

ETHISPHERE MAGAZINE | SPRING 2025

Leading Practices

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MAGAZINE

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Bill Coffin

Editor in Chief

SPRING 2025

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THE ETHICS ADVANTAGE

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GLOBAL ETHICS SUMMIT



Integrity Is Our Why

by TOM BUBECK | Chief Executive Officer, Ethisphere

A question I often ask myself is, “Why am I here?” And I don’t mean the big meaning of life. I mean, why am I here, focused on why I’m spending my most valuable asset—time?

In fact, when I’ve interviewed people throughout my career, I have often been explicit in saying to the candidates, “Let me tell you why I am in this room.” Then I ask them, “Why are *you* in this room?”

When I try to boil that question down to just one word for myself and for Ethisphere, it comes down to *integrity*. Ethisphere’s mission statement is to

“Build a better world by advancing business integrity.”

I have to imagine that for many (if not all of you, integrity plays no small part in why you too are in this actual room or virtual room. I did a rough (and probably unscientific) review of companies that are represented here today and more than 90% have some version of integrity as one of their core values. It matters to you. It matters to your companies.

Integrity matters in business. Not just because it is morally right, and not just because a lack of integrity can lead to fines, penalties, jail time, and



other adverse legal consequences. Integrity matters because integrity is good business.

You may have heard us talk about the Ethics Premium. If you haven't, the Ethics Premium derives from how publicly held World's Most Ethical Companies honorees perform against "the market." Our data shows that companies that have robust ethics and compliance programs outperform the market. This year's Ethics Premium shows that this year's World's Most Ethical Companies honorees have outperformed the market by over 7%. In some years that outperformance has exceeded 20%.

Earlier in the Global Ethics Summit, we heard from ethics and compliance legend Larry Thompson, former deputy Attorney General and author of *Quiet Counsel*, as he spoke of the importance of a culture of integrity within an organization and the corrosive effects when it doesn't exist.

Many stakeholders value integrity, as supported by multiple surveys. Employees want to work for organizations that are committed to their values. Consumers expect businesses to be transparent and fair. Shareholders invest more when they trust that a corporation is profitable and predictable and that includes acting with integrity, having good governance, and complying with the law.

All of this reminds me of a quote of Warren Buffet that has such broad applicability beyond the specific topic he is referring to: *"In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if*

they don't have the first, the other two will kill you."

I wonder what Buffet would think about hiring someone who lacks integrity and intelligence but has a lot of energy. Alas, that is another topic altogether.

All that said, the work you do can be hard. Headwinds may be stronger. But that is when you are needed the most! It's when your organizations need you the most and when we as ordinary people need you the most.

Just look around this room. You are not alone. You have a supporter in every seat. You are surrounded by people with Integrity, Intelligence, and Energy. Lean into that. One of Ethisphere's greatest privileges is to help facilitate this community of ethics and compliance professionals. We are so very grateful for that. ■

A handwritten signature in black ink, consisting of a large, stylized 'T' followed by the letters 'om' in a cursive script.

DISPATCHES

Four New Ideas

by ERICA SALMON BYRNE





SPRING 2025 | DISPATCHES

Four New Ideas

by ERICA SALMON BYRNE | Chief Strategy Officer & Executive Chair, Ethisphere

In early April, I was fortunate to take the stage with my colleague [Kevin McCormack](#) to open our 16th annual Global Ethics Summit. We'd both just watched the opening video which included a line that hit me right in the solar plexus: *Our community needs community right now.*

That sentiment was behind the founding of our Business Ethics Leadership Alliance (fondly called BELA) eighteen years ago—a recognition that it isn't easy to be an ethics and compliance professional, and it is even harder when times are turbulent, budgets are tight, and too many think of the vitally important work we do as a cost center.

That was the sentiment in 2008, and it was decidedly the vibe again, but with one big difference: many of the people in the room had earned the proverbial seat at the table over the course of the last two decades by demonstrating their value. Now, to quote the great Larry Thompson, *What are you going to do with it?*

Larry, and the incredibly talented panelists and presenters that followed him over the course of the next few days, had some ideas:

- **We're all in this together.** Our community does need community right now. But really, don't we all need community every day to do this work? My goal for every Global Ethics Summit is for every attendee to go home with five new friends and four new ideas. And that applies to me, too. Every year, someone at GES says something that strikes me anew and reminds me how fortunate we are to be learning from each other.
- **Be humble.** Admit your failures and avoid the "but I can fix it!" pitfalls. There is so much to learn from our mistakes if we're willing to look them squarely in the eye. And if you're not comfortable learning from your own failures, use someone else's. The photo on the top page of this article is from a live *Ethicast Reacts* session in which Ethisphere Editor in Chief **Bill Coffin** and I covered a ton of under-the-radar news stories that showcase things going wrong in organizations of all shapes and sizes. Ask yourself not *if* it could happen at your

organization, but *how* it could happen to you—and then develop a mitigation plan.

- **Focus on culture.** We had multiple panels over multiple days talking about ways to shore up a speak up culture where people are comfortable challenging leadership, raising concerns, and asking for assistance—ideally, *before* something goes wrong. Isn't that every compliance officer's dream? Eight million questions and no issues?
- **Dial in on your risks.** Yes, the world feels like it is changing quickly, and new technologies are accelerating the pace of change, but here's the thing: *we know how to do this*. AI governance is...governance. Sanctions compliance is...process. Changes in enforcement are just changes, and if we were all in this only for the photos of people in handcuffs, we should have gotten out of this business a long time ago. **This work is about mitigating people-created risk**, the risk that your people, or your partners, are out there in the world acting on your behalf with insufficient guidance to make the right choices. The choices may be different as your business evolves, but at the end of the day there are only

so many ways people are going to people. You know how to do this.

I'll be returning to so many of the sessions from this year's GES over the coming months, and I will probably exceed that "four new ideas" threshold before long. To all of you who took the time to join us (whether in person or online), thank you. I wish I could have bottled the energy of these few, short days. I hope you went home with that perfect five/four mix too. And if you're still a little short of either, please join me in watching the replays! Maybe you'll find that 'ah ha!' moment too.

A handwritten signature in black ink that reads "Erica". The script is fluid and cursive, with a large, stylized 'E' and a long, sweeping tail on the 'a'.

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If you want good insight into what other people in your organization are thinking about as you interact with them, having Ethisphere step in and **do their magic** is a great opportunity for helpful feedback. Ethisphere is an organization that really **knows ethics, compliance, and integrity**, and could actually help us **improve our program** by bringing lots of industry knowledge.

”



Hope Scott,
VP, Chief Risk & Compliance Officer,
Blue Shield of California

SPECIAL FOCUS

2025 GLOBAL ETHICS SUMMIT

A look at this year's content highlights, thematic throughlines, calls to action, and more



SPRING 2025 | IN DEPTH

Three Days of Excellence

From April 6-8 2025, ethics and compliance leaders from around the world gathered in Atlanta, GA, and virtually for the year's biggest business integrity event. Here's why so many of them vowed to return next year.

by BILL COFFIN | Editor in Chief, Ethisphere

This year's Global Ethics Summit hosted 2,000 (and counting!) attendees from nearly 500 organizations spanning nearly every industry and continent. 307 of these organizations are members of the Business Ethics Leadership Alliance (BELA), representing a whopping 85% of total BELA Membership.

As always, the heart of the Summit is its robust agenda, and this year featured dozens of Main Stage keynotes, discussions and data presentations; breakouts and peer-to-peer sessions; and in-person workshops. All this, in addition to industry roundtables, networking breaks, and nearly constant Ethicast live streaming.



All of this content covered a wide range of topics, but especially the power of ethical management, the challenge and opportunities posed by artificial intelligence, and a valuable reality check on the value of ethics and compliance in a world of growing regulatory turmoil.

Ethical Management

Throughout the event, we heard from a wide range of thought leaders who spoke to the crucial ability of people managers to elevate E&C messages, and the strong influence they have on their fellow employees. Middle managers, floor managers and team leaders have a disproportionately high degree of influence over the culture, values, and tone of any organization. That's why it is so important not just to train managers on how to lead with integrity, but to empower them and equip them with the tools that they'll need to really bring ethics and compliance into the teams they manage.

In multiple sessions, attendees learned about the value of fostering strong relationship with the board, senior leadership, and sister control functions. While this subject was touched on repeatedly, one of the most impactful discussions was around the ways in which E&C can embed itself within safety processes and systems and really show the value of the function.

RELATED SESSIONS

[Put the Power of Managers Behind the Tone & Culture of an Organization](#) |

Understand how managers at every level can affect the culture and tone of an organization, combat organizational pressure, and foster a strong speak-up culture

[Aligning E&C Priorities with Business Strategy and Cultivating a Partnership with the Board](#) | *Learn the importance of understanding the business, getting E&C buy-in from senior leadership and the*



“

The key thing about this conference is the ability to network, benchmark, and learn from each other. This is a time in society that we don't need to be in a silo. We need to have these kinds of conversations.

YOLANDA RABUN
Associate General Counsel
Trust & Compliance Officer
BM

in



Artificial Intelligence

AI was a hotbed of discussion throughout the Global Ethics Summit, and some of the event's most popular sessions covered this topic in depth. Throughout these discussions, we saw a throughline reminiscent of how E&C leaders reacted to the separate advents of the Global Data Protection Regulation (GDPR) and Environmental, Social, and Governance (ESG) from a few years ago: They know what questions to ask when it comes to AI, and for many organizations, it's time to take action on it, even if only to put parameters in place around its use.

Ethics and compliance leaders spoke of their ability to step in and provide leadership on AI governance as part of an enterprise-wide collaboration over it. Put another way, AI is too big for any one function to own. But more than that, there is a maturity around AI now in the E&C space that simply wasn't there a year ago. And with that maturity comes perspective.

As one speaker noted, it's great to implement new technologies such as AI, but if E&C leaders don't bring more than that to the table, where is the value? Data alone doesn't tell a story, and if E&C can't provide the meaning behind the data, then nobody will care what they have to say.

Likewise, the fears around AI have shifted from "what will happen if we use this tool" to "what will happen if we *don't*?" As one panelist remarked, AI isn't going to take anyone's job...but somebody using AI will.

RELATED SESSIONS

[Successful AI Governance: Are We There Yet?](#)

Hear the latest insights on AI governance, partnering with functions, and how to ensure AI's use of AI aligns with the organization's Code.

[A Conversation on AI Risks & Rewards in Third-Party Risk Management](#) | *Leaders from Ethisphere and GAN Integrity discuss how AI can tame information and due diligence overload.*



Interactive poll not supported

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The compliance function is a strong community. We are not competing here. We can talk about it, exchange ideas, benchmark, and rely on each other.

FELIPE MALDONADO
Director, Compliance Programs
Salesforce

[in](#)





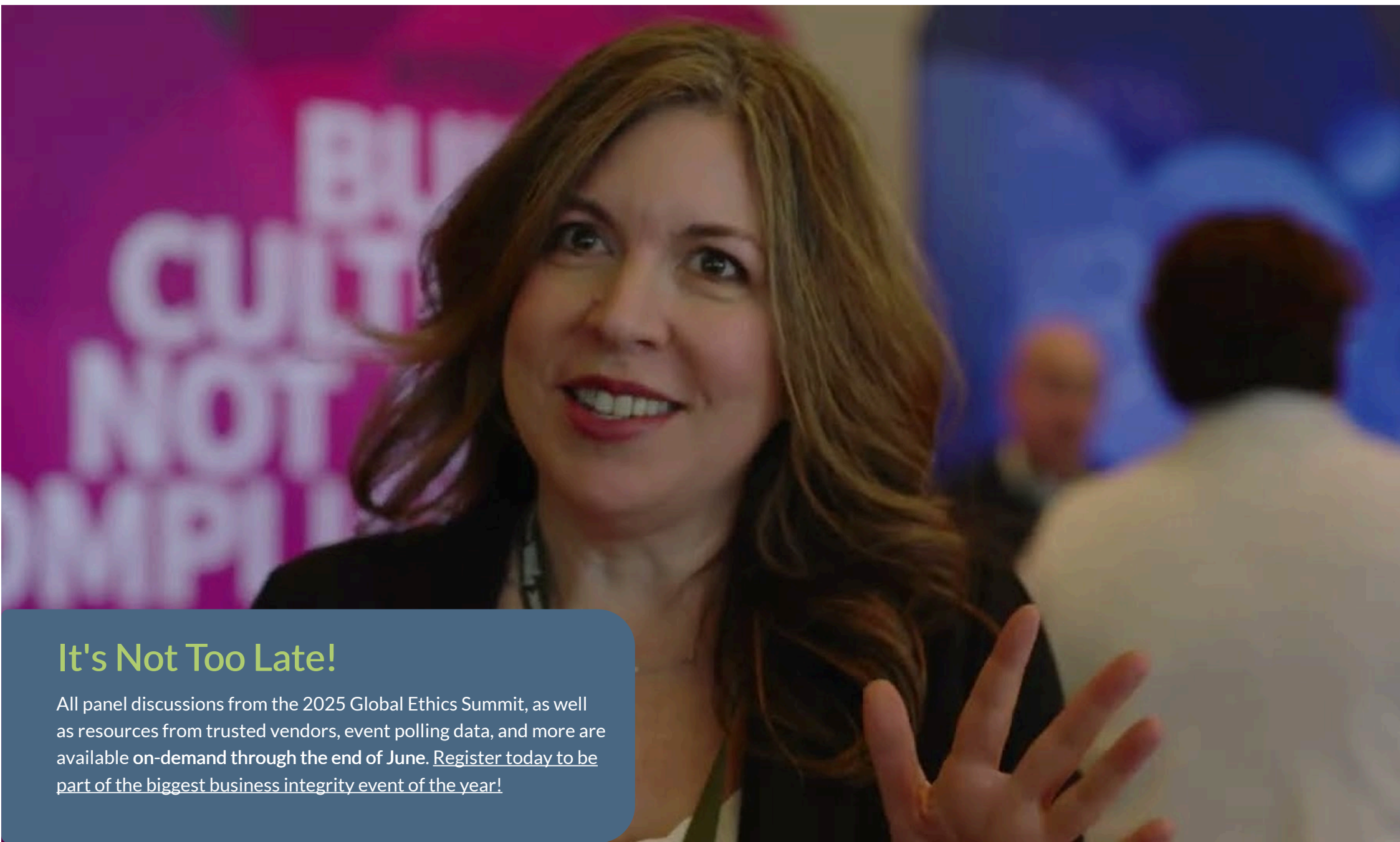
The State of Compliance Risk

Speakers and attendees alike shared notes on how upside-down the regulatory environment feels right now, especially in the United States. But the message that repeated itself again and again was how organizations were doubling down on their ethics and compliance programs. Regardless of the turmoil in Washington, the risks organizations face haven't changed. And as the former regulators who spoke at the Global Ethics Summit pointed out, the risk of enforcement has not gone away at all to any meaningful degree. If anything, enforcement penalties for organizations have, in fact, increased. At a time of so many different perspectives, this was one area where there was unanimous sentiment: strong ethics and compliance programs should keep going. Their leaders should keep standing up those programs. And organizations should keep backing them.

RELATED SESSIONS

[The Times, They Are A-Changin': Insights from Former Government Officials on the Evolving Global Enforcement Environment](#) | Former high-ranking officials for leading U.S. regulatory and law enforcement agencies discuss key enforcement priorities, shifts from the last administration, and essential compliance tips for E&C leaders to prepare for both the expected and unexpected.

[DOJ Compliance Expectations: An Inside Perspective](#) | Get an inside perspective on the DOJ's compliance expectations around what a sound compliance program should look like, the DOJ's evolving corporate compliance expectations, and strategies for companies to demonstrate compliance.



It's Not Too Late!

All panel discussions from the 2025 Global Ethics Summit, as well as resources from trusted vendors, event polling data, and more are available on-demand through the end of June. [Register today to be part of the biggest business integrity event of the year!](#)

SPRING 2025

FEATURES

FCPA Enforcement Takeaways

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Practical Takeaways from Recent U.S. Administration Actions on FCPA Enforcement

by MAURICE BELLAN, PETER CHAN, REAGAN R. DEMAS,
WILLIAM (WIDGE) DEVANEY, ALEESHA FOWLER, MARIA
PIONTKOVSKA, ELIZABETH ROPER, JEROME TOMAS,
PETR P. TOMCZAK, & MARIA GRENADER

SPRING 2025 | FEATURE

Practical Takeaways from Recent U.S. Administration Actions on FCPA Enforcement

by MAURICE BELLAN, PETER CHAN, REAGAN R. DEMAS, WILLIAM (WIDGE) DEVANEY, ALEESHA FOWLER, MARIA PIONTKOVSKA, ELIZABETH ROPER, JEROME TOMAS, PETER P. TOMCZAK, & MARIA GRENADER

On February 10, 2025, President Trump signed an Executive Order directing a 6-month moratorium on the enforcement of the Foreign Corrupt Practices Act (FCPA), while the Attorney General revises Department of Justice (DOJ) policies and guidelines governing FCPA enforcement. Companies are advised to stay the course on compliance and exercise caution when considering any shifts in compliance practices and resourcing.



On February 5, 2025, newly confirmed US Attorney General Pamela Bondi issued an agencywide memorandum ("**Memorandum**") in which she directed the DOJ FCPA Unit to focus its investigations on "foreign bribery that facilitates the criminal operations of Cartels and Transnational Criminal Organizations (TCOs), and shift focus away from investigations that do not involve such a connection."¹ Five days later, on February 10 2025, President Donald Trump signed an Order instructing the Attorney General to pause the enforcement of the FCPA for a six month period while she reviews the DOJ's policies and guidelines governing FCPA enforcement actions.²

During this pause, the Attorney General must:

- Cease initiating any new FCPA investigations and enforcement actions, without her authorization;
- Review all current FCPA investigation and enforcement actions and determine their status based on revised enforcement and foreign policy priorities; and
- Issue updated guidelines and policies to promote the President's discretion over foreign affairs, particularly in the interest of preserving the US's competitiveness in foreign markets.

After this period expires, the Attorney General may extend the review period for an additional 6 months if deemed necessary. Once the guidelines and policies have been revised, FCPA investigations and enforcement actions initiated thereafter must be governed by these new guidelines.

These two announcements, which are in some ways inconsistent and conflicting, have created substantial uncertainty regarding the future of FCPA enforcement. The Administration has

provided very limited additional guidance on the practical implications of these directives, how each of these mandates will be reconciled, or steps companies should take in their wake. It remains to be seen how the Attorney General revises DOJ guidelines governing FCPA enforcement and allocates prosecutorial resources.

The future of the DOJ's Corporate Enforcement Policy and Pilot Program on Voluntary Self-Disclosures for Individuals is unknown, casting further doubt on the value of voluntary disclosure (particularly during the 6-month investigation and enforcement moratorium). It is possible that some of the incentives afforded by disclosure policies may be eliminated or reduced, greatly altering the disclosure calculus for companies. Also uncertain is how, or if, the Memorandum and Order will impact the Security and Exchange Commission's (SEC) enforcement of the FCPA's accounting provisions.

Despite the uncertainty generated by the Memorandum's mandate and the Order, prudence dictates that companies substantially stay the course on compliance for several reasons:



The Administration's actions seek to alter enforcement of the FCPA, not eliminate the law passed by Congress in 1977. Forthcoming guidelines and priorities could result in increased risk for certain companies, including non-U.S. companies or companies operating in "non-friendly" countries. Trump's Order rests on the President's authority to conduct foreign affairs and protect national security, providing a broad landscape that makes the ultimate enforcement guidelines (and impact on companies) difficult to predict. Any weakening of corporate compliance programs and the approach to corruption risk while awaiting this guidance on enforcement priorities should be muted.

Bribery is still illegal in every country, and numerous countries have increased enforcement of bribery in recent years. This trend can be seen in Germany, Brazil, South Africa and even China, among others. Enforcement of these non-US regimes against US companies will not be directly impacted by the US Administration's actions and, in some instances, could even become more aggressive as part of countermeasures against US

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Bribery is still illegal in every country, and numerous countries have increased enforcement of bribery in recent years.

in

actions on tariffs and other geopolitical maneuvers.

Both the Memorandum and the Order are silent on the SEC's civil enforcement of the accounting provisions of the FCPA. While the SEC may ultimately adopt a posture aligned with the DOJ, this remains unclear and the SEC remains unimpeded in its power to pursue civil FCPA investigations and enforcement. Reports suggest that newly-appointed SEC Commissioners are

seeking to exercise more authority over FCPA-related investigations by requiring that SEC staff obtain the full Commission's approval to obtain the authority to issue subpoenas.³ This change in formal order authority does not necessarily mean that SEC enforcement actions will decline, but rather that the Commission aims to exercise more oversight of investigations earlier in the investigative process to control the types of cases being pursued by the Staff.

Other key corporate stakeholders will likely still expect companies to thoroughly investigate allegations of bribery and fraud. External auditors are unlikely to turn a blind eye to such allegations and will still inquire about bribery-related reports to assess the potential impact on a company's financial statements. The risk of shareholder litigation relating to unresolved or poorly handled bribery-related allegations remains. Conducting appropriately rigorous and thorough corruption and fraud-related internal investigations under privilege will continue to protect companies in future litigation or regulatory action.

U.S. companies operating in foreign markets may still have an obligation under local law to investigate reports of bribery submitted through internal whistleblower channels. For example, under the European Union's Whistleblower Directive, member states are required to investigate reports made through company channels.⁴

Compliance programs detect and prevent a variety of other significant legal and regulatory risks other than those related to the FCPA, including risks related to sanctions, data privacy, environmental regulations, and money laundering. Third-party due diligence programs reduce the risk of contracting with sanctioned or fraudulent parties and create additional oversight of third parties that present a heightened risk of violating applicable export controls. The controls implemented through a company's compliance program prevent harm to the company by monitoring and intercepting instances of fraud and self-dealing. These same controls benefit broader corporate financial wellbeing. Enterprise risk

assessments will continue to provide valuable information on a variety of corporate legal, financial, and reputational risks, allowing companies to implement remediation to mitigate those risks.

Regardless of near-term FCPA enforcement trends, the evidence suggests that ethics and compliance programs are good for business. A recent study indicates that consumers are willing to purchase products at a premium from companies that have robust compliance programs, signaling that compliance serves a function beyond just mitigating a company's liability.⁵ Commitments to compliance foster a culture of ethical behavior and promote a positive market reputation. Similarly, the evidence shows that bribery is bad for business, potentially resulting in “quick wins” while fostering a long-term culture antithetical to law-abiding and policy-adhering behavior. While there may be fewer DOJ press releases regarding FCPA investigations and settlements, companies can still suffer reputational damage from media attention to

bribery issues, particularly in today's social media culture. Companies that make reactive changes to compliance programs and budgeting in the wake of the current FCPA enforcement uncertainty risk communicating to employees that unethical behavior that clearly harms corporate performance (such as self-dealing, conflicts of interest, or other forms of fraud) is now tolerated.

The Trump Administration describes the specific implementation actions as a temporary priority shift. The Memorandum's mandate will be in place for 90 days, after which the DOJ will make a decision about whether to renew or solidify the mandate. The Order pauses DOJ enforcement of the FCPA for a period of 180 days pending guidance on priorities. Even if the Trump Administration extends its enforcement mandates throughout the entirety of its 4-year term, the next Administration may roll back the shift in enforcement priorities. As the statute of limitations under the FCPA is five years, conduct today could potentially still be investigated and prosecuted during the next Administration.

While the future of FCPA enforcement remains decidedly uncertain, companies are advised to consider the following:

- As compliance programs and ethical cultures take years to build and embed in corporations, any shift in compliance practices or resourcing in the wake of such uncertainty should be made with caution.
- Employees, as well as Directors and other stakeholders, will undoubtedly have questions regarding what potential changes in FCPA enforcement may mean for the business. Companies should consider communicating to employees their continued commitment to compliance through trainings and other appropriate messaging.
- Allegations of bribery or corruption that come to the attention of the company should be appropriately investigated and remediated to ensure expectations of key stakeholders, such as auditors, are met.
- Robust third-party due diligence remains a critical process to allow companies to identify and manage numerous legal, financial,

reputational and business risks.

- Risk assessments that cover enterprise risks (including corruption risk) will continue to help companies to remediate numerous legal, financial, and reputational risks.
- Maintaining internal controls that help manage corruption, fraud, and self-dealing risk is advised. ■

REFERENCES

¹ [Total Elimination of Cartels and Transnational Criminal Organizations](#)

² [Pausing Foreign Corrupt Practices Act Enforcement to Further American Economic and National Security | The White House](#)

³ [Exclusive: SEC's Republican-led commission tightens oversight of probes, sources say | Reuters](#)

⁴ [Protection for Whistleblowers | Euro](#)

⁵ [How Corporate Compliance Builds Value | Ethisphere Magazine](#)

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Third-Party Risk in Transition

Navigating Compliance, Sanctions, and Global
Supply Chain Scrutiny in an Age of Uncertainty

by JAMES SWENSON and VIRNA DI PALMA

SPRING 2025 | FEATURE

Third-Party Risk in Transition

Navigating Compliance, Sanctions, and Global Supply Chain Scrutiny in an Age of Uncertainty

by JAMES SWENSON and VIRNA DI PALMA

The 2025 announcement by the Trump administration of a [temporary pause in FCPA enforcement](#), alongside shifting policy signals from the U.S. Department of Justice (DOJ) under Attorney General Pamela Bondi, has introduced new uncertainty for companies committed to anti-bribery and corruption. These developments have complicated efforts to interpret U.S. compliance expectations—particularly for organizations with global third-party networks.



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For years, many businesses have maintained robust third-party risk management frameworks, shaped by long-standing FCPA enforcement priorities. These programs typically include comprehensive due diligence, regular reassessments of business partners, beneficial ownership screening, and contractual safeguards such as anti-bribery clauses. Risk-tiering systems, reinforced by audits and automation, help ensure scrutiny is aligned with risk exposure. With U.S. enforcement dynamics shifting, companies must rethink—but not abandon—their approach.

It's critical that businesses avoid overcorrecting. Bribery and corruption remain illegal under U.S. and international law, and well-designed third-party risk programs deliver more than compliance. Transparent, ethical supply chains expose hidden risks, build supplier trust, protect reputation, and meet rising expectations from investors, consumers, and civil society. In today's risk landscape, proactive due diligence is not a checkbox—it's a competitive advantage.

At the [16th Annual Global Ethics Summit](#) in Atlanta in April, it was clear that companies have

no intention of scaling back their compliance and due diligence programs in response to recent policy changes. On the contrary, some are actually *increasing* due diligence activities to address emerging risks.

The imposition of increased tariffs on Chinese imports is prompting a strategic shift among U.S. companies, many of which are accelerating efforts to diversify their supply chains beyond China. This trend is not just about cost mitigation—it's about building resilience and reducing geopolitical exposure. As businesses look to reposition their sourcing strategies, countries like Vietnam, Malaysia, and Thailand are becoming increasingly attractive due to their lower labor costs and ongoing improvements in infrastructure.

However, this transition brings new complexities from a third-party risk management perspective. Companies moving into these less familiar markets must adapt their due diligence processes to address gaps in regulatory transparency, data availability, and business governance. In many cases, conducting enhanced due diligence becomes essential to assess the integrity and compliance of

new suppliers—particularly in environments where corruption, labor violations, or environmental infractions are more prevalent.

U.S. Focus: Cartel-Linked Supply Chains

The government's recent pivot reflects a shift from broad anti-corruption enforcement to targeted actions against criminal cartels and trafficking networks. The DOJ has clarified that future bribery enforcement will prioritize supply chains exposed to cartel activity—a tactical redirection, not a full retreat.

This renewed focus is particularly relevant for industries like pharmaceuticals, chemicals, logistics, agriculture, and mining—sectors frequently exposed to precursor chemicals, cross-border vulnerabilities, and illicit finance. These companies should reexamine their compliance posture with attention to high-risk geographies, customs interactions, and supply chain links that may intersect with organized criminal networks.

Sanctions Compliance and UBO Identification: A Rising Priority

In today's volatile geopolitical climate, sanctions screening and ultimate beneficial ownership (UBO) identification are more essential than ever. At our peer-to-peer session during the Global Ethics Summit, participants discussed the need to adjust ownership thresholds based on jurisdiction-specific risk. This is especially urgent amid ongoing discussions around expanding sanctions on Russia for its actions in Ukraine, and on China for human rights and economic coercion concerns. A comprehensive sanctions compliance strategy—built on robust UBO verification and continuous monitoring—can help businesses navigate an increasingly complex global risk environment.

Navigating Global Regulatory Pressures

While the U.S. may be easing enforcement in some areas, other jurisdictions—particularly the

European Union—are increasingly embracing third-party risk management and due diligence as critical tools for promoting ethical business conduct and corporate accountability.

The recently finalized [Omnibus Agreement](#) on the Corporate Sustainability Due Diligence Directive (CSDDD) introduces a more flexible timeline while reinforcing the directive's core intent: enforcing responsible supply chain practices.

Key updates include:

- Applicability to companies with over 1,000 employees and €450 million in turnover, narrowing the scope to large multinationals
- A one-year delay in enforcement to give companies time to prepare
- Relaxation of some obligations—such as mandatory disengagement—while preserving requirements to identify, assess, and mitigate human rights and environmental risks

Despite these changes, the regulatory direction is clear: supply chain due diligence is fast becoming a baseline global standard. U.S. companies operating

in the EU or sourcing from the region must build adaptable third-party risk programs that reflect this trajectory. Businesses should proactively assess their supply chains, focusing on direct suppliers, and establish mechanisms to monitor and address potential human rights and environmental impacts. Engaging with stakeholders and understanding the varying national enforcement mechanisms will be crucial for compliance.

Uyghur Forced Labor Prevention Act (UFLPA): Enhanced Due Diligence Requirements

Despite softening in other enforcement areas, forced labor remains a top priority for U.S. trade enforcement. The UFLPA presumes that any goods linked to China's Xinjiang region are made with forced labor and bans their import unless companies can provide clear and convincing evidence to the contrary.

To mitigate these risks, businesses should:

- Conduct comprehensive supply chain mapping and due diligence to identify potential Xinjiang exposure
- Deploy end-to-end traceability systems to validate product origins and labor conditions
- Closely monitor U.S. Customs and Border Protection (CBP) enforcement trends, including increased inspections and detentions

With bipartisan support and the potential for expanded coverage, the UFLPA signals a durable shift toward more aggressive enforcement. Forced-labor risk must be a core element of third-party risk management moving forward.

The Reputational Risk Factor

Compliance is no longer solely about avoiding penalties—it's about maintaining public trust. Stakeholders today expect transparency, integrity, and accountability across the value chain. A single third-party misstep can result in reputational

damage that far exceeds any legal fine. To preserve credibility, companies must embed ethics into supplier relationships and show their commitment through action. In the absence of accountability, stakeholders may assume complicity.

Future-Proofing with Continuous Risk Monitoring

Compliance is constantly under pressure to evolve. The current environment offers an opening to streamline processes, focus on the highest-risk areas, and drive innovation in third-party risk management. To keep pace with the global risk landscape, businesses should adopt agile, technology-driven systems that enable:

- Real-time monitoring of third-party profiles
- Ongoing due diligence to identify emerging risks and changes in third-party relationships
- Automated risk alerts and scoring
- Periodic reassessments and re-tiering
- Integrated remediation workflows

In an age of uncertainty, companies that treat third-party risk management as a strategic advantage—not just a compliance requirement—will be best equipped to protect their operations, reputation, and long-term

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Why Trust is Essential for Whistleblower Programs to Be Effective

by ANDREAS PYRCEK

Why Trust Is Essential for Whistleblowing Programs to Be Effective

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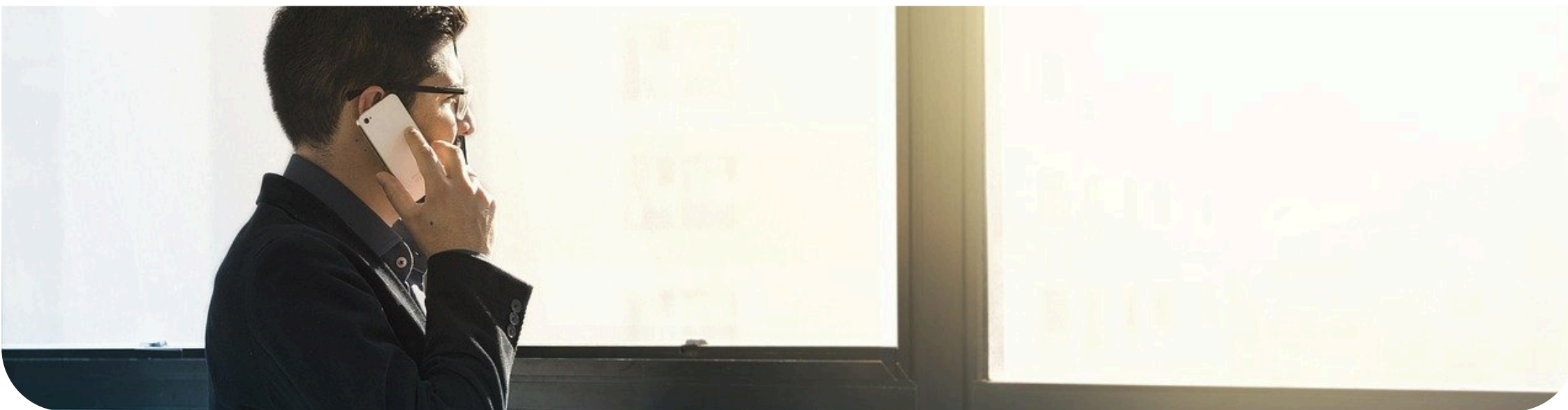
Whistleblowing protection mechanisms promote integrity, accountability and ethical practices within organizations and society. They're potent tools that empower individuals to speak up against misconduct and unethical behavior. These mechanisms also serve as crucial safeguards against corruption, fraud and other forms of wrongdoing—provided they are properly implemented and respected within an organization.

Some of the largest misconduct cases in recent memory—defective parts and quality shortcuts at a prominent aerospace company, or the falsification of medical testing devices at a health technology startup, or massive accounting fraud at an energy company—are a result of whistleblowers who risked everything to do the right thing.

Employees must be able to trust that when they see wrongdoing, they can report it without fear of retaliation and have confidence that leaders will act. Given that 43% of all fraud is uncovered through tips by whistleblowers¹—more than three times that of the next common method (internal audit)—it's imperative for organizations to get whistleblowing protection programs right.

But what happens when leaders themselves feel the pressure to look the other way? In the [EY Global Integrity Report 2024](#), we surveyed 5,464 board members, senior managers, managers and employees of large organizations across 53 countries and more than a dozen industries.

Our findings indicate that 64% of board members and 57% of senior managers felt under pressure not to



report misconduct (versus 54% of employees). Four in 10 board members also admit that when an issue is reported, they themselves have faced retaliation, or have witnessed adverse consequences toward someone else who reported misconduct through the organization's whistleblowing mechanism (versus 17% of employees).

New regulations are pushing organizations to do more to support whistleblowers. In 2023, the U.S.² and the EU³ introduced new whistleblowing legislation to improve protection mechanisms and make them mandatory for more companies. The introduction and expansion of such whistleblower protection laws, along with increased awareness on the importance of reporting misconduct and advancements in communication technology, have created more efficient and effective channels to report wrongdoing.

While there is some concern about dilution, particularly with President Trump's recent executive order pausing all enforcement of the Foreign Corrupt Practices Act, there is hope that new and enhanced regulations will ultimately strengthen whistleblowing protection mechanisms.

New whistleblowing laws and regulations, several with slightly different compliance requirements, have increased scrutiny of whistleblowing processes and compliance obligations for global organizations. However, those that embrace the compliance challenge and make an investment into an effective whistleblowing program will find that the value is clear. As the Association of Certified Fraud Examiners (ACFE) notes in its recent report,⁴ the presence of a formal reporting mechanism, such as a hotline, can reduce the median loss due to fraud, as well as the duration of the fraud by 50%.

New legislations in several jurisdictions around the world are improving safeguards for whistleblowers. In 2024, countries in the Americas, EU, United Kingdom (UK), the Middle East and Asia-Pacific have drafted or enacted new whistleblowing laws and regulations or enhanced existing laws. In countries that have strengthened whistleblower protection mechanisms, or where monetary incentives are offered, more individuals appear emboldened to step forward with knowledge of wrongdoing.

Despite efforts to strengthen whistleblowing protection mechanisms, attitudes toward integrity slow to change. According to the [EY Global Integrity Report 2024](#), attitudes toward integrity and conduct show that organizations are

How, if at all, has the whistle-blowing environment at your organization changed in the last two years? – Global and Region



Source: Base: Global (5,464); Eastern Europe (846); Far East Asia (1,136); Japan (100); Middle East, India & Africa (580); N. America (600); Oceania (150); South America (602); Western Europe (1,450)

resistant to change. Our report suggests that although board members and management say they feel more confident that the whistleblowing environment has improved over the last two years, employees are less convinced:

- 36% of senior management say it has become easier for employees to report their concerns, versus only a quarter of employees.
- Four out of 10 members of senior management say that solutions for whistleblowing are more advanced and offer greater anonymity and flexibility to raise concerns, versus 18% of employees.
- Roughly one-third of senior management say whistleblowers are now offered more protection from retaliation, versus 14% of employees.

The data suggests that despite whistleblower protection laws, whistleblower reporting procedures don't always offer required protection or provide easier reporting, so many potential

whistleblowers still don't trust the process.

To improve the risk management benefits of their whistleblowing framework, organizations need to win the trust of their employees. Here are four actions organizations can take to strengthen the integrity of their whistleblowing programs.

1 | Nurture an integrity-first culture

Organizations need to create an environment where employees feel psychologically safe to speak up and are confident that their concerns will not only be heard but also acted upon. This is easier said than done. The 2023 LRN Code of Conduct Report,⁹ published by LRN Corporation, found that globally, a “speak up” culture appears deficient in most organizations. The 2023 LRN Code of Conduct Report reviewed the codes of conduct of top publicly traded companies across Europe, North America and Asia, assessing them on metrics such as the ease of speaking up about risky topics, usability of the codes of conduct and knowledge reinforcement through learning and

development initiatives. Slightly more than half (57%) of the studied codes have a strong non-retaliation policy for employees who speak up about misconduct.¹⁰

Creating a culture that focuses on employee engagement and raising awareness around integrity and accountability is important. According to research¹¹ by the Einaudi Institute for Economics and Finance (EIEF), the Kellogg School of Management, and the University of Chicago Booth School of Business, the higher the measure of integrity, the better the firm's performance. Companies with an integrity-first culture were more often chosen by students as an attractive place to work and less likely to be subject to unionization attempts. Yet, even with robust whistleblower programs in place, cultural influences can be a significant factor when it comes to speaking up. In some countries, a culture of deference to more senior members in the workplace may contribute to individuals being fearful of reporting misconduct.

Consequently, leaders need to do more than encourage employees to speak up when they see wrongdoing—they need to actively engage them. More than making space for employees to speak, leaders need to be proactively soliciting their opinion. It's less about broadcasting a message and more about establishing multidirectional dialogue. As such, leaders need to not only listen to their employees but also act on what they hear.

2 | Increase awareness, training and communication

According to the findings of the EY Global Integrity Report 2024, more organizations have implemented whistleblowing hotlines, with the percentage of respondents who said that their organization doesn't have one dropping to 7% from 14% two years ago. Furthermore, one-third of all respondents indicated it has become easier to report concerns, and that the solutions for whistleblowing are more advanced and offer greater anonymity. These advancements may, at least in part, explain why board members and

senior management say they feel more confident that the whistleblowing environment has improved over the last two years. Yet, when respondents in the EY Global Integrity Report 2024 were asked how often they had heard management communicate about the importance of behaving with integrity, only fewer than half of all respondents (47%) said communication was frequent. Among employees, the percentage falls to one-third (33%).

When asked how much they knew about the legal protection or policies their organization or country had in place to safeguard whistleblowers from retaliation, 44% of all respondents said they knew a great deal or a fair amount. One-quarter knew nothing about, had never heard of or didn't know about what whistleblower protection programs are available to them.

Awareness, training and communication are critical to strengthening and maintaining an integrity-first culture, particularly when it comes to whistleblowing. It's associated with both faster

detection of fraud and lower losses. According to the ACFE, organizations that didn't provide fraud awareness training to their employees lost nearly two times more financially than those who did provide training.

To maximize the effectiveness of whistleblowing programs, organizations should regularly track stakeholders' awareness and confidence in these initiatives, for instance, through staff engagement surveys. The point is not only to ensure that employees feel empowered to report issues, but that they also feel that their information is appreciated and acted upon, and that the organization demonstrates a willingness to continually evolve the program in response to employees' needs.

3 | Use technology to augment traditional channels of whistleblowing communication & reporting

As critical as training and communication are in developing a robust integrity-first culture, traditional tools aren't always effective. Employees may miss an email outlining the organization's whistleblowing policy or forget what they have learned in a training module. Technology advancements are, therefore, being used to augment and improve communication and management of whistleblowing programs.

In addition to technology innovations to improve communications channels for whistleblowers, evolving technology is also helping organizations to monitor, store, manage and address misconduct reports. This includes external report management, online repositories to securely store and share relevant documents, audit trails, intuitive case management, anonymization and archiving for General Data Protection Regulation (GDPR) compliance, configurable access rights

management, and internal chat platforms for secure exchange of messages and documents among teams and external advisors.

Artificial intelligence (AI) and generative AI (GenAI) are also making their way into whistleblowing frameworks, from individual report analysis (content and document analyses, as well as activity logging) to database analyses (natural language processing, pattern recognition and trend analysis).

4 | Embed whistleblower program into the organization's global compliance strategy

Whistleblowing programs, which are crucial for organizations, shouldn't be considered as siloed risk management components. The program needs to be integrated into an overall compliance and risk management strategy and operations to enable the organization to not only manage and mitigate risks, but also help employees to feel confident, heard and protected. When employees

and third-parties feel confident that their concerns will be taken seriously, it reinforces the importance of compliance across the organization, ultimately reducing the likelihood of future misconduct. Real-life examples, such as the role whistleblowers played in exposing corporate scandals like defective parts and quality short cuts at a prominent aerospace company or the falsification of medical testing devices at a health technology start-up, demonstrate how intervention can prevent future harm.

Summary

Employees must be able to trust that when they see wrongdoing, they can report it without fear of retaliation and have confidence that leaders will act. New regulations are pushing organizations to do more, but whistleblowers still face challenges as attitudes toward integrity are slow to change. By taking action to strengthen the integrity of their whistleblowing programs, and uncovering potential issues early, organizations will find the value they gain far outweighs the cost. ■

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Another Frontier for Ethics: Use & Development of AI

byINDERPREET SAWHNEY

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rganizations have traditionally been evaluated by markets & investors for their adherence to law and ethical practices. With artificial intelligence (AI) increasingly dominating conversations across board rooms, news outlets and consumers, the ethical and legal development of AI is clearly a new frontier for many organizations.

AI systems are software programs, but the way they are developed and used is unlike software in many ways. It is important to note that the ethical challenges of AI begin at very foundations of AI systems that rupture the boundary between data and software.



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An AI model consists of its neural network design and the model weights of its results from training-runs of glacial-scale computations applied over internet-scale bodies of data. Once trained, an AI system is used for inferencing against given inputs to generate net-new intellectual property (IP)/data. Given that this training phase itself consumes compute and datasets at unprecedented scales compared to those of traditional software systems, universal ethical and legal frameworks need to be developed and disseminated around this emerging technology.

History suggests that the velocity of a consumer-driven tech wave is always greater than a business-driven one. As the cost of deployment goes down, AI consumerization will rise. This will cause a particularly interesting disruption by enabling experts of one domain to leverage AI that specializes in another domain, without themselves possessing that domain specialization. This cross-functional access to skills will unlock value, but it also exposes society to unforeseen risks. These risks demand the ramping up of regulatory oversight, ethical frameworks, and the reskilling of workforces.

While technology waves of Web3 and quantum computing are anticipated, AI is already reducing innovation cycles in fundamental sciences. As a result, its ability to identify complex data patterns beyond human capability is creating opportunities in sectors such as health, climate, defense, space tech and material sciences. However, the absence of ethical considerations in implementing these

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INDERPREET SAWHNEY, Infosys



systems can lead to significant negative impacts. This raises the question of whether regulations should target the end use of AI or the technology of AI itself.

Here are some examples of interesting regulatory proposals around AI, many of which would present various operational challenges:

- Additional compliance requirements if the computational power used for AI model training is greater than 10^{26} floating-point operations per second (FLOPS)
- Laws that require AI providers to maintain the details of customers who license those AI products to the same (if not greater) levels of personal privacy and data security already in effect
- Regulatory obligations for organizations to inform their relevant authorities about what datasets they are using for the pre-training runs of AI models.

At the core of any regulation is an AI-ready workforce. While organizations are driving reskilling aggressively, there are reports of employees sometimes feeling that AI usage would make them look lazy or incompetent. Unlike traditional software systems, the workforce ready for handling Responsible AI needs to attend to both upstream and downstream ethical & legal risks. It needs to understand licensing practices around open vs. closed AI models, liability distribution among value chain participants, “use-case”-level compliances, IP issues in training datasets, ownership of AI generated outputs, synthetic data generation, caching of user inputs, regurgitation due to over-training, etc.

And all these issues are over and above the issues of safety, privacy, security, hallucinations, bias, and explainability that already dominate conversations around ethical and responsible AI. Unfortunately, legal opinions across countries are neither emerging at same pace, nor in the same direction. Thus, we are looking at a jigsaw puzzle of AI laws across major markets.

Major AI Legislation

In the U.S., for example, no AI law is expected at federal level in near future. But [states have taken the lead](#) and have passed more than two dozen AI laws to date. Four states (New Hampshire, Tennessee, Montana, and Oregon) have enacted AI legislation. Another 18 states (including California, New York, Texas, and Florida) have a mix of enacted and proposed legislation. And another 17 states have proposed legislation. Only 7 states have no proposed legislation.

In sharp contrast, we see another jigsaw puzzle across the Atlantic. The recently passed [EU AI Act](#) lays out very nuanced requirements on companies. This law is very significant, as it places penalties of up to 7% of global revenue for being non-compliant. It expects companies to classify and adhere to additional compliance for their AI use cases into (a) prohibited ones (b) high risk ones.

Misconceptions about web scraping are already causing legal frictions among organizations. Organizations also need to sensitize its user base

about prompt etiquettes, especially when the AI system is fine-tuned according to user interactions that might change its behavioral patterns. For such shape-shifting AI systems, attribution of legal liability to the AI system or to the user remains an uncharted area.

Other challenges that enterprises can face in development of AI are from sector-specific regulations and lawsuits. The [General Data Protection Regulation](#) (GDPR) and [California Consumer Privacy Act](#) (CCPA) are two good examples of where data laws are crucial in training AI models.

Within the EU and California, AI providers can collect data only with explicit consent that must be informed as to the usage of collected data. And personal privacy is only the tip of the regulatory iceberg. AI compliance must also address export controls, record-keeping, and local consumer protection regulations to ensure ethical and legal AI development.

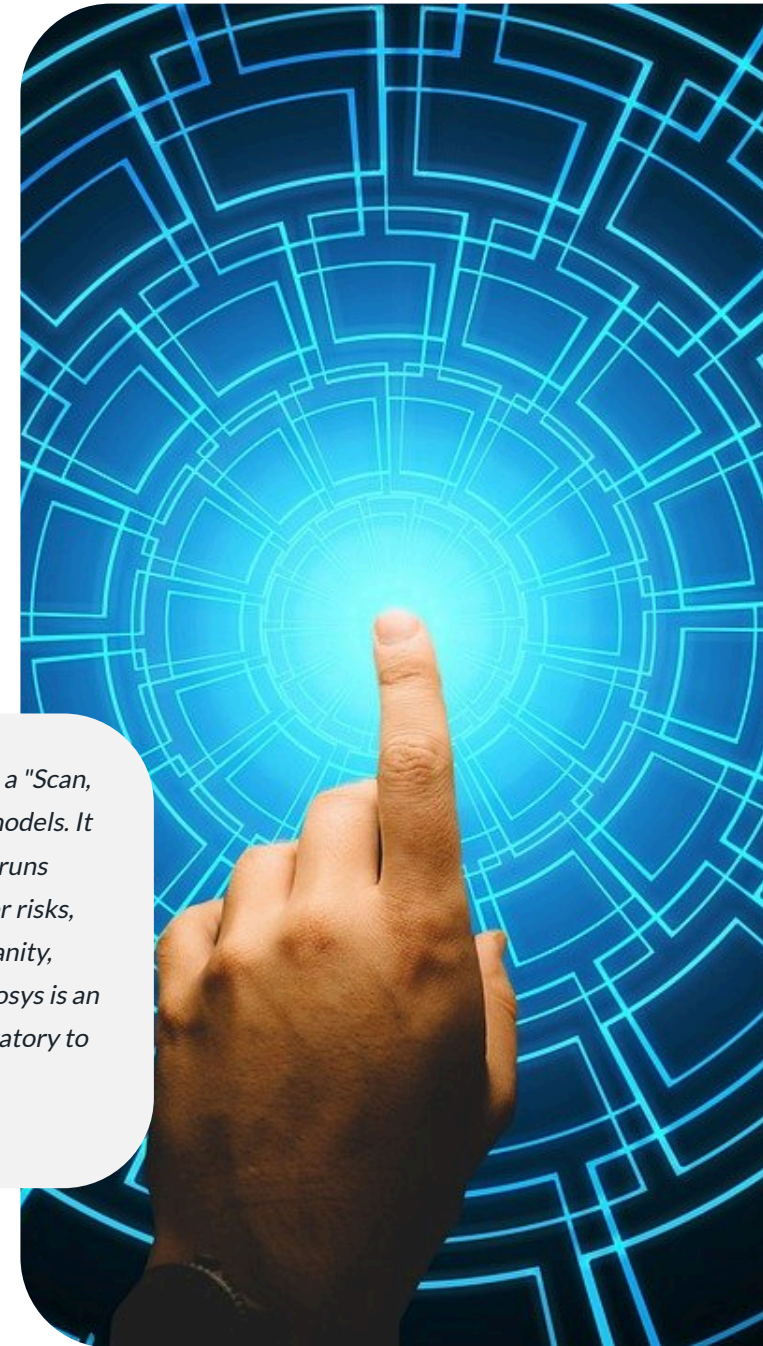
AI Readiness

Meanwhile, enterprise-level AI readiness is a prerequisite for AI itself to scale as a usable technology. However, according to a study by Infosys, while companies expect up to a 40% productivity gain from implementing AI into their workflow, only 2% of firms are ready for AI across all five dimensions of strategy, governance, talent, data, and technology. This is clearly an issue, as the [Diffusion of Innovation](#) theory notes that the tipping point for the adoption of new ideas, at which benefits start to accrue, is between 10% to 25% of adopters.

To ensure ethical AI systems, it is crucial to conduct regular, independent audits to identify biases in data and algorithms. Maintaining detailed audit trails and documentation of AI decision-making processes enhances transparency and accountability. Promoting literacy of AI ethics education and training for developers, policymakers, and the public is vital, focusing on ethical decision-making, bias recognition etc.

Using inclusive data that represents all demographic groups helps reduce the risk of marginalization. Incorporating human oversight in critical decision-making areas, such as healthcare and hiring, ensures AI errors can be corrected. Ethical AI design involves embedding principles of fairness, transparency, accountability, and privacy into the AI development lifecycle from the start, integrating these principles into both the algorithms and the organizational culture. ■

Infosys adherence to Responsible AI adaption is based on a "Scan, Shield, and Steer" framework to monitor and protect AI models. It relies on a Responsible-by-Design (RBD) framework that runs model-based and template-based guardrails. Among other risks, these guardrails prevent prompt injection, jailbreak, profanity, privacy violation, and organizational policy violations. Infosys is an ISO 42001:2023 certified company and is a founding signatory to AI pact signed in Brussels.



Transforming Supply Chain Due Diligence: From Funnel to Hourglass with AI

by CRAIG MOSS & DAVE FERRUCCI



Transforming Supply Chain Due Diligence: From Funnel to Hourglass

by CRAIG MOSS & DAVE FERRUCCI

AI and Generative AI are revolutionizing supplier risk management by enhancing transparency, efficiency, and scalability. And in so doing, they're supercharging their ability to meet the growing demands of customers, investors, and regulator.

Your company has 10,000 suppliers in 30 countries. You may be concerned about the potential use of forced labor in your supply chain or struggling to track suppliers' carbon emissions. Customers are demanding better supply chain due diligence to mitigate their own social and environmental risks. In some countries, regulations now require you to not only assess your suppliers' environmental and social risks but also take action to reduce them—and publicly report your efforts.

Historically, companies have relied on a breadth-and-depth approach: conduct a broad assessment of all 10,000 suppliers to determine their inherent risk based on factors like location and the nature of their business, then narrow the focus to 100-200 key suppliers for deeper analysis. These suppliers are typically selected based on how critical they are, the amount of money spent with them, and their inherent risk. However, this model is not scalable and relies too heavily on inherent risk assumptions.

A New Approach: Using AI and GenAI to Build a Scalable Model

By combining deep expertise in supply chain risk management with the application of artificial intelligence (AI) and more specifically, generative artificial intelligence (Gen AI), a new scalable approach has emerged. Instead of relying solely on broad assessments, this approach focuses on residual risk—the risk that remains after accounting for a supplier’s risk management capabilities. This new approach turns a funnel into an hourglass by using the residual risk data from the 100 to extrapolate across the 10,000 suppliers. Here is how the model works:

Select the 100 from the 10,000. This can be done using the today’s common techniques by assessing criticality, spend, and inherent risk. In the future, the quality of this selection process will be improved by the results from the bottom of the hourglass.

Assess the program maturity and residual risk of the 100 suppliers. Gain visibility into the systems and controls that these suppliers use to manage environmental and social risk. Knowing the maturity of your suppliers’ management systems is essential to knowing the residual risk they pose. This will take you far beyond generalizations that suppliers in one country are riskier than those in another country. Gaining visibility into the residual risk also allows you to be far more effective in allocating resources and prioritizing where to focus.

Extrapolate residual risk to the 10,000 suppliers. Using AI/GenAI, the insights gathered from the 100 can be scaled back up to better understand the overall residual risk of your complete supply chain. Suddenly, you can go from the 10,000 to the 100 and back to the 10,000. This turns the traditional funnel into an hourglass, allowing companies to move between granular and broad risk assessments efficiently.

AI-Powered Risk Prediction and Transparency

Although AI/Gen AI can be used to select the 100 from the 10,000 at the top of the hourglass, we are going to focus on the *bottom* of the hourglass. The supply chain maturity assessment data (and resulting residual risk data) gathered from the 100 can be used with AI/Gen AI to find patterns and distinguish those patterns based on a wealth of conditional context. So, when you are looking to apply what you learned from the assessments in the funnel to the broader data set (that is, the bottom of the hourglass) understanding how bigger data clusters and groups behave from a risk perspective gives you predictive and explanatory power. In effect, you are able to say which of your suppliers is likely to have high residual risk because of how similar they are to other high-risk suppliers, and different they are from lower risk suppliers, according to various criteria.

Trust and transparency are critical to supply chain risk management and to the use of AI and Gen AI. In both cases, trust and transparency start with the data. Understanding the reliability, currency, and consistency of the data sources used to train the AI is essential. The saying “garbage in, garbage out” has never been more accurate. For example, using a supply chain due diligence maturity assessment designed by experts provides valuable data on the program maturity of your suppliers that goes well beyond asking simple yes/no questions. This helps address the challenge with GenAI where the precise sources used to generate an answer are not readily available from the underlying Large Language Model (LLM). The data generated from the supply chain due diligence maturity assessment is combined in the LLM with additional public data and your internal proprietary data to gather nuanced insights.

Additionally, using Retrieval Augmented Generation (RAG) systems that combine LLMs with search can ensure that AI responses are backed by verifiable sources. This involves pinpointing the original data sources, narrowing the scope of data from which answers are

generated, and providing direct access to those sources, including a reliability score. RAG solutions can increase the transparency related to the precise data contributed to those answers linking to original sources. To further improve transparency, we can ensure the process revealed by the LLM for summarizing that data follow established rules for helping to ensure trust.

AI models sometimes generate inaccurate or misleading results called *hallucinations*. This problem can be reduced through the utilization of reliable residual risk data from the narrow part of the hourglass. The power of GenAI is its ability to predict answers based on patterns in the data. The predictions are heavily conditioned by the context in the query, which means the resulting answer is a probabilistic prediction. Using the residual risk data is one key factor in improving the reliability of the prediction.

RELATED VIDEO >>



AI-Driven SCRM

Imagine an assessment reveals that most of your top 100 suppliers have high residual risk due to weak social compliance policies and inadequate training. GenAI can:

Identify patterns in high-risk suppliers. AI detects which supplier characteristics are most associated with high risk and apply that pattern to the entire supplier base, allowing companies to predict which of the 10,000 suppliers are likely to pose similar risks. Moreover, reinforcement learning (correcting where the AI made a mistake in forming and applying the pattern) allows for quick and iterative improvement to the assessment of the residual risk in a transparent way.

Tailor supplier communications. Following this example, we can combine the data showing a weakness in social policies and training among your suppliers with information on new regulations requiring enhanced due diligence to uncover forced labor. This new regulation requires

your company update its Supplier Code of Conduct and communicate it to all suppliers and internally to those that manage the suppliers. The challenge is customizing communications to 10,000 suppliers in 30 different national legal jurisdictions, spanning a variety of business types (e.g., contract manufacturers, logistics companies, employment agencies.)

GenAI can modify your Supplier Code of Conduct based on the law and your increased requirement that suppliers have strong internal policies and conduct internal training on forced labor. AI can draft a customized communication for each supplier based on the nature of their business, their country, and any unique conditions imposed by their country. This will *dramatically* reduce the time to respond and quite likely improve the quality of the result.

Enhance internal training and compliance. GenAI can analyze which of your internal teams interact with the highest risk suppliers and tailor training and communication materials that use the specific

forced labor scenarios they are most likely to encounter. Many companies are using AI/GenAI, but few successfully integrate it into a scalable supply chain due diligence program. The solution is to turn the funnel into an hourglass. By assessing program maturity of a subset of your suppliers and determining their residual risk, AI/GenAI grants you visibility into the broader environmental and social residual risk of your entire supply chain while taking reasonable steps to build a scalable program that better meets the requirements of customers, investors, and regulators. ■

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Reaction to a Murder

by MARK OHRINGER

Reaction to a Murder

How a public tragedy provides a lesson for reducing corporate ethics problems and increasing psychological safety for everyone

by MARK OHRINGER

On December 4, 2024, UnitedHealthcare CEO Brian Thompson was fatally shot in the early morning hours in New York City, while walking to a shareholder conference. The shooting prompted polarizing public reaction, especially online.

A remarkable feature of Thompson's brazen murder was the glee it immediately produced in online commentary from people who have had frustrating experiences with health insurance providers, even expressing hope that the shooter would never be found and advocating that anyone having incriminating information about him should keep it to themselves. Even after the accused killer was arrested, significant vitriol was aimed at the restaurant employee who had identified him to the police. Such was the obvious volume and extraordinary tone of these posts that all the major news outlets reported on it, and op-ed writers used it as further evidence of the decline of American society.



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It is hard to imagine a similarly communal lack of sympathy for the killing of an otherwise innocent husband and father of two who worked for a benign company that most people appreciate, such as a bakery or a children's clothing retailer. It is also hard to imagine that the vast majority of those who posted snarky comments online, if they calmly thought about it for a little while, or if they were being interviewed on TV, or personally met with the slain executive's widow, would still say it is OK to shoot someone because he is employed by an aggravating corporation.

So, what we can learn from this disturbing reaction to a murder, beyond the fact that the internet brings out the worst in people, and that our healthcare system is broken?

For many years, having been deeply involved with the ethics program at a global corporation, I have been interested in the following question: *Even though organizations of all shapes and sizes regularly spend large amounts of money, time, and energy on their ethics and compliance programs, why do there continue to be so many, and such*

significant, legal and ethical violations by their employees and customers?

One might think that all of those efforts would put a meaningful dent in the frequency and severity of misconduct that occurs within corporate operations. But a quick glance at any given day's headlines says otherwise. And for every breach big enough to merit major news coverage, many smaller ones never get publicized. Why haven't our prevention and detection systems been more effective? Is this the best we can do, or are we missing something? Are there untried approaches we could be taking that would actually be much more impactful and lasting?

One answer is that in our efforts to drive ethics and compliance, organizations are not sufficiently taking into account (nor taking advantage of) what we know about psychology and neuroscience as a means to promote optimal behaviors and decision-making abilities among their employees and customers. We know from our own experiences the feeling of anger (and even rage) that results when someone else treats us poorly in some way

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Mark Ohringer

in

or recklessly cuts us off in traffic. And when we get angry, the ability to control our impulses seriously diminishes, prompting us to say or do things that we would never have allowed ourselves to do while in a calm state when we could better regulate our emotions and that we may really regret having done only after it is too late.

We can see from the response to Thompson's murder that one of the best ways to anger customers is to treat them in a way that they perceive to be disrespectful or unfair. No one likes to wait forever to get an agent to talk to you, if you can even figure out how to get around the automated answering system, and no one likes to be denied reimbursement for an expensive medical bill in a way that they perceive to be arbitrary, thoughtless, or cruel.

When it comes to employees, they really don't like learning that they are being paid less than

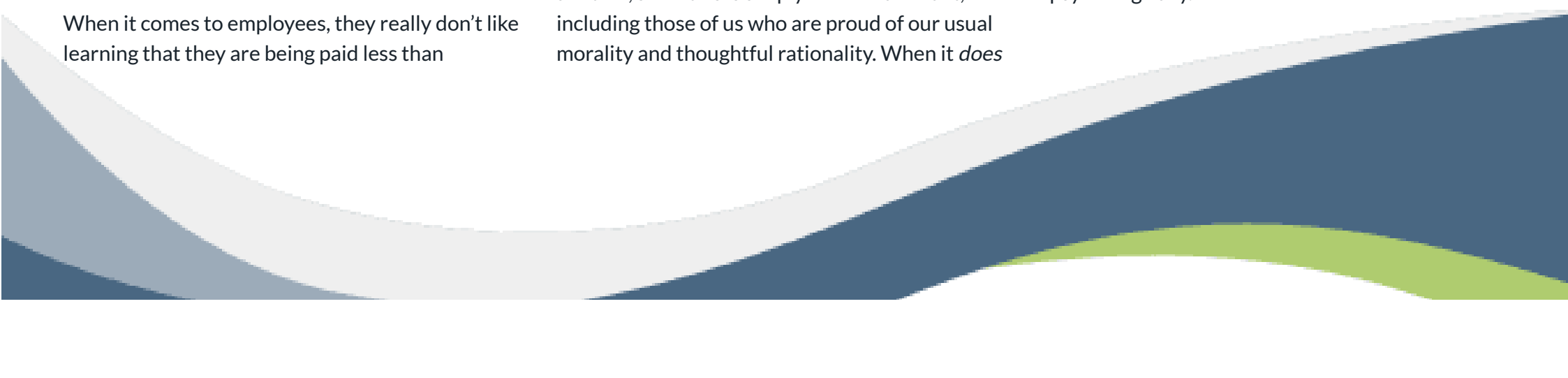
someone else who is doing the exact same job or when they perceive that a top salesperson got a pass on some bad behavior for which a lower-level person would have been summarily sacked. And those are just two of the many ways in which we all know that it is easy to annoy employees.

Once an actual or perceived organizational injustice has inflamed our reptilian brains with a rush of neurotransmitters to our amygdalas, our ability to control our emotions and reactions degrades sharply, which in turn can lead us to make some very bad, very irrational decisions. It is at this point that we may say things we shouldn't, take vengeful actions against others, or even become physically violent.

This *can* happen to anyone, to one degree or another, since this is simply how we are built, including those of us who are proud of our usual morality and thoughtful rationality. When it *does*

inevitably happen, that's when you can expect your organization's ethics hotline to light up, if not also a call to 911.

And yet, even though the trip from organizational injustice to poor impulse control is naturally quite short, neither of these concepts has taken center-stage as core principles in the ways in which most corporations either filter their operations, treat their customers, or train their people. This is, of course, not meant to blame a company for getting its CEO killed—a deranged, delusional act that can never be rationalized. But it *is* meant to place at least some responsibility on every kind of company for the more mundane adverse behaviors that will predictably result from its willful ignorance about how its unfair or frustrating actions may negatively affect everyone psychologically.



So: (i) a much-heightened awareness of, and intentional management by, any organization for how the **actual or perceived unfairness or injustice of its activities** will likely inflame passion and reduce rationality within its communities, combined with (ii) assertively promoting **impulse control** among employees, customers, and everyone else with whom the organization comes into contact, should (iii) together **significantly reduce the quantity and severity of the unethical or illegal acts of which that organization (or its people) will be the target.**

These efforts are not a central part of how most organizations currently approach either their operations generally or their ethics and compliance efforts specifically, and as a result there is a meaningful scope for potential improvement and a huge potential return on what need only be a relatively modest investment of time and thought. The bottom line: **a new paradigm** for promoting an organization's ethical culture.

Identifying and Reducing Organizational Injustice

In order to reduce the psychological toxicity that it has the potential to impose, every organization can consciously make the assertive effort to identify how any of its operations are, or may be perceived to be, unjust or unfair. This will, of course, manifest itself differently across different organizations given the diversity of their missions, but there are some basic principles that any organization can follow to avoid causing aggravation and the poor impulsivity that leads to damaging behaviors. And while these may seem to be mastery of the obvious, anecdotal evidence suggests that many organizations are not approaching any kind of effort like this in an overt, organized, or holistic way.

Employees, for example, will perceive organizational injustice if they believe that: someone's gender, age, or any other inappropriate reason is impacting compensation decisions more

than the quality of their work; that rules are not being consistently enforced across all levels of the organization; that senior managers are treating lower-level employees poorly or abusively without consequence; that creature comforts like office space or expense accounts are disproportionately or arbitrarily allocated to the undeserving; or that employee terminations are conducted capriciously or without empathy. Even if an organization is sure that none of these situations are true in fact, it should consider whether it may have inadvertently created the *perception* of injustice by being less transparent or communicative about its activities than it could have been.

Similarly, customers may conclude that a company has acted unjustly if they perceive a lack of respect for them as equal individuals or for their business. As we have seen in the UnitedHealthcare situation, social media quickly magnifies public perception (whether or not it is correct) of bureaucratic or arbitrary decision-making in a way that no organization can truly manage.

And customers can also easily develop a negative view of an organization, even though they are not themselves directly affected, if they perceive it has acted irresponsibly, including as the result of how the organization treats its people or how it responds to crises (an example of which is the public venom directed at Boeing after its defensive response to 737 Max crashes that ultimately proved to be its own fault).

Successfully managing internal justice efforts need not require an organization to spend a lot of money, retool its infrastructure, or radically change its business practices. Rather, it will go a long way to use regular communications processes (including messages from its CEO and other senior management) to (i) maintain awareness around the issue and take an intentional approach to considering its significant operations through the lens of how they will be perceived as a matter of fairness and justice, and then (ii) thoughtfully making such changes as necessary to avoid the appearance of impropriety.

To further this effort, an organization might consider a filter process where major decisions or

activities are reviewed by individuals within the legal, compliance, ethics, or HR teams to screen for fairness issues. This does not mean the organization must do what they say, but it will undoubtedly be better off for at least having asked the question in an intentional way and listened to the response. Another way to think about this effort is that it could simply represent a regular aspect of the organization's overall enterprise risk management efforts to actively mitigate the specific risks that it identifies within its particular environment.

Promoting Impulse Control

Even if an organization were able to eliminate all of the injustices that could spur negative emotions and consequential damaging acts against it, this would not also eliminate all of the other ways that the flaws inherent in any organization's practices may cause ill-will in the minds of those who may not be able to stop themselves from lashing out in detrimental ways, even though unethical or illegal. Companies with significant product liabilities as

the result of faulty equipment or toxic chemicals know all-too-well that this can lead to existential crises. So while the first lesson from the UnitedHealthcare reaction is the importance of promoting organizational justice as a means of avoiding psychological toxicity, the second lesson is that entities of all kinds, regardless of what kind of business they are in, would benefit from expressly promoting impulse control in its employees, customers, and the other individuals with whom it comes into contact in the ordinary course of its operations.

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Customers can also easily develop a negative view of an organization if they perceive it has acted irresponsibly.

Mark Ohringer

in

Most teaching of ethics has historically been focused on educating people on what rules they must follow and then summarily telling them just to comply with those rules or there will be consequences. This is true whether it is a church preaching the Ten Commandments (thou shalt not kill) or a corporation giving mandatory ethics and compliance training (thou shalt not commit insider trading).

But typically this kind of training does *not* also acknowledge that virtually every human being, by the very nature of their psychology and brain chemistry, is apt to be tempted to break one rule or another from time to time, whether as the result of anger at unfair treatment, greed, envy, sexual desire, or any other kind of raw emotion

that all of us, if we are being honest about it, know that we experience as a regular part of life. Importantly, the training does not coach people on how to mindfully and constructively *manage* those feelings in ways that will keep them from taking the next step of impulsively and detrimentally *acting* on those emotions.

It is one thing to *think* about how exciting it would be to have extra cash as the result of buying shares based on insider information, to take revenge on your evil boss, or to sleep with your direct report Pat in Finance; it is another thing altogether to actually *do* any of them, none of which will likely end well for you. Most of us probably feel that we are moral people who are perfectly able to stop ourselves from doing bad things, and that anger

management school is only for that other guy who could not control his road rage, but that does not reflect the reality that all of us are likely underestimating just how prone we are to letting our feelings get the best of us given the right brew of circumstances, and that all of us would benefit from some explicit impulse control training.

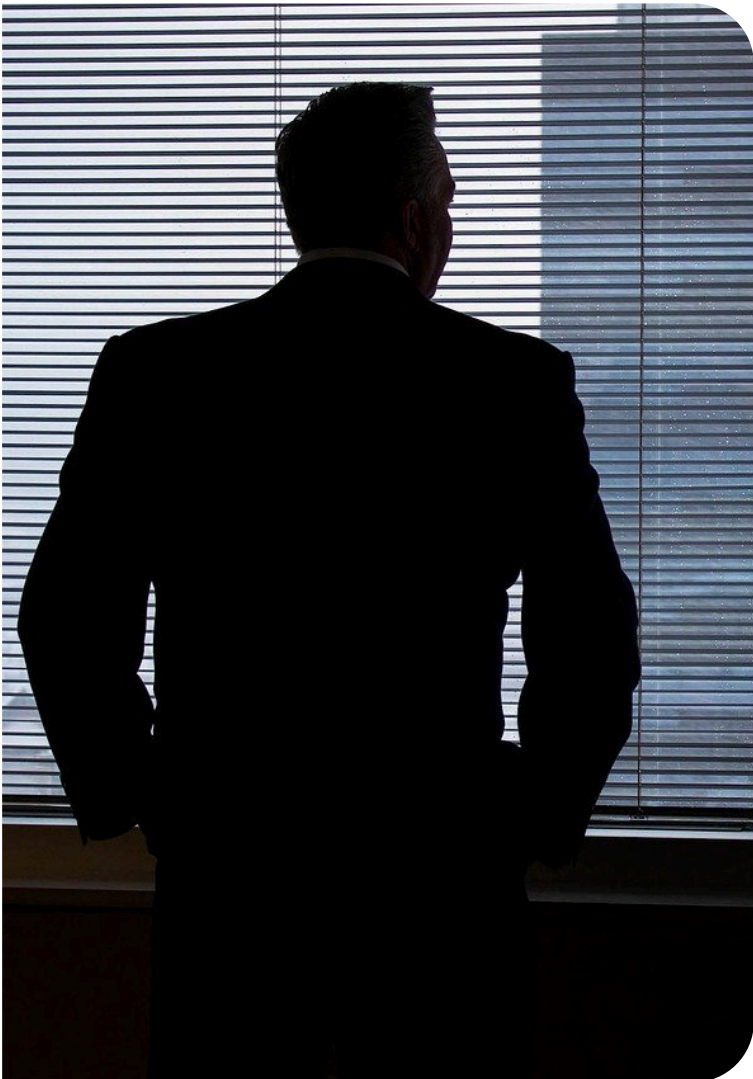
The trick is to have the self-awareness to realize when your deep-seeded, animalistic impulses are starting to take over your emotions and decision-making capabilities, and then to have some simple techniques to calm yourself so that you don't take irrevocable actions that could, and I'm not exaggerating here, negatively alter the course of the rest of your life.

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It is one thing to *think* about buying shares based on insider information, taking revenge on an evil boss, or pursuing romantic relations with a direct report. It is another thing altogether to actually *do* any of them.

Mark Ohringer

in



Because most people have not actually had organized impulse control training from their families or from their secular or religious education, organizations that want to minimize the extent to which they might be the victim of poor impulse control would do well to incorporate this kind of training into their own employee education programs. Although a little more complicated, they should also consider ways in which to promote impulse control in its customers and other third-parties whom it cannot formally train but whose impulsive actions can be damaging to the organization or its people (consider the anger an airline gate agent gets to deal with when thousands of flights have been cancelled on Christmas Eve due to a computer outage). None of these efforts need be hugely expensive or distracting, since thoughtfulness and cleverness more than anything else will go a long way to getting the job done effectively; the critical part is realizing it needs getting done in the first place and then starting to take actions in a concerted and intentional way that will continue to build on themselves over time.

When it comes to employees, the ultimate goal should be to get them to make impulse control techniques a habitual part of their behaviors when they are at work. Different techniques work well for different people and are dependent on the circumstances, but the overall message is that whenever they are making decisions in stressful situations or that may involve any kind of legal, ethical, or moral issue, they need to slow down to reduce impulsivity and allow themselves to decide in a calmer and more rational manner how best to proceed. They need to understand how their fight-or-flight brains are trying to get the best (or worst) of them, which may feel good in the short-term but could be a really bad idea in the longer-term given the potentially major adverse consequences. Overriding their toxic impulsivity can be achieved with various slow-down and visualization techniques, including the following:

- Visualize telling your closest family members—partner, children, parents—about what you have done, and how they will react. Will you feel ashamed? Will they reject you?

- Think about how you would feel if what you did were published in the media or on the internet for all to see. Will you be embarrassed to leave your home? Will you fear for your own security or that of your family?
- Never send an email or post anything in social media while in this state since you can never take it back. You can write something while angry, but then put it away for a day; if it's really the right thing to send, share, or post, it will still be so once you have given yourself a chance to calmed down and think things through.
- Before you do or decide anything that you know may be controversial or have potential adverse consequences, run it by a trusted colleague or family member and then take their input seriously.
- Take care of yourself to the extent possible within a stressful world. Understand that you will never make the best decisions if you are exhausted, under significant stress, or under the influence of a foreign substance.

In order to embed these concepts into organizational DNA and generally raise awareness about how impulsivity will negatively impact decision-making, these self-management techniques should not be limited to training programs but rather should become reminders within managers' communications to their people, and could, for example, serve as good messages at the start of team meetings since that is where decision-making needs to be at its best. Many companies already start their meetings with safety messages, why not add a brief comment about ethical behavior and impulse control?

When it comes to customers and other outside constituencies like vendors who can't be formally trained, each organization will need to consider which techniques it can employ to reduce the kind of impulsivity that may lead to bad behaviors damaging the organization, its people, or its reputation. These will largely consist of communications and incentives designed to prevent and defuse negative feelings. The communications should accomplish, at the least, the following goals:

“
Many companies already start their meetings with safety messages; why not add a brief comment about ethical behavior and impulse control?”

Mark Ohringer

in

Acknowledge and empathize with the reactions that third parties are feeling, and readily apologize for any wrongs before external stakeholders force you to do it, after which it may ring hollow and backfire (recall Boeing). Don't worry about overcommunicating: tight-lipped CEOs who say it just once, grudgingly and with their arms folded, are not going to do the job.

If you are in an industry known for regularly generating ill will that may not be entirely your fault (insurance and airlines come to mind, but there are plenty of others), start by recognizing the dynamics at play and then use every opportunity, *before* you are in a crisis, to educate the public about why your mission is more complicated and difficult than it looks and what you are continually doing to improve it. Your customers may still be annoyed, but at least if they more fully understand the reasons, then they will have more respect for the organization and will likely give you more slack before getting to the lack-of-control point.

In addition to communications, incentives, even small ones, can go far in defusing bad feelings. If your call center is backed-up and wait times are long, the communications part might be managing expectations by regularly updating callers on remaining wait times, and the incentives part might be to tell the callers that if the wait time ends up being over 15 minutes, then they will receive a gift card. Or if customers are standing in a long line (or endlessly waiting on the tarmac), hand out some free food or offer them something else they will appreciate. The point is less *what* it is than there being an acknowledgement of a problem and an effort to do something by way of compensation that respects their discomfort, rather than ignoring the issue and just trying to gut it through as so many organizations typically do. If you don't like these ideas, then at least try to translate them into ones that will have the intended effect in your own organization depending on the myriad ways that you, too, can aggravate the public.

Conclusion

The troubling reaction to the tragedy of Thompson's murder demonstrates the extent to which any organization or industry ignores at its peril the psychology of those that it interacts with. Doing a better job, actually a *much* better job, of intentionally precluding organizational injustice from occurring in the first place and then enhancing impulse control in those impacted by its operations will go a long way, with relatively low investment beyond some focus and creativity, to reducing the incidences and severity of unethical or illegal acts that can cause irrevocable damage.

This will likely become an even more critical priority as organizations embrace artificial intelligence as a way to further reduce human interactions. These are turbulent and challenging times, and the social license to operate on which every organization depends is more fragile than we imagine. As organizations face their various challenges and opportunities, let's all remember that every business is about relationships. And every relationship is about ethics. ■

SPRING 2025

BELA OF THE BALL

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BELA DAY

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CHANGING. YOUR
BUSINESS IS EVOLVING.

AND WHEN YOU NEED
A PLACE TO TURN FOR
INSPIRATION,
GUIDANCE, OR
SUPPORT, THIS IS
WHERE YOU FIND IT.”



BELA DAY is the first day of the Global Ethics Summit, with an agenda track dedicated specifically for members of the Business Ethics Leadership Alliance. Every year, BELA Day isn't just an exciting start to an intense deep-dive into the best practices of business integrity. It is also a signature moment when the ethics and compliance community can come together to connect, compare notes, and share their challenges and success stories. This year's BELA Day was no different, with outstanding keynotes, networking opportunities, and a strong reminder that right now, this community needs community. And we're here for it.

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BELA DAY



“

I attended with a colleague and we agreed that we were glad we stepped away from our day job to be at the conference and immerse ourselves in the E&C info at hand.”

Angela Bohlen, Duke Energy

in

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BELA DAY



“

Great experience, full of great professionals with really impressive profiles. We will definitely be back for upcoming years.”

Luis Flores, Hitachi Energy

in

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BELA DAY

“
Such a great
conference,
direct value add
to my day to day
responsibilities
and always good
to meet the
network in
person!”

Dianne Ramos, Guardian Life Insurance

in





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BELA COMMUNITY CHAMPIONS
BELA GLOBAL VANGUARDS
BELA BEACONS
BELA EMERITUS AWARD

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At a time when organizations face turmoil and uncertainty around AI, corruption, human rights; and increasingly polarized stakeholders, this year's BELA Impact Award honorees meet that challenge with their unwavering commitment to meeting those challenges together in the interest of business integrity for everyone. Please join us in congratulating this year's honorees.



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For outstanding contributions to the member community by way of content resources, event participation, publications, mentorship or peer-to-peer support.



Dianne Ramos & Phil Pescatore
GUARDIAN LIFE INSURANCE CO



John Castelly
SERVICENOW



Jessica Henn
UNUM

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BELA GLOBAL VANGUARDS

Not pictured: INFOSYS

For exemplary leadership in expanding the reach of BELA and advancing our mission to meet the needs of a global compliance and ethics community.



Yolanda Rabun
IBM

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BELA BEACONS

For individual leaders who have fostered the growth of the BELA community through their personal efforts and generosity in sharing their time and expertise.



Antonio Fernández
FIRSTENERGY



Kristi Kevern
DELL TECHNOLOGIES



Suzanne Echevarria (o/b/o Bo van Zeeland)
SABIC

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BELA EMERITUS AWARD

Not pictured: PFIZER

Recognizing individuals who have provided enduring and inspirational advocacy for the compliance and ethics profession over the lifetime of their involvement with BELA and the broader ethics and compliance profession.



Wendy Warren (o/b/o Kathi Whalen)
HCA Healthcare

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250 VOLUNTEERS ENGAGED



250 TOTAL VOLUNTEER HOURS



1 NONPROFIT SUPPORTED



1000 STEAM KITS PACKED



HANDS ON ATL

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Last year, BELA Members expressed a desire to put the power of the BELA community to work for the benefit of the host community of Atlanta during the Global Ethics Summit. So this year, BELA Partnered with Hands On Atlanta, a non-profit organization that partners with other non-profits to mobilize the Atlanta community to tackle the city's most pressing needs, from food insecurity to environmental sustainability, to educational equity.

At the end of BELA Day, 250 BELA volunteers packed 1,000 STEAM Kit packs for the Girl Scouts of Greater Atlanta, a Hands On Atlanta partner organization. Girl Scouts of the USA's vision for Science, Technology, Engineering, and Math (STEM) is to encourage Girl Scouts of all ages to engage in STEM, become scientifically literate, and have the option to explore STEM careers. The STEAM Kits BELA members prepared will help Girl Scouts learn by doing, and unlock their trademark "I've got this" attitude.



HANDS ON ATL



“Tonight, you're going to build relationships, you're going to have a ton of fun, you're going to support educational equity here in metro Atlanta and you're going to pack about 1,000 STEAM kits for students in our partner schools.

TIM ATKINS, Director of Marketing and Corporate Impact, Hands On Atlanta



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SPRING 2025

BACK MATTER

By the Numbers

Final Thought

Next Steps

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68%

of programs evaluate the effectiveness of their entire E&C program annually

14%

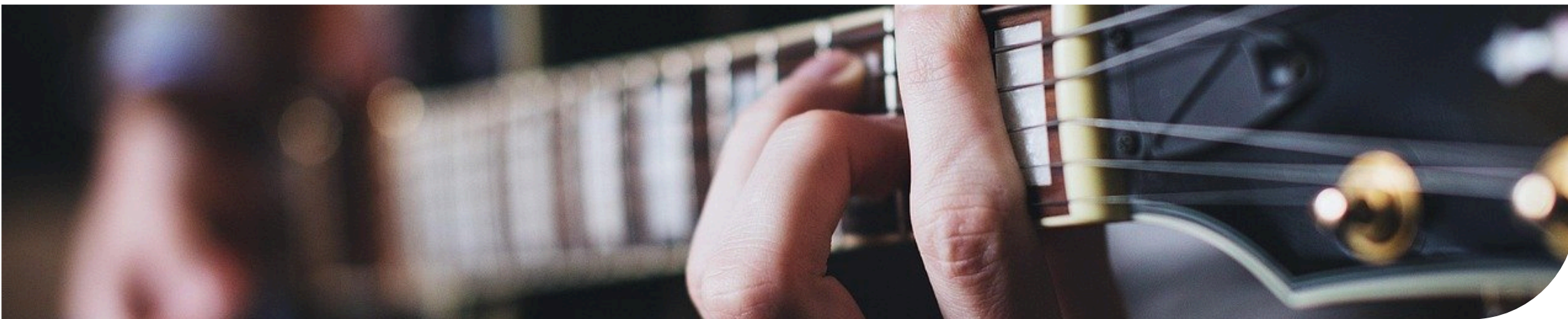
of ethics and compliance teams have audited at least 50% of their third parties

38%

of employees have E&C-themed conversations with their managers monthly

84%

of ethics and compliance teams own third-party risk management



FINAL THOUGHT | SPRING 2025

Play That Funky Music

by BILL COFFIN | Editor-in-Chief, *Ethisphere Magazine*

My latest Internet obsession has been following the scandal around Italian guitarist [Giacomo Turra](#), who rose to Instagram fame during COVID-19, when he posted videos of himself covering funky songs. The secret sauce of his videos was his improvised noodling, which sounds terrific.

Collabs followed, and by the time Turra passed one million followers, he was scoring endorsements with instrument makers, booking tours, and most

importantly, selling the transcriptions of his music for folks wanting to learn how to play it themselves.

It turns out, however, that Turra was never actually playing live, as his videos suggested. He was just miming over backing tracks that he recorded of himself, playing music lifted from much smaller social media accounts. Apparently, he has done this many, many times, and the formula goes like this:



BILL COFFIN

Someone posts a video of themselves playing a cool guitar lick. Turra finds it, replicates it, records it; shoots a video of himself miming his own recording, and then posts it as if it were a *live* performance of his *own* music. When the original musician finds out and asks for some kind of attribution, Turra maybe provides credit buried somewhere deep in the comments section. You know...where you're never supposed to go. Meanwhile, Turra doesn't share the revenue from his monetized videos or the sale of his plagiarized transcriptions.

On April 4, a salty-mouthed bassist named Danny Sapko posted a brace of videos [here](#) and [here](#), exposing Turra's fraud and (more importantly) his sale of stolen music. Sapko's videos blew up, the rest of the online guitar community piled on, and Turra posted a halfhearted [apology video](#) (on YouTube, where he was called out but not on Instagram, where he's famous) before deleting his YouTube presence altogether.

Turra's endorsements and instrument collaborations have evaporated, as has his .com

site. His Insta following is still some 730K people strong, though. And Turra's currently on tour, playing live (although nowhere nearly as well as he does online) before audiences who don't seem to care much either way.

It was at this point that the scandal hit my feed. I don't even play guitar, so for it to reach me is a good indicator that the matter is at the white dwarf phase of stellar death, as far as the Internet Outrage Machine is concerned. But what's especially interesting is how this has prompted a much deeper discussion about [honesty and artistry](#).

As numerous creators—including prominent pop music deconstructionist [Rick Beato](#)—have pointed out, mimicking live musical performances has been an accepted (if distasteful) practice for well longer than any of us has been alive. Where Turra crosses a line, however, is by faking a performance within a context where audiences wouldn't really expect it, thereby deceiving them to the point of revoking his own [social license to operate](#).

A lot of musicians secretly hope to get famous enough that they might be called on to mime one of their own performances in the manner of [Yo-Yo Ma](#) or [Whitney Houston](#).

No artist worthy of the name endorses steals from another artist. And that is where Turra's deepest and most damaging transgression lies. He may have committed a crime against art itself by helping set an impossible standard against which aspiring guitarists will inevitably dash themselves. But his real misconduct is making false claim to music he never wrote and selling it without permission. If Turra's day in the sun fades, it should be for that.

Social media is a hothouse of fabulism. We all know this, and Turra is hardly the only Instagram guitarist making bank off of fake performances. Perhaps, we have come to accept that to the same degree that old-time audiences accepted "ghost singing," and MTV audiences accepted

that they weren't watching live performances.

Still, an environment that excuses casual dishonesty inevitably incubates greater and deeper forms of it. That is an especially important takeaway in an age where business integrity often feels like it has entered the realm of the Upside Down. It may be inconvenient to point this out, but systems that hand-wave away little dishonesties eventually are consumed by larger ones. And by the time they realize that, the damage has already been done. Dishonestly isn't sustainable business practice. Never has been, never will be. Today, it's internet guitar. Tomorrow...who knows?

See you next issue.



“
Systems that hand-wave away little dishonesties eventually are consumed by larger ones. And by the time they realize that, the damage has already been done.

in

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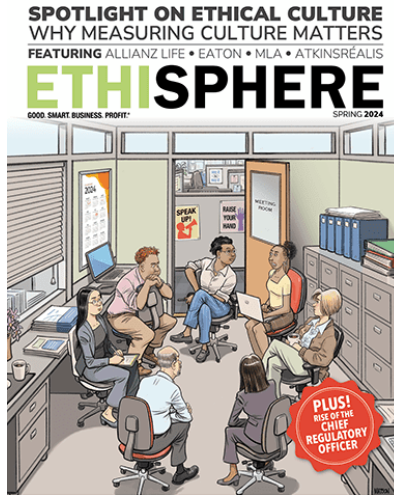
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Olaf Casperson

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