

PREAMBLE: THE UNIVERSITY OF HOUSTON LAW CENTER COMPLIANCE DATABASE

In the same way that law schools around the country have endeavored to make the law more accessible to the public by publishing projects online, the University of Houston Law Center has ventured to do the same with corporate compliance. The database, containing the corporate codes of conduct for each of the Fortune 500 companies, is a free searchable tool maintained by the Houston Business and Tax Law Journal in conjunction with Ryan McConnell of R. McConnell Group PLLC.¹

The database breaks down each code of conduct into forty-two policies for all Fortune 500 companies. The data is listed by year and company name, and it is searchable in several ways. First, users can search up to three different policies for a single company. For example, a user can search Best Buy's social media policy for different years to see how the policy has evolved over time. Moreover, users can search up to three different companies and up to three different policies. With this function, a user can search for the social media policy at Best Buy and two other companies. If searching within the same industry, for example consumer goods, the searcher can develop the base line standard in the industry in order to make a more accurate comparison.

In addition, users can search for three different policies of the same company for three different years. By doing this, a user can see how the policies of a company have evolved. If a company adjusts a policy in response to a particular situation, law, or case, the database allows practitioners and scholars alike to juxtapose the policies in an attempt to identify the trends that have developed in response. On the same note, if a company historically suffered from a policy issue but overcame it, a practitioner can examine the change in that policy over time.

Because the database is still in its infancy, the University of Houston makes improvements to the database each year. The Houston Business and Tax Journal compiles the codes of conduct and compliance policies for all Fortune 500 companies every year. The policies are archived and stored on the Law Center's website.

1. Compliance Database, UNIVERSITY OF HOUSTON LAW CENTER, www.law.uh.edu/compliance (last visited Mar. 6, 2016).

Currently, the Law Center has data for the years 2012 and 2013. The data for 2014 is soon to be published as of this writing.

There are a number of reasons why this data is important. When a company changes its code of conduct, it is often difficult for those outside the company to easily access that data. The database remedies this problem by compiling past codes of conduct into a single database. From an investor's standpoint, it is often prudent to research as much about a particular company as possible in an effort to hedge the inherent risks that come with investing. Although the efficient market hypothesis states that the market is efficient in the weak form and thus public information cannot be used to trade for a profit, an investor might want to know how a corporation is handling compliance or what its ethics are.² Thus, knowing this information is not likely to be the secret to \$12 million in profit,³ but it is still worthy of consideration.

Furthermore, this information could shed some light on the direction a company is going. If a company had a massive insider trading scandal, it would likely change its policies. A practitioner could use the policies of other companies, whether in the same industry or previously involved in the same type of scandal to recommend the best code changes. On a related note, corporate scandals and sweeping reformation is nothing new in the corporate realm, but not every company adapts to reform in the same way. Granted, some reforms mandate the implementation of policies by every company, such as rotation of accountants following Enron and Sarbanes-Oxley.⁴

For example, consider the impact of Dodd-Frank⁵ on the compliance policies of major banks. Banks played a major part in the financial crisis of 2008.⁶ Dodd-Frank is a mammoth of legislation that impacted each bank in the same respects, and each bank adapted its policies differently. As referenced above, corporations change their codes of conduct and compliance policies periodically, and most companies do not make past compliance

2. See Ian Ayres & Stephen Choi, *Internalizing Outsider Trading*, 101 MICH. L. REV. 313, 318 n.18 (2002) ("[T]he weak form of market efficiency posits only that the market price reflects all prior price information.").

3. Paul R. La Monica, *Oprah Lost 26 Pounds . . . Weight Watcher Stock Soars*, CNN MONEY (Jan. 27, 2016, 9:10 AM), <http://money.cnn.com/2016/01/26/investing/oprah-weight-watchers-lost-26-pounds/> [<http://perma.cc/B5CJ-A5UC>].

4. Sarbanes-Oxley Act § 202 (codified at 15 U.S.C. § 78j-1(j) (2012)).

5. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

6. See generally Robert Lenzner, *The 2008 Meltdown and Where the Blame Falls*, FORBES, Jun. 2, 2012, <https://www.forbes.com/sites/robertlenzner/2012/06/02/the-2008-meltdown-and-where-the-blame-falls/#30da9c27a72a> (describing each of the major banks' roles in the 2008 financial crisis) [<http://perma.cc/JH6N-C4YX>].

policies available to the general public. Further, on their SEC filings, companies tend to incorporate their code of ethics by reference by citing their online website where the code is hosted.⁷ However, companies do not keep an archived list of their outdated compliance policies. Interestingly, some companies keep the same website address and just update the content at that link. In other words, when a new code is published, the now outdated code is no longer publically available. For example, if you have the URL address for the 2015 code of ethics, when the company updates it, the same URL will now direct to the 2016 code of ethics. Thus, while it may be easy to find a past SEC 10-K filing, finding the code of ethics and compliance policies which are incorporated by reference into the SEC filing is a much more difficult task. This is precisely why, beginning in 2012, to preserve this information, the Houston Business and Tax Law Journal began archiving the corporate policies of each Fortune 500 company and will continue to provide this service to the public.

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7. See, e.g., Wal-Mart Stores, Inc., Annual Report (Form 10-K) (Jan. 31, 2016) (incorporating by reference into SEC filing company's code of ethics on company's website); Exxon Mobil Co., Annual Report (Form 10-K) (Dec. 31, 2015) (same); JPMorgan Chase & Co., Annual Report (Form 10-K) (Dec. 31, 2015) (same); McDonald's Co., Annual Report (Form 10-K) (Dec. 31, 2015) (same).