



Kelly Curll and Charles "Chuck" Parrish.

JENNIFER WHITNEY

## Tesoro Corp. Leads With Strong Moral Compass

by MARY ALICE ROBBINS

In the first quarter of each year, approximately 4,000 employees of San Antonio-based Tesoro Corp. have to certify that they don't know of any problems that could get the corporation in hot water. If they know of problems, the employees are supposed to report them through the certification-of-compliance program.

"We want to provide an ethical culture," says Tesoro senior attorney Kelly Curll. "We want to make it easy on people so they know where to go if something is going wrong. We want to educate on what to do if something is going wrong, if they detect an illegal act. We just want people to do the right thing."

Curll manages the day-to-day operations of the corporation's business-conduct office, under the supervision of Charles "Chuck" Parrish, Tesoro's executive vice president, secretary and general counsel.

Curll says the problems employees report range from allegations of kickbacks to sexual harassment.

"Employees are pretty good," Curll says. "They'll let us know if anything's wrong."

Curll says that she and Parrish review every answer. If they sense there is an ongoing issue, they conduct further review, she says.

Parrish says the business-conduct office,

housed in the corporation's legal department, is working this year to modify the certificate-of-compliance program to alert Tesoro officials sooner about reported problems. Corpedia Corp., Tesoro's vendor for the program, is formulating a triggering mechanism within the database.

In prior years, there was "too long of a gap" between when employees reported problems and when the business-conduct office became aware of the problems, Parrish says. That gap, which could be as long as several weeks, needs to be closed, he says.

The U.S. Securities and Exchange Commission requires Tesoro, a publicly traded company, to have a business-conduct function, Parrish says. Tesoro established its business-conduct office to meet that requirement.

"The business-conduct office is a vehicle to find out about issues before they become problems," Parrish says.

Staffed by Curll and a paralegal, the business-conduct office serves Tesoro Corp., an independent refiner and marketer of petroleum products that owns refineries and gas stations. The office also serves Tesoro Logistics LP, a master limited partnership that Tesoro Corp. formed in 2011 to own, operate, develop and acquire assets such as pipelines

and terminals.

Parrish, who joined Tesoro Corp. in 1994, was the assistant general counsel when the corporation formed the business-conduct office in mid-2004. He became general counsel in February 2005 and says he spends 10 to 15 percent of his time on compliance issues.

Shannon Schmoyer, a founding partner in San Antonio's Schmoyer Reinhard, says she

has served as outside counsel for Tesoro Corp. since about 2010. Although Schmoyer declines to discuss any specifics of her work for Tesoro, she describes Parrish as a very good leader.

"He's a guy who always wants to do the right thing," Schmoyer says.

Craig de Recat, a partner in Manatt, Phelps & Phillips in Los Angeles and cochairman of



"We want to provide an ethical culture. We want to make it easy on people, so they know where to go if something is going wrong," says Tesoro senior attorney Kelly Curll, who manages the corporation's business-conduct office.

the firm's trial practice, says he has worked with Tesoro as an outside counsel for the past 12 to 15 years.

"It's unusual to find a company with as strong a moral compass as I find in the legal department of Tesoro," de Recat says.

According to de Recat, Tesoro enjoys a good relationship with regulators in California, including that state's office of the attorney general. That's because, under Parrish's leadership, the legal department is as open and transparent as it can be, as well as candid and honest, he says.

"He sets the tone," de Recat says.

## CHANNELS FOR REPORTING

The business-conduct office encourages people to report any unethical or illegal conduct in their workplaces. They don't have to wait for the annual certificate of compliance to make a report.

"We have an open door; they can come to us," Curll says.

They can also pick up a telephone to make a report. Curll says Tesoro displays its 1-800 helpline number in the break rooms at each of its facilities to publicize it.

Parrish says the helpline is available to all Tesoro employees, customers and vendors who have complaints or concerns about something going on at the corporation. Callers may remain anonymous if they choose, he says.

G4S Compliance & Investigations, formerly known as Wackenhut, operates the helpline. Parrish says the vendor prepares a report on every call received, including the nature of the allegation; the operation and location to which the allegation applies; and the caller's name, if he or she does not request anonymity.

The helpline receives 20 to 30 calls a week,

the overwhelming majority of which involve human-resources issues, Parrish says. He says those calls can include complaints that a manager is not treating an employee fairly because of the employee's race, ethnicity or gender.

But the helpline also receives calls about other types of problems. Parrish says that, within the past two years, a vendor called and

To ensure that Tesoro's code of business conduct is in line with best business practices, Parrish says he compares it with the codes of other major oil companies like ExxonMobil Corp. or independent refiners like Valero Energy Corp. If any of those companies has something in its code that Tesoro can use, "we shamelessly adopt it," he says.

training provided annually to Tesoro employees. Curll says every employee receives training on the business conduct code, but some employees also are receiving specialized training.

"This year we sliced and diced the training to be a little more granular," she says.

Curll says employees at the director level

Shannon Schmoyer, a founding partner in San Antonio's Schmoyer Reinhard, says about Charles "Chuck" Parrish, Tesoro's executive VP, secretary and GC, "He's a guy who always wants to do the right thing."

alleged that he felt pressured to provide professional sports tickets to a Tesoro employee in a decision-making position at the corporation. After an investigation, Tesoro determined that the allegation was true, he says.

"We terminated the employee," Parrish says. "We have a strict code of ethics."

Curll says the business-conduct office uses a variety of communication tools to ensure employees understand and adhere to the code. That includes "Gotso," an intranet website accessible by all employees, which has a module for the business-conduct office.

The business-conduct office oversees the

or above receive antitrust training. Other employees may receive training on how to handle confidential information, she says. To make it easy on Tesoro's employees, the training is available online.

"We roll out training on line," Curll says.

"They can do it at their leisure." ■