APPALACHIAN STATE UNIVERSITY

DIVISION OF INSTITUTIONAL INTEGRITY

Compliance and Ethics

Institutional Compliance and Ethics Program Plan

(Adopted March 14, 2025; Last updated February 20, 2025)

Introduction

Appalachian State University ("University") is committed to operating in a manner that embraces the highest ethical standards and complies with applicable laws, regulations, and policies. Because the University engages in a broad range of activities, the number and scope of applicable compliance requirements is vast. The ultimate goal of the Compliance and Ethics Program ("Program") is to enhance compliance consciousness in the campus community by helping University faculty, staff, and other community members perform their roles and responsibilities to the best of their ability and with the highest level of integrity. The Program is an enterprise-wide commitment that requires contributions from everyone to ensure its success.

The Program is designed to operationalize the requirements for effective compliance and ethics programs as established by U.S. Federal Sentencing Guidelines for Organizations. Specifically, the Program is organized around the seven elements of an effective compliance and ethics program: (1) governance and high-level oversight; (2) policies and standards of conduct; (3) communication and reporting; (4) training and education; (5) risk identification and monitoring; (6) response and prevention; and (7) enforcing standards. This Compliance and Ethics Program Plan ("Plan") describes the core functions of the Program in relation to the seven elements and identifies key Program roles and responsibilities.

This Plan is intended to be a living document capable of keeping pace with the implementation of an effective compliance and ethics program, the University's mission, goals, and strategic initiatives, and the continually evolving regulatory landscape. Program staff will periodically review the Plan and make appropriate changes and improvements as deemed necessary. The Chief Compliance and Ethics Office ("CCEO") shall serve as the steward for the Plan and any of its revisions, which will be reviewed periodically by the Risk Review Board.

1. Governance and High-Level Oversight

The Program, driven by the Senior Leadership, emphasizes the University's commitment to integrity, a culture of compliance, and the promotion of the highest ethical standards for all employees. Two organizational groups, the Risk Review Board and Compliance Partners Working Group, will provide leadership and oversight of the Program. Together these groups provide sufficient supervision of the Program and establish a body of compliance, ethics, and risk knowledge. The Program primarily originates out of the Division of Institutional Integrity, which helps to facilitate compliance activities and initiatives for the entire University.

Board of Trustees Audit, Risk, and Compliance Committee

Governing oversight and accountability for the Program are established through the Board of Trustees' Audit, Risk, and Compliance Committee. This Committee provides advice and recommends actions to establish the overall University tone for the Program, including quality reporting, sound business risk practices, ethical behavior, establishing risk tolerance, and facilitating a compliant and ethical culture.

Chancellor, Senior Leadership, and General Counsel & Director of Institutional Integrity

The Chancellor serves as the administrative and executive head of the institution and exercises complete executive authority of the University. The Chancellor will be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness. Senior Leadership, including the Chancellor, Vice Chancellors, and Chancellor's cabinet, promotes excellence in the University's efforts to comply with its legal, regulatory, and ethical standards. Senior Leadership will ensure compliance functions within their scope have adequate resources and meaningfully participate in the Program; and foster a culture of compliance and ethical conduct within their area of supervision.

The General Counsel & Director of Institutional Integrity provides administrative oversight to the CCEO and is responsible for ensuring the Office of Compliance and Ethics has the independence, resources, and appropriate authority necessary to administer the Program.

Chief Compliance and Ethics Officer and Office of Compliance and Ethics

The CCEO is responsible for managing and coordinating the Program. The CCEO reports administratively to the General Counsel & Director of Institutional Integrity. The CCEO should have appropriate access to all resources necessary to carry out the Program. The CCEO shall keep the Chancellor and the Board of Trustees Audit, Risk, and Compliance Committee updated on the Program. The CCEO's responsibilities include the following:

- maintain a professional staff with sufficient size, knowledge, skills, experience, and professional certifications;
- routinely communicate to the Board of Trustees Audit, Risk, and Compliance Committee and the Chancellor on the development and effectiveness of the Program;
- oversee, monitor, and perform assessments of the Program and make appropriate changes and improvements; and

- develop and update this Plan.

To ensure independence with the Program, the CCEO shall not maintain any direct functional compliance responsibilities.

The Office of Compliance and Ethics ("OCE"), led by the CCEO, strives to build a university-wide compliance program that fosters a culture of compliance awareness, adherence, and collaboration that aligns with Federal guidelines. Responsibilities of the OCE include:

- provide advice and guidance to administration, faculty, and staff to facilitate compliance with statutory, regulatory, and University policy requirements;
- develop and maintain a university-wide compliance awareness and training program that educates the campus community of the importance of compliance;
- provide multiple points of contact to address concerns of potential non-compliance or unethical behavior including an avenue for anonymous reporting;
- assist in the provision of processes to help ensure employees are protected from retaliation with good faith reporting of non-compliance concerns;
- work collaboratively with the Risk Review Board and other compliance officials to identify high risk compliance areas;
- review high-risk compliance areas for effectiveness in reducing the likelihood of noncompliance with applicable laws, regulations, and policies; and
- evaluate emerging compliance trends in higher education and implement best practices.

Risk Review Board

Appointed by the Chancellor, the Risk Review Board ("RRB") provides leadership with risk tolerance and risk treatment options to address University enterprise risk. As a function of this, the RRB shall provide oversight of the Program and promote a culture of compliance, ethics, and accountability. The RRB provides guidance and assistance on the development of the Program, fosters compliance within the members' areas of responsibility, and aids with the identification and mitigation of compliance and enterprise risk. Additionally, the RRB will serve to ensure effective and consistent communication and that the elements of the Program are implemented at all levels of the institution.

The CCEO has ultimate responsibility for operating the Program, with the assistance and support of the RRB. The CCEO will provide regular reports to the RRB regarding the status of the Program, as well as seek advice and guidance from the RRB.

Compliance Partners Working Group

The Compliance Partners Working Group ("Working Group") is a staff-level committee comprised of employees directly responsible for compliance-related functions that supports the day-to-day operations of the Program, helps increase Program visibility, and assists with Program coordination, communication and training. Membership of the Working Group shall be based on recommendations from the RRB as a combination of responsible parties for current high compliance risks and representatives from other stakeholder groups across the University. The Working Group provides compliance leadership in the University's academic and

administrative units and ensures effective communication and collaboration among employees responsible for compliance.

2. Policies and Standard of Conduct

The University has established policies and procedures designed to help create a system of compliance and internal controls. These policies reflect regulatory and institutional requirements, clarify responsibilities, and set expectations for conducting operations. The University policies are made available online to all employees, students, visitors, and members of the public. These policies are continually updated and reviewed to ensure policies align with compliance expectations. Additionally, units with compliance responsibilities engage in developing standard operating procedures, best practices, and refining internal unit guidelines and standards. These materials should be reviewed on a periodic basis.

The University is also regulated by the University of North Carolina Code and Policy Manual. The Code incorporates the requirements of the North Carolina constitution and General Statutes, as well as Board of Governors bylaws and other high-level policies. The UNC Policy Manual provides more specific direction and policies on University matters.

In addition, the University is also subject to North Carolina General Statute Chapter 138A, the "State Government Ethics Act." The purpose of the "State Government Ethics Act" is to ensure that State agency officials exercise their authority honestly and fairly, free from impropriety, threats, favoritism, and undue influence. The CCEO serves as the University's Ethics Liaison to assist with ensuring compliance with the "State Government Ethics Act."

There are further state and federal law requirements governing the ethical behavior of employees, contractors, and agents. All employees are responsible for their compliance with applicable state and federal law.

3. Communication and Reporting

The University engages in efforts to communicate its compliance and ethics activity to Senior Leadership, Compliance Owners, and all other appropriate stakeholders. Effective communication is necessary to ensure that all campus constituents are knowledgeable and understand the applicable laws, regulations and policies that apply to them. Further, the University must maintain and publicize a system to report or seek guidance regarding potential misconduct, non-compliance, or unethical conduct. The Program ensures open communication and reporting through the various mechanisms described below.

Communication Methods

The Program aims to provide relevant and timely information to the University community surrounding applicable laws, policies, and important Program information. Specifically, the Program's website will include information on core compliance functions, foundational documents and policies, ethical decision-making resources, announcements of University compliance and ethics activities and news, summaries of "hot topics" in compliance and ethics,

contact information for Program staff and Compliance Partners, and other such relevant information. The Program will distribute content via a newsletter and regular communication (through e-mail, meetings, etc.) with Compliance Partners.

Compliance Responsibility Matrix

Each member of the University community has a responsibility to conduct themselves ethically and in compliance with the law. The OCE will establish and maintain an institutional Compliance Responsibility Matrix that represents a foundational dataset identifying the key University compliance obligations and the assignment of compliance ownership to the appropriate unit on campus charged with leading such compliance efforts ("Compliance Owners"). The Compliance Responsibility Matrix also serves as a resource to help University community members locate the appropriate individual to contact with questions or concerns about key areas of compliance. The Compliance Responsibility Matrix illustrates the principle of shared accountability for compliance and furthers the University's culture of collaboration, openness, honesty, and integrity.

Reporting Mechanisms

Reporting suspected non-compliance is essential to the effectiveness of the Program. Members of the University community are encouraged to report suspected violations of, or non-compliance with laws, policies, regulations or rules. There are various methods and resources available to make reports. The Program will review the existing reporting mechanisms and seek input for the RRB on best practices in reporting.

Individuals who are making a report are asked to provide as much detailed information about their concern as possible so that the University can adequately investigate and/or respond to the matter. Due to the nature of certain reports, the University may be limited in its ability to follow-up on anonymous reports where it cannot ask additional questions of the reporting party.

Reporting suspected violations of laws, policies, regulations or rules is a protected activity. Any adverse action (including intimidation, threats, or coercion) taken against an individual because the individual reported a concern constitutes retaliation and is strictly prohibited.

4. Training and Education

Training and education are fundamental to raise awareness of ethics and compliance requirements, responsibilities in fulfilling the requirements, and the consequences of non-compliance. Training and education programs are included as both educational and mitigation actions as part of the Program. General and specific training and education is provided so that University employees understand their legal and ethical obligations and responsibilities, as well as related risks, in the performance of their job duties and areas of expertise. Training and education programs are also utilized to manage any required federal, state, or University certification requirements, provide updates on best practices in fields, as well as to provide awareness for regulatory or statutory changes.

Training and education opportunities include rich content development and a comprehensive multimedia presence which utilizes a variety of educational mediums. These methods of training include web-based training tools and offered in-person training for mandatory and voluntary education programs, which should be tailored to the participant's sophistication and subject matter expertise. Training should include lessons learned from previous compliance incidents, both those occurring at the University or at other institutions.

Specific Compliance Training and Education

It will be the responsibility of the Compliance Owners to develop the content and deliver specific compliance training and education related to their area of regulatory oversight responsibility. The content of these training and educational programs shall include those areas mandated by law, regulation and/or policy and may include a review of relevant compliance requirements applicable to that regulatory compliance area, identified or potential risk areas, responsibilities, and methods to improve compliance.

General Compliance Training and Education

The OCE shall be responsible for developing the content for and delivery of general compliance training and education for the University. The content of general compliance education and training will include, but is not limited to, the Program, the Compliance Responsibility Matrix, and other information necessary to maintain an effective general compliance training and education program.

OCE staff are equally tasked with ensuring they stay current on compliance issues and trends by obtaining and maintaining recognized industry certifications, and by regularly attending training and education seminars, conferences, reading relevant articles and publications, and participating in professional networking.

Completion Reporting

Records of completion of required compliance training and education shall be maintained by the Compliance Owner in accordance with applicable guidelines. Summary reports of compliance with mandatory compliance training and education requirements should be made available to appropriate stakeholders upon request.

5. Risk Identification and Monitoring

Everyone in the University community should be empowered to identify and raise risk concerns to appropriate stakeholders. Compliance Owners should endeavor to seek formal and informal input from the campus community on trending risks affecting the University. In addition, this Program will establish compliance risk reviews and be incorporated into existing processes to help capture a risk inventory and risk mitigation process for compliance risks affecting the University.

Compliance Risk Reviews

Compliance Risk Reviews are a proactive process of collaborative, cross-disciplinary, cross-educational gap analysis and mitigation of the University's compliance efforts. The scope of the review varies from a focused look at compliance efforts related to one regulation or policy to a broad view across a class of regulations or policies. Compliance Risk Reviews will be identified to occur on a periodic basis, with insight and guidance from the RRB. Compliance Risk Reviews will be periodically reported to Senior Leadership and Board of Trustees Audit, Risk and Compliance Committee, in order to assist in the review and evaluation of the Program's effectiveness.

Coordination with Internal Audits

The Office of Internal Audits (OIA) serves as the University's internal auditor, providing internal audits and reviews, management consulting and advisory services, investigations of fraud and abuse, follow-up of audit recommendations, evaluation of the processes of risk management and governance, and coordination with external auditors The OCE works collaboratively with OIA to support their work and will be a resource for OIA to assist in mitigation efforts following internal audit activities.

Annual Risk Evaluation

In consultation with the RRB, the University's Chief Audit Officer and Enterprise Risk Manager perform an Annual Risk Evaluation that is designed to identify key and emerging areas of risk. The annual review includes interviews and surveys with the Risk Owners throughout the enterprise. Results of the Annual Risk Evaluation are used to inform mandatory reporting to the University of North Carolina System Office, assist in the development of OIA's annual audit plan, and identify areas in need of a Compliance Risk Review.

Program Effectiveness Review

The OCE will obtain an external review of the Program's design and effectiveness periodically, by a qualified, independent assessor or assessment team from outside of the University. The review and any recommendations for improvement are provided to the Chancellor and RRB. Action plans to address significant issues, if any, will be reported.

6. Response and Prevention

In helping to achieve the Program's purpose, each Compliance Owner is responsible for adapting rapid response and prevention protocols that are uniquely developed based on their compliance area. These rapid response and prevention protocols may require prompt investigations by appropriate units and necessary corrective actions to prevent similar issues when compliance violations are detected.

Investigations

Compliance Owners, or appropriate University stakeholders are responsible for investigating reports of noncompliance and identifying thorough communications channels to help address incidents as they arise. The officials conducting the investigation shall report to appropriate University management and employees the results of the investigation and whether corrective action will be recommended.

Corrective Actions

Following an investigation or review, it is the responsibility of each Compliance Owner to implement recommended corrective actions. Recommended corrective actions are monitored and escalated as appropriate to Senior Leadership, the Chancellor, and/or the Board of Trustees Audit, Risk and Compliance Committee. These efforts serve to ensure that the Program remains effective, and that the University is taking steps to prevent the reoccurrence of misconduct or noncompliance.

7. Enforcing Standards

The Program is promoted and enforced consistently through the application of appropriate incentives and, when necessary, appropriate disciplinary measures resulting from instances of misconduct or noncompliance. When failures in compliance and ethics are identified, the Program requires that issues are addressed in a timely manner through appropriate measures.

Employee Performance

Annually, all employees receive performance appraisals completed by their supervisor or designee. Employees are evaluated on the performance of their duties as communicated through job descriptions, whether they met expected goals and objectives, and whether they performed in a manner consistent with University values. Institutional Goals are incorporated within the performance appraisal, which are consistent performance and behavioral expectations created by the UNC System and apply to all University employees. Included as one of the Institutional Goals is "Compliance & Integrity." All employees are appraised in this area based on the following criteria:

- **Compliance:** Complies with University personnel policies, including prohibitions on harassment, discrimination, and workplace violence, and protects the confidentiality of records.
- **Safety:** Complies with all safety requirements for the position, including successful completion of training and proper use of personal protective equipment.
- **Ethics:** Chooses ethical actions even under pressure, avoids situations considered inappropriate or that present a conflict of interest, holds self and others accountable for ethical decisions, and addresses unethical actions directly.

- **Respect:** Appreciates individual and cultural differences, treats all people with dignity and respect.

Incentives

By encouraging and rewarding community participation in the Program, the University strengthens the awareness, understanding and respect for compliance and ethics, while driving the behaviors expected and endorsed by the University. Incentives are used to help change behaviors, staff performance, and recognize members of the University community who exemplify and influence compliant and ethical thinking. The Program will develop incentives to encourage discussion, recognize innovation and further the mission and values of the University.

Disciplinary Measures

Disciplinary measures may also be applied following a finding of policy violation or other misconduct. If appropriate, it is the responsibility of the supervisor or appropriate Senior Leader to ensure that disciplinary measures are implemented and that other corrective actions are completed. Disciplinary measures should be applied consistently and in compliance with applicable laws, regulations, and policies.