



Benchmarking Ethics and Compliance Programs Across an Enterprise

July 18, 2019



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Agenda

1. Background

- Who We Are
- Setting the Stage: Our Data and Why it Matters

2. Why Benchmark?

- Growing Regulatory Expectations
- Program Structure Variations
- Increasing Program Authorities
- JV and Value Chain Risk

3. Benchmarking Efficiently: Ethisphere's Program Maturity Index

Ethisphere: Advancing Business Integrity for Competitive Advantage

The Ethisphere Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success.

**Recognize
Excellence**



**Measure Against
Standards**

- Ethics and Compliance
- Corporate Ethical Culture
- Anti-Corruption in the Value Chain
- Cybersecurity
- Trade Secret & IP Protection

**Inspire
Advancement**



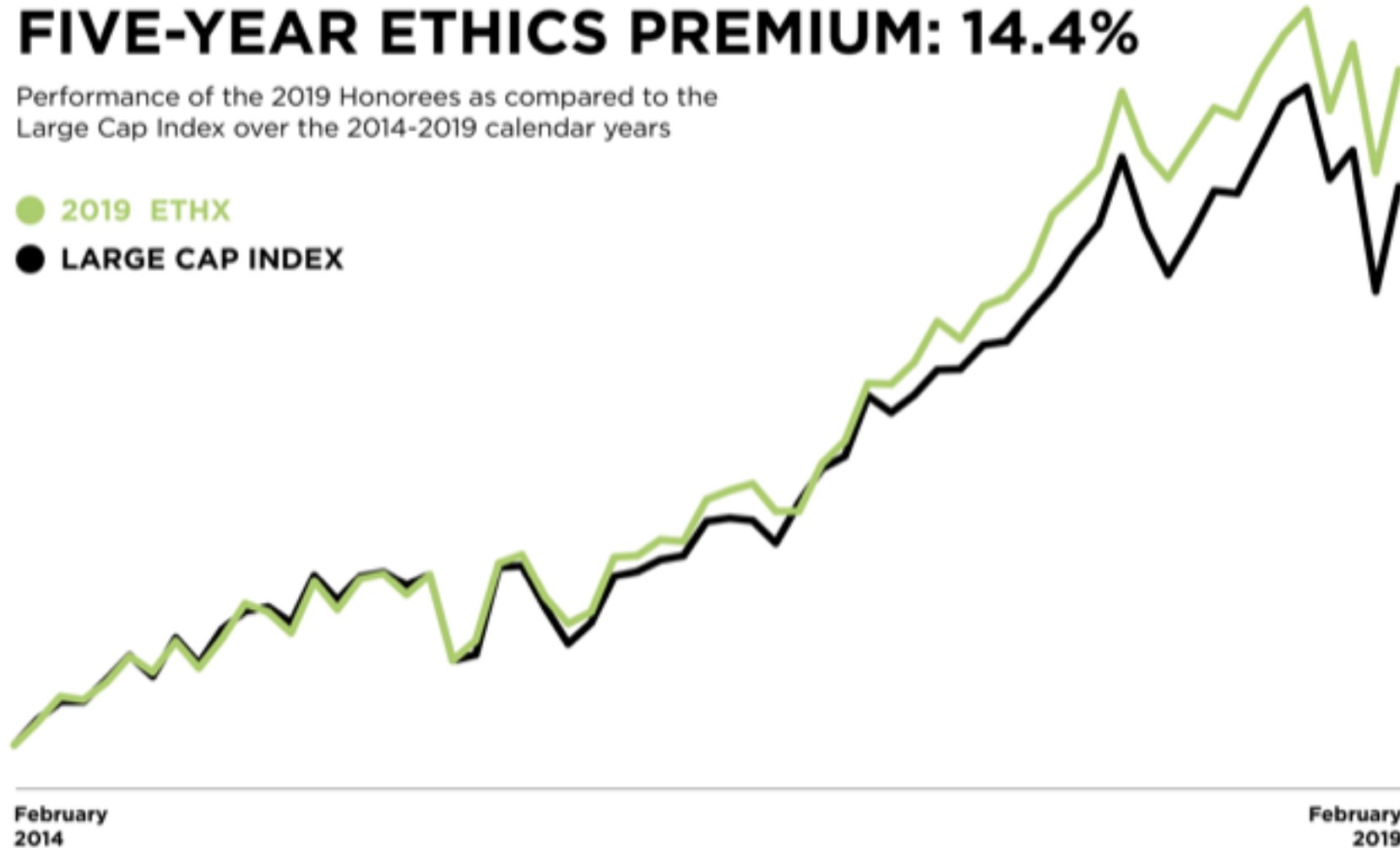
Setting the Stage: Our Data and Why it Matters



FIVE-YEAR ETHICS PREMIUM: 14.4%

Performance of the 2019 Honorees as compared to the Large Cap Index over the 2014-2019 calendar years

- 2019 ETHX
- LARGE CAP INDEX



Setting the Stage: Our Data and Why it Matters

128 companies were designated as World's Most Ethical Companies in 2019.
These companies represent 51 industries across 20 countries.

Honorees by Top Sectors

Insurance	5%
Energy & Utilities	5%
Non-Profit Healthcare Providers	5%
Banking	4%
Financial Services	4%
Automotive	3%
Construction & Building Materials	3%
Health Insurance	3%
Industrial Manufacturing	3%
Real Estate	3%
Technology	3%
Telecommunications	3%
Business Services	2%

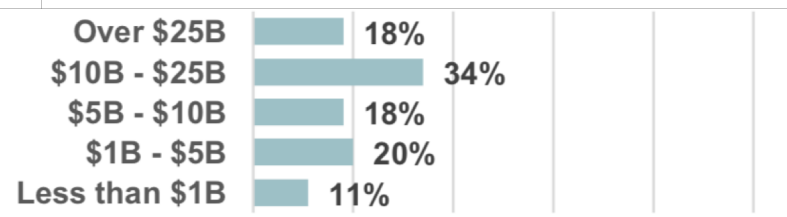
Honorees by HQ Location

Australia	Japan
Brazil	Mexico
Canada	Poland
Finland	Portugal
France	Spain
Germany	Sweden
Guatemala	Switzerland
Hong Kong	Thailand
India	United Kingdom
Ireland	United States
Italy	

Honorees by Ownership Structure



Honorees by Annual Revenues (USD)



Honorees by Workforce Size





Why Benchmark: ***Evolving Expectations***

Ethics and Compliance Programs: Required Today



THE UNITED STATES
DEPARTMENT OF JUSTICE

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JUSTICE NEWS

Department of Justice
Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, April 30, 2019

Criminal Division Announces Publication of Guidance on Evaluating Corporate Compliance Programs

The Criminal Division announced today the release of a guidance document for white-collar prosecutors on the evaluation of corporate compliance programs. The document, entitled *"The Evaluation of Corporate Compliance Programs,"* updates a prior version issued by the Department guidance on evaluating corporate compliance programs.

"Effective compliance resolutions," Assistants will make efforts in training, like that prosecutors evaluate



B2.1. Effective Compliance and Ethics Program

- (a) To have an effective compliance and ethics program, for purposes of subsection (f) of §8C2.5 (Culpability Score) and subsection (b)(1) of §8D1.4 (Recommended Conditions of Probation — Organizations), an organization shall—
 - (1) exercise due diligence to prevent and detect criminal conduct; and
 - (2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

Such compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct. The failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective in preventing and detecting criminal conduct.
- (b) Due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law within the meaning of subsection (a) minimally require the following:
 - (1) The organization shall establish standards and procedures to prevent and detect criminal conduct.

No. : 04-02
Date: July 12, 2004

Foreign Corrupt Practices Act Review
Opinion Procedure Release

The Department has reviewed the FCPA Opinion Procedure request of an investment group consisting of, among others, JPMorgan Partners Global Fund, Candover 2001 Fund, 3i Investments plc, and investment vehicles ["Newcos"], all of which are hereinafter referred to as the "Requestors." The Requestors are acquiring certain companies and assets from ABB Ltd. ["ABB"] relating to ABB's upstream oil, gas, and petrochemical businesses ["OGP Upstream Business"].



Bribery Act 2010

Failure of commercial organisations to prevent bribery

- 7 Failure of commercial organisations to prevent bribery
- 8 Meaning of associated person
- 9 Guidance about commercial organisations preventing bribery

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... and ethics pro
... with respect to the

Leading Companies Conduct Periodic, Full Program Evaluations Independent of Risk Assessments

Does your company conduct a formal evaluation of the design and effectiveness of its ethics and compliance program?

Entire program periodically; use internal resources; separate from risk assessments **70%**

Entire program periodically; use internal resources; as part of risk assessments **55%**

Periodic evaluations of entire program using external resources **50%**

Periodic evaluations on specific element of program on rotating basis **50%**

Evaluation is ongoing process without formal schedule **28%**

No formal evaluation of our program **2%**

Leading Companies Conduct Periodic, Full Program Evaluations Independent of Risk Assessments

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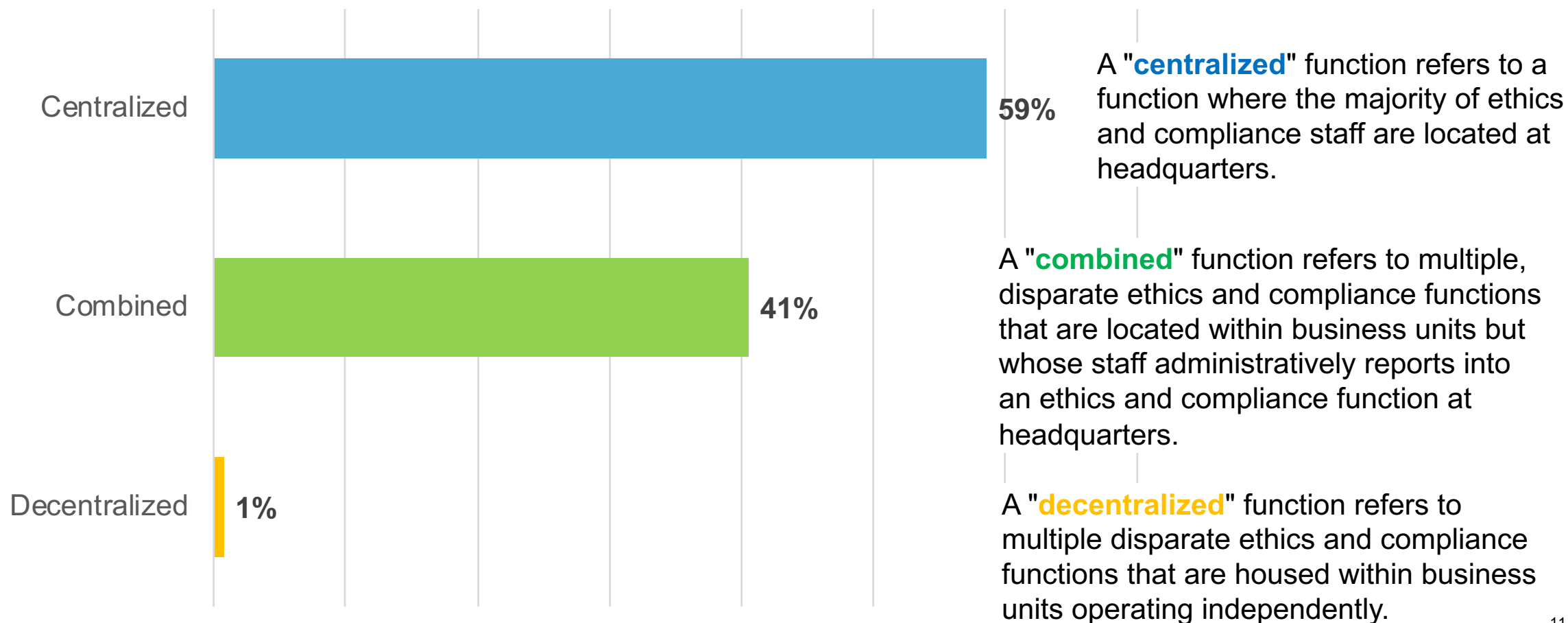
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Entire program periodically; use internal resources; as part of risk assessments	55%
Periodic evaluations of entire program using external resources	50%
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Evaluation is ongoing process without formal schedule	28%
No formal evaluation of our program	2%

Ten program components most commonly evaluated during the program evaluation process

1. Code of Conduct
2. E&C policies, procedures, and guidance, including whether they have been updated to account for recently passed regulations
3. E&C training curriculum or program
4. Risk assessment processes/protocols
5. Organizational culture of ethics
6. E&C communication program
7. Investigation process, results, and root cause analysis
8. Procedures and controls surrounding G&E
9. The system used to receive and/or track reports of alleged misconduct
10. Procedures and controls surrounding conflicts of interest

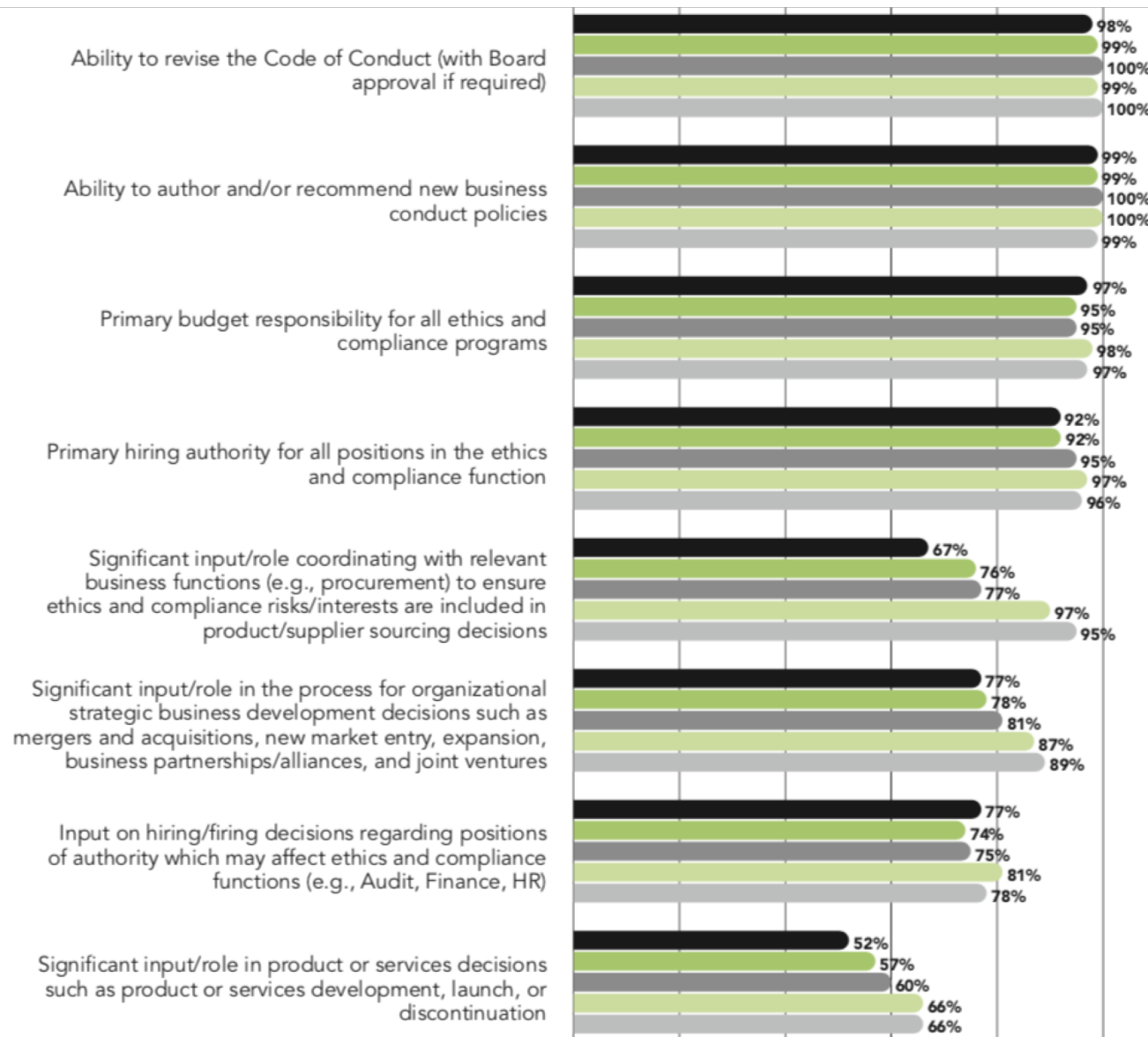
Program Structure Variations

Is your company's ethics and compliance function centralized, decentralized, or combined?



Program Structure: Authorities

EQ 4A.11 Identify which of the following authorities, if any, are granted to the ethics and compliance function. (Multiple Select)



Program Structure: Company-Wide Interactions

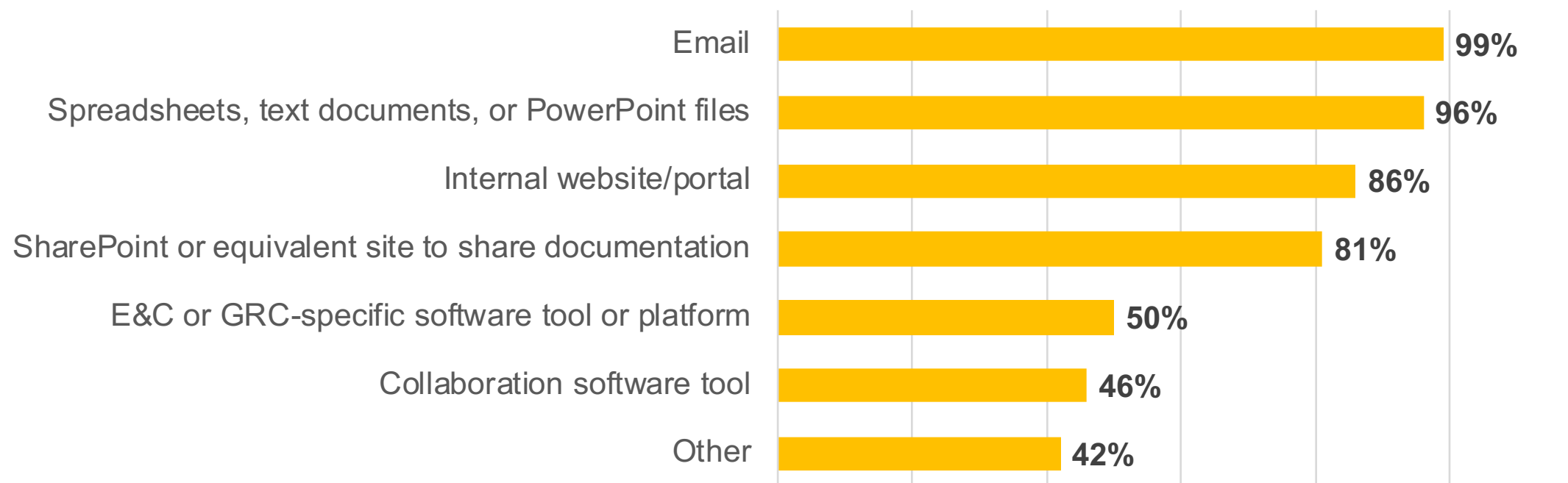
EQ 4A.12 Select the types of interactions the ethics and compliance function has with other functional groups in your company. (Multiple Select)



Liaison Coordination Largely Through Files, Not Software

92% of 2019 WMEC Honorees have employees located within various business regions or business units who formally serve as E&C points of contact for compliance related needs (“liaisons”)

Tools used to communicate and/or collaborate with E&C liaisons





Benchmarking Efficiently: Ethisphere's Program Maturity Index

The Ethics & Compliance Program Maturity Index

Benchmark your program against an unparalleled data set of the best practices of leading companies

Benchmark Against the Best

Learn how individual program elements compare to data of global company best practices

Focus on Facts

Expert-curated questions that align to actual program maturity and practices, and focus on key elements defined by experts and guidelines.

Improve Immediately

Gain tailored feedback and recommendations supported by real-life examples, data-based observations and research

Useful in a Variety of Ways

BENCHMARK



Benchmark practices at headquarters, across groups, or with 3rd parties

MONITOR



Monitor programs efficiently between full assessments

ASSESS



Assess the enterprise program, strategic business units, M&A targets and joint venture partners

REVIEW



Review key areas before engaging in a full program assessment

Prioritizes the Elements that Matter Most

Developed over the course of a decade, the Program Maturity Index addresses the most important areas as determined by Ethisphere's experts, research, and input from senior compliance leaders:



Resources, Structure, and Oversight

- Board Training Practices
- Program Oversight
- Program Ownership
- Authorities Granted
- Cross Functional Interactions
- Liaison Programs
- Program Reporting
- Conflict of Interest Reporting



Training and Communication

- Training Plan Development
- Training Practices
- Training Effectiveness
- Communications Plan Development
- Communications Practices
- The Use of Storytelling
- Communications Effectiveness
- Manager-Specific Training & Empowering Managers



Monitoring, Auditing, and Risk Assessment

- Reporting Misconduct Systems & Practices
- Evaluating Programs
- Gifts & Entertainment Tracking
- Investigations
- Root Cause Analysis
- Preventing Retaliation
- Incentive Programs
- Exit Interview Processes

Designed to Provide Clarity

Questions prompt specific details and context

- Provides a consistent view across an organization
- Scalable

Rufus Putman
Company ABC

Ethics and Compliance Program Maturity Index > Standard View > Training and Communications

DASHBOARD

INSTRUCTIONS

MY DOCUMENTS

TRAINING AND COMMUNICATIONS

Question 1 of 2

TC-1: Select the following that apply to your company's formally documented ethics and compliance training curriculum or plan

Guidance

Please note that the responses below require the attribute to be included in the formally documented curriculum or plan. If none of the follow answer options apply to your organization, your organization does not provide ethics and compliance training or does not have a formal ethics and compliance training plan, select "None of these apply".

Answers: Select all that apply

☐ None of these apply

☐ Our company's training plan specifies training delivered during onboarding or orientation

☐ Our company's training plan maps out targeted and varied training to be delivered over multiple years

☐ Our company's training plan is developed using input from functions outside of ethics and compliance

☐ Our company's training plan is designed to avoid overlapping training (in topic and timing) provided by other departments

☐ Our company's training plan addresses modality of delivery for each topic and/or audience

SKIP

SUBMIT

Assessment ID: 0113


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Expert-Curated Questions


Questions align to best practice approaches


- Benchmarking can be used to build a business case for resources


ETHISPHERE


 Rufus Putman
Company ABC



 Ethics and Compliance Program Maturity Index > Standard View > Resources, Structure and Oversight

 DASHBOARD


 INSTRUCTIONS

 MY DOCUMENTS

RESOURCES, STRUCTURE AND OVERSIGHT

Question 2 of 3

RSO-5: Specify all job titles held by the person assigned overall ownership of the ethics and compliance program.

Guidance

If your company has separated ethics and regulatory compliance into two distinct programs, please select the answer choices that best reflect the operations of the ethics program.

Answers: Select all that apply

☐ None of these apply

☐ Chief Compliance and/or Ethics Officer

☐ Chief Executive Officer

☐ Chief Human Resources Officer

☐ Chief Risk Officer


☐ General Counsel or Chief Legal Officer

SKIP

SUBMIT

Assessment ID: 0113

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Provides Actionable Improvement Recommendations

Take the assessment and immediately receive a 50+page report providing:

- **Individual question scores** and a score for each module
 - Resources, Structure & Oversight
 - Training & Communications
 - Monitoring, Auditing & Risk Assessment
- **Benchmarking against data** from leading companies
- **Contextually-relevant improvement recommendations**

TC-1 Select the following that apply to your company's formally documented ethics and compliance training curriculum or plan

SA Minimum: 2.0 | Self-Assessment: 2.1 | Target: 4.0

☐ None of these apply

☒ Our company's training plan specifies training delivered during onboarding or orientation

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☐ Our company's training plan is developed using input from functions outside of ethics and compliance

☒ Our company's training plan is designed to avoid overlapping training (in topic and timing) provided by other departments

☐ Our company's training plan addresses modality of delivery for each topic and/or audience

☒ Our company's training plan tracks when training should be refreshed to ensure employees receive current content

☐ Our company's training plan includes a training roll-out schedule

PRIMARY REFERENCE:

CONTRIBUTOR:

RELATED DOCUMENT:

TC-1 Advice

OBSERVATION:

A significant majority of honorees utilize training plans that lay out training for multiple years and include onboarding, orientation training, modality of training, the roll-out schedule, targeted training audiences, and input from other functions within the organization, among other characteristics. These considerations lead to a training plan that is both comprehensive and appropriately targeted.

RECOMMENDATION:

Consider expanding the information provided in your training plan to better target training to employees and plan for refreshers. This will ensure that employees are receiving training about all relevant topics at appropriate intervals.

RESOURCE:

Focused Fact – Training Best Practices (reference slide 6)
- <http://bit.ly/2WwI6vD>

Integrity Matters podcast – Thomas Pfennig, Bayer's Head of Compliance on training and communications
- <http://bit.ly/2XrX8OP>

Innovations in Global Training, Assessment, and Communication – video replay of Session #2: Building the More Comprehensive Compliance Training Program
- <http://bit.ly/2KqXHvR>

BELA Resource: Ethisphere Global Ethics Summit Session Video – Training and Communication Innovations that Drive Culture
- <http://bit.ly/318LGdh>

Ethics and Compliance Program Maturity Index

ETHISPHERE

ASSESSMENT REPORT - Standard View

ASSESSMENT COMPLETED BY:

Company ABC

Headquarters
Compliance

United States
Respondent: Rufus Putman

Requested By: Computer Manufacturers Inc
Administrator: Mary Rhodes
Internal Code: CM
Self-Assessment Completion: 6/28/2019

Scoring Summary / Comparative Chart

Target Score: 3.8 Self-Assessment: 2.4





Thank you.