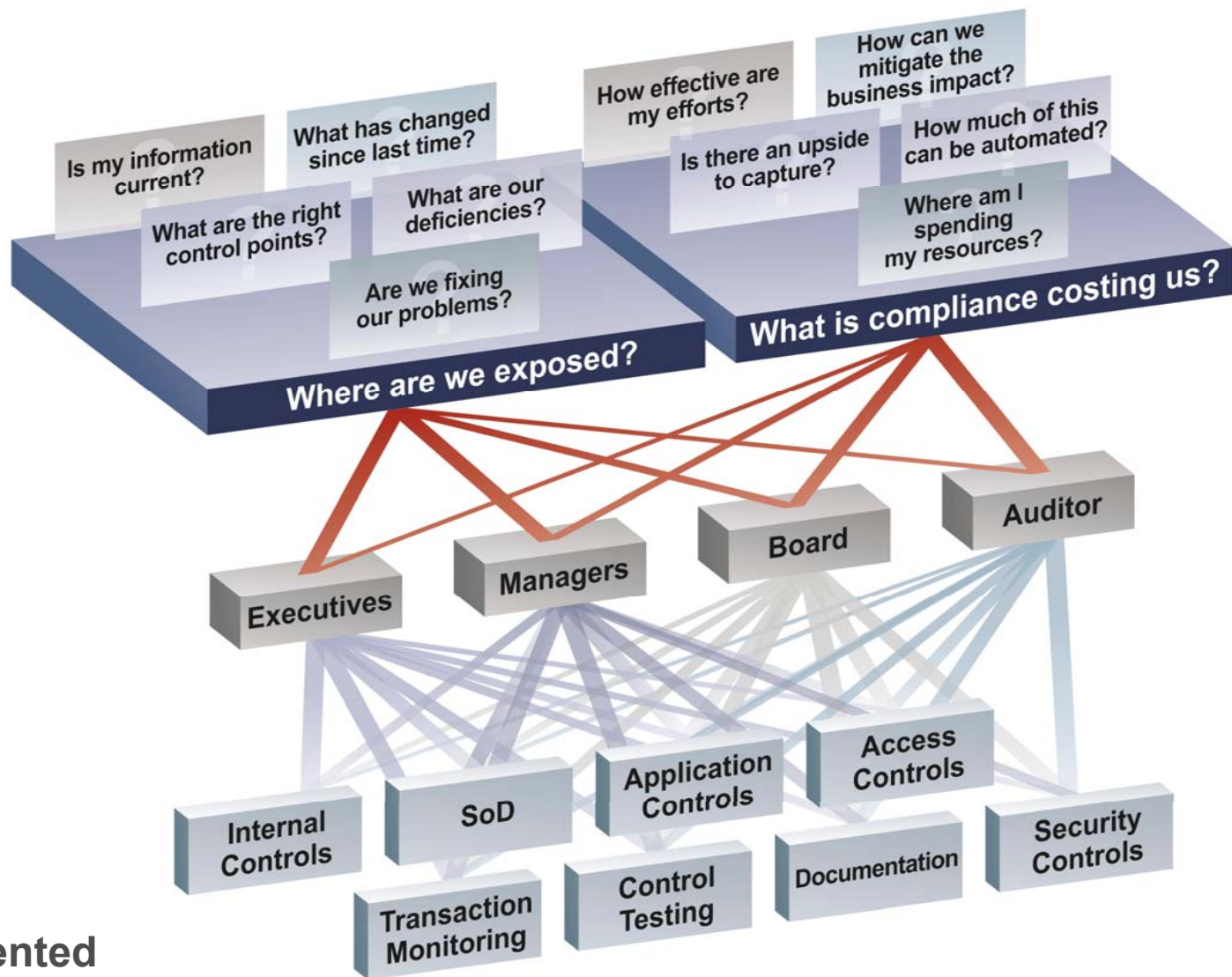
***Personal Liability for Financial Statements and Controls Creates 'Climate of Fear'***

***'Hidden' Cost of Going and Being Public***



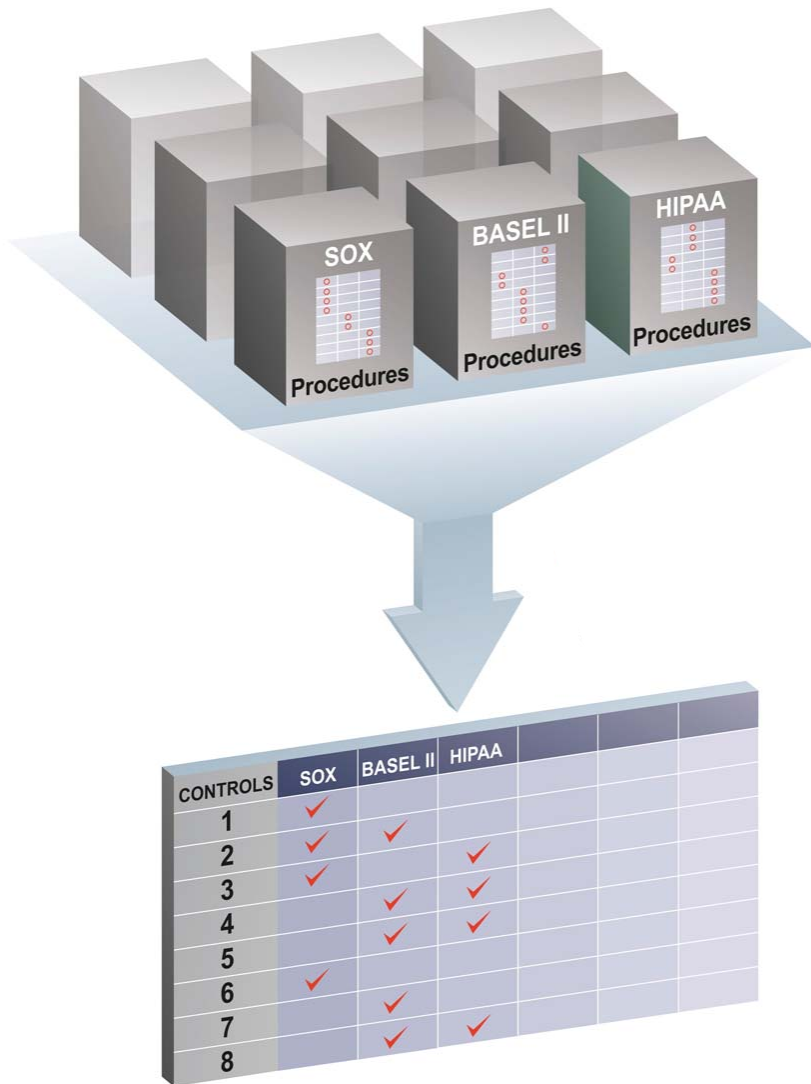
What should  
I do now?

# Compliance forcing executive to confront similar problems



Fragmented  
Controls Footprint

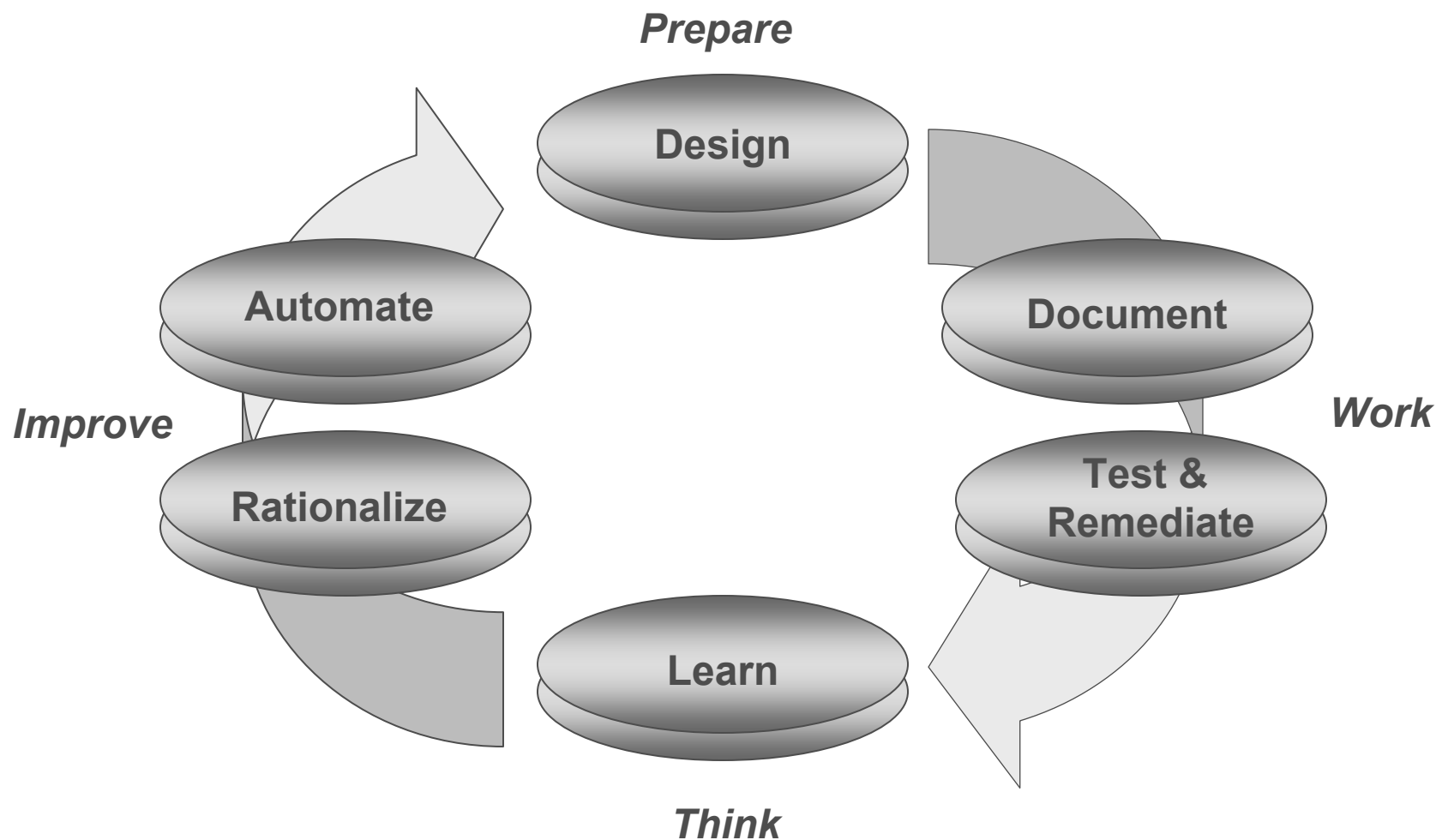
# Good news – compliance regimes rely on the same controls!



Compliance regimes define reporting requirements – and ultimately drive required testing procedures...

... opportunity to build compliance testing program around a common set of controls

# Getting started – How should I approach global compliance?



**Regulatory Compliance Requires a  
*Repeatable, Sustainable Process***

# Leveraging automation – Can software make a difference?

## Automated Testing & Remediation

Data/Other Controls

Systems Controls

Compliance & Controls  
Process Management

### Enterprise Solutions:

Automated Testing & Remediation

### Point Solutions:

Spreadsheet Controls, Audit Automation

IT Controls: IAM, Security

Application Controls: SoD, Provisioning

Basic Foundation for All  
Compliance Programs

**Portfolio of Solutions Emerging –  
Effectiveness Depends on Company Needs  
and Ability to Execute**

# Lessons learned - What does this mean for my company?

## Technology – must leverage a common controls footprint

- A disciplined, repeatable process design, reporting and remediation process
- A robust compliance & controls automation workflow and controls utility – common processes, solid controls ‘utility’ (automated and manual), roles-defined reporting
- ***Level of cost-effective automation achievable depends on operating environment***

## Operations – a consistent, robust operating model key to cost-effective compliance

- Integrate acquisitions into a common financial and operating environment *globally*
- Employ GAAP/ IFRS-compliant reporting standards early
- Demand common controls environment *globally*
- Push your auditors to focus on material items and accept automation results

**.... or watch compliance costs 2x with each acquisition, new operation or additional compliance regime**

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