

AN ETHISPHERE INSIGHT REPORT SERIES

2020 WORLD'S MOST ETHICAL COMPANIES: LEADING PRACTICES AND TRENDS



**VOLUME ONE:
Remotely Managing a
Global Program Effectively**

May 2020

TABLE OF CONTENTS

- 02** Introduction
- 03** The World's Most Ethical Companies Data Set
- 04** Program Structure: Increasing Seniority and Growing Authority
- 06** Due Diligence on Mergers and Acquisitions:
The Role of Ethics and Compliance
- 08** Global Compliance Steering Committees
- 11** Using Liaison Programs to Increase the Reach
of the Program
- 12** Incentives and Transparency: Building Ethics
and Compliance into Performance Evaluation
- 13** Incentives: Examples and Guidance
- 14** Increasing Transparency

INTRODUCTION

As we move through this time of dramatic disruption, the role and leadership of ethics and compliance is more important than ever. Communities, employees, and other stakeholders are counting on companies and leaders to make decisions and take actions founded in integrity.

Each year, through our World's Most Ethical Companies® process, Ethisphere recognizes a select group of companies with exceptional programs and practices. As part of our mission to share leading practices, each year we release reports and data that illustrate key trends and themes from the data set the process generates.

During this time of unprecedented unrest, it may seem anachronistic to focus on these insights. However, as you start to think about the new normal, we hope that this information may prove valuable.

In this report, we address the topic of "Remotely Managing a Global Program Effectively." We focus on program structure, effective use of internal steering committees to increase your reach across the organization, how to maintain a global liaison program, and why both incentives and transparency matter to a fair and ethical culture. You can use this information to review internal connection points and consider ways to increase your reach. It may also be helpful for considering internal employees' experience with your reporting process and finding ways to improve transparency.

Most importantly, we hope you, your families, and your teams are all well and safe. As ever, if there is any way we can bring value to your efforts, please get in touch.



Erica Salmon Byrne

Executive Vice President and Chair of the Business Ethics Leadership Alliance (BELA)

erica.salmonbyrne@ethisphere.com



Douglas Allen

Managing Director of Data & Services

douglas.allen@ethisphere.com

The World's Most Ethical Companies Data Set

Each year, companies applying for Ethisphere's World's Most Ethical Companies designation provide detailed information on the structure and implementation of their ethics and compliance program as well as their governance structure, ethical culture, corporate reputation, and corporate social responsibility initiatives.

Grounded in Ethisphere's proprietary Ethics Quotient[®], the World's Most Ethical Companies assessment process includes more than 200 data points on culture, environmental and social practices, ethics and compliance activities, governance, diversity, and initiatives to support a strong value chain.



The process serves as an operating framework to capture and codify the leading practices of organizations across industries and around the globe.

This is the 14th annual recognition of companies demonstrating their dedication to advancing integrity while enhancing business performance. In 2020, 132 honorees were recognized, representing 51 countries and 21 industries.

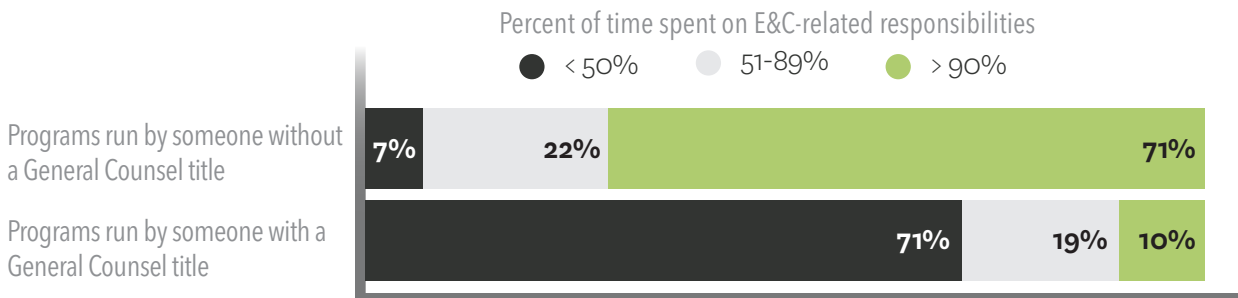
PROGRAM STRUCTURE: INCREASING SENIORITY AND GROWING AUTHORITY

Organizational charts send a message about company priorities. The title an organization decides to bestow upon the person in charge of compliance sends a signal, whether intentionally or not, about how much value is placed on compliance and ethics. Indeed, in assessing effectiveness, the [Department of Justice](#) considers a program's reporting structure and the seniority and stature of those in charge for that reason. That focus is reflected in our data; three-quarters of honoree companies assign ownership of the program to a C-suite-level position with a title that references ethics and/or compliance—a best practice.

Even among leading companies, however, we observe a divergence in how programs are run that hinges on who is assigned ultimate program ownership.

Programs Owned by General Counsels Receive Less Attention from the Top Individual Than Those Run by Someone With a Dedicated Compliance Role

What percentage of his or her time does the person assigned overall responsibility for the ethics and compliance program dedicate to that role?



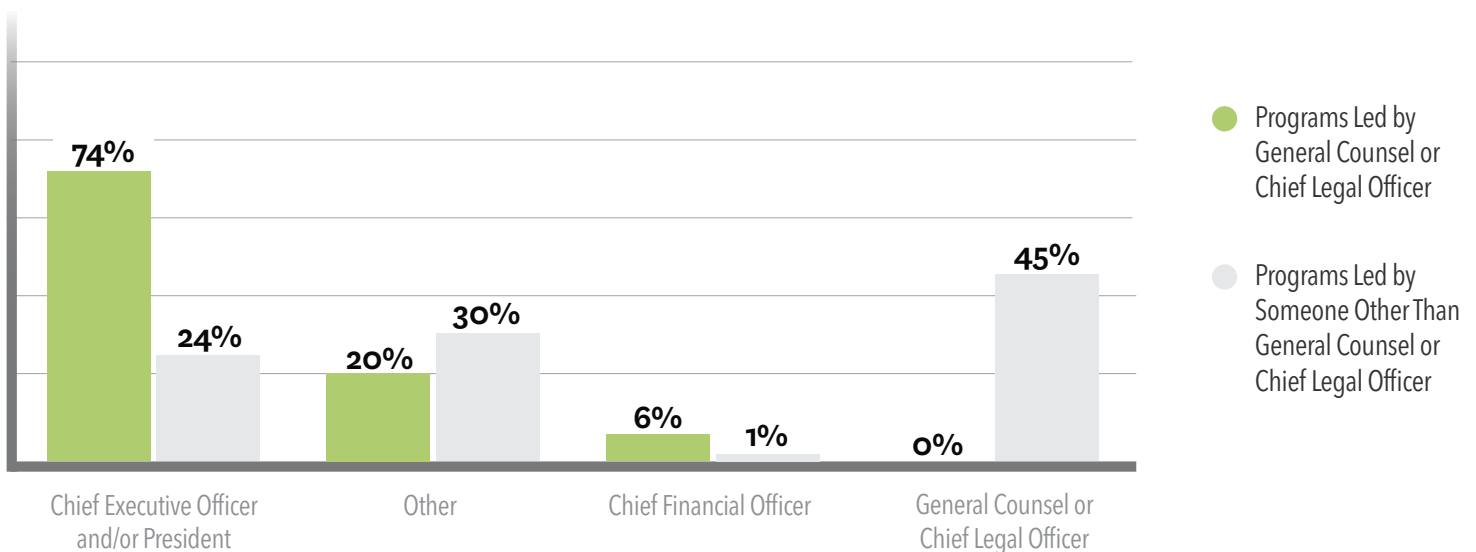
Most honorees—93 percent—that give program ownership to an individual with split responsibilities assign day-to-day operational responsibility for the ethics and compliance program to someone who reports to the program owner.

Four out of every five of these honorees ensure that the individual with operational responsibility for the program is present when updating the Board on the program's efforts. Those on the front lines of compliance can provide a direct account of efforts, issues, and risks when updating the appropriate oversight authority.

Assigning ownership for the ethics and compliance function to a single individual with sufficient seniority, autonomy, and authority is a hallmark of an effective program. That said, we still see a divide in the data between those programs run by someone holding both the General Counsel (GC) and Chief Ethics and Compliance Officer (CECO) titles and those with a dedicated senior leader who is serving solely as CECO.

Nearly Half Of Companies with Programs Led By a Dedicated CECO Report into the General Counsel Rather Than Another Member of Leadership

To whom does the person with overall responsibility for the ethics and compliance program administratively report?



The increasing influence of ethics and compliance is tangible. Over the previous five years, the number and types of authorities granted to the program have increased. Our data shows:

- A 12-point increase over five years in the number of recognized companies that solicit input from ethics and compliance on decisions related to business development, such as mergers, divestitures, or entries into new markets
- A nearly 20-point increase in the proportion of companies that include ethics and compliance in product or sourcing decisions

Both of these trends are understandable. There are significant examples of situations where a company “bought a problem” and paid a significant price for their failure to include ethics and compliance in the diligence process on a merger. Regulators and investors are understandably pressuring companies to make sure that their acquisitions are vetted appropriately or, if there are limitations on the diligence that can be done, that the acquired entity is swiftly and thoroughly integrated into the company’s existing program.

The near-total involvement of the ethics and compliance program in supplier review is a reflection of the maturing perception of the risks posed by third parties, and the excellent work that companies do in this area will actually be a focus of a future Insights report of its own for the first time.

DUE DILIGENCE ON MERGERS AND ACQUISITIONS: THE ROLE OF E&C

The involvement in mergers and acquisitions before the close of the transaction is important in that it allows the ethics and compliance team to identify any potential issues in advance. But more importantly, it allows ethics and compliance to advocate for the resources that will be needed to integrate the acquired entity into the program after the close of the transaction. Resources might include:

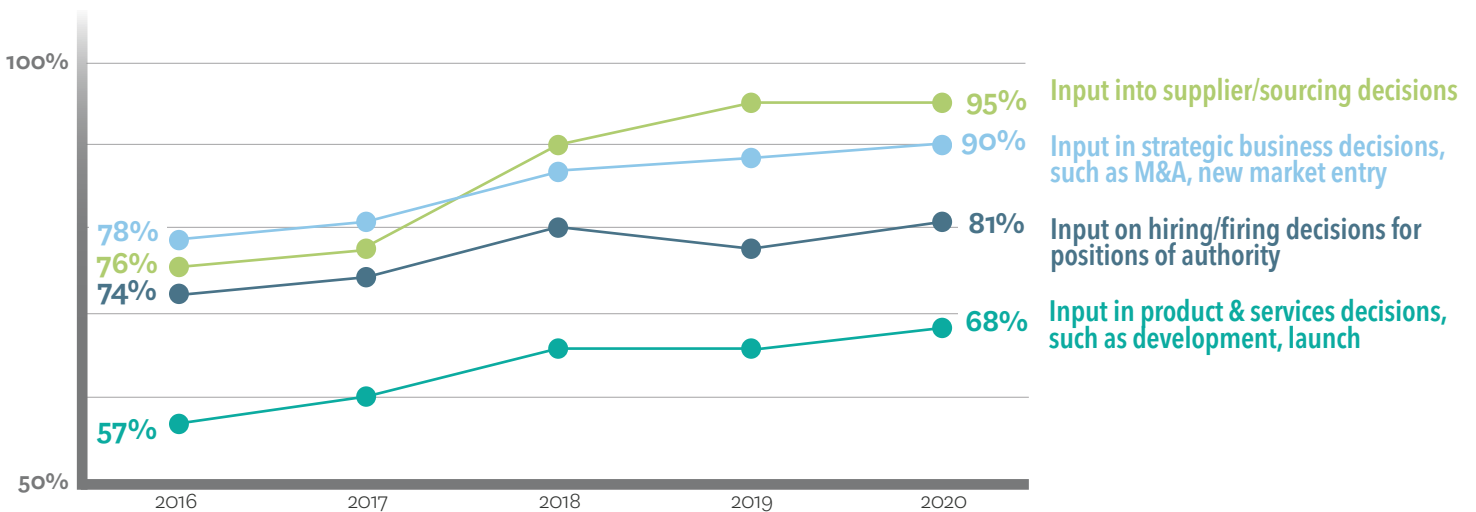
- Requesting staffing or budget for additional coverage
- Identifying members of the acquired company's ethics and compliance team to retain; and planning for learning management system transitions
- Looking at case management system integration
- Identifying third party supplier risk or overlap

We often get asked by companies about the role of the ethics and compliance function in the merger and acquisition process. Here is what we see:

- **The Basics:** Specific ethics and compliance questions are included on the diligence checklist that is used by the diligence team. These might address investigation trends or statistics, training plans and metrics, information on the target's third-party diligence, requests to review the target's code of conduct and policies, etc. The diligence team reviews the data and information provided in response and returns to the ethics and compliance team with any questions or concerns.
- **Additional Involvement:** Ethics and compliance questions are added to the diligence checklist and a member of the ethics and compliance team reviews the materials provided in response but is not otherwise part of the diligence team.
- **Deeper Engagement:** A member of the ethics and compliance team is assigned to the diligence team to work on the review, providing their expertise in response to specific ethics and compliance questions but also participating as a full member of the team.

Ethics and Compliance Gaining Influence in Corporate Strategy, Sourcing, and Product Decisions

Identify which of the following authorities, if any, are granted to the ethics and compliance function. (Multiple select)



These gains in authority appear, in some cases, to be linked closely to those programs owned by General Counsels—with the exception of sourcing and diligence (as noted above). Program owners who also serve as GC spend considerably less time on matters related to ethics and compliance while maintaining a broader array of authorities to manage—authorities increasingly tied to critical business decisions, such as development opportunities and the personnel in other key control functions.

While having some ethics and compliance perspective, even if it is through a dual-hatted GC, is valuable, we nonetheless suggest companies with programs run by someone with a split role be cautious. The latest guidance from the Department of Justice affirms structure, including the breadth of responsibilities held by those who own a program, is heavily weighted when evaluating a program's effectiveness.

Gains in Authorities Granted to Ethics and Compliance Functions Greater for Those with General Counsel Roles

Identify which of the following authorities, if any, are granted to the ethics and compliance function. (Multiple select)

Authorities Granted to E&C Function	Programs Run By General Counsels (%)	Programs Run By Someone Other than General Counsel (%)	Point Difference
Input into product or service decisions, such as development or launch	87	62	+25
Input on hiring/firing decisions for positions of authority impacting the E&C function	94	77	+17
Input in strategic business decisions, such as M&A and new market entry	100	87	+13
Input into supplier/sourcing decisions	97	94	+3

GLOBAL COMPLIANCE STEERING COMMITTEES

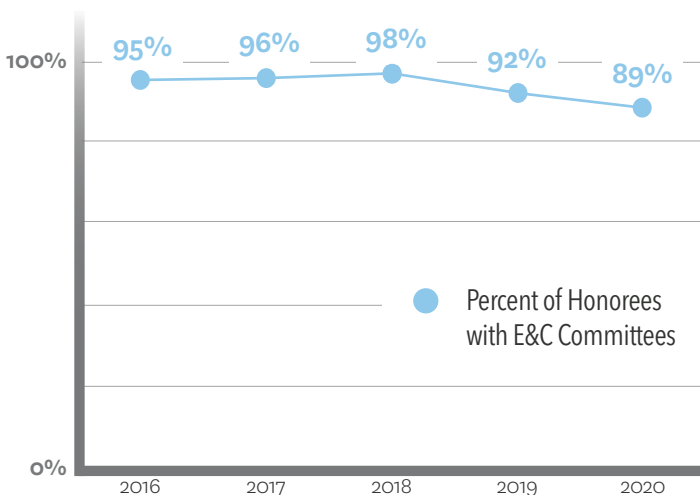
Leveraging a Network of Control Functions and Leaders across the World to Reach Employees Effectively

Over the years we have evolved the Ethics Quotient questions that focus on ethics and compliance steering committees. The reason for this shift is that these entities have morphed from groups that solely reviewed investigation statistics into cross-functional planning roundtables where ethics and compliance teams have the opportunity to share insights and identify trends with what we colloquially refer to as “sister control functions.” In the current environment, these planning conversations will be even more critical as functions like HR, audit, and IT are increasingly important partners to an effective program in a remote or virtual work environment.

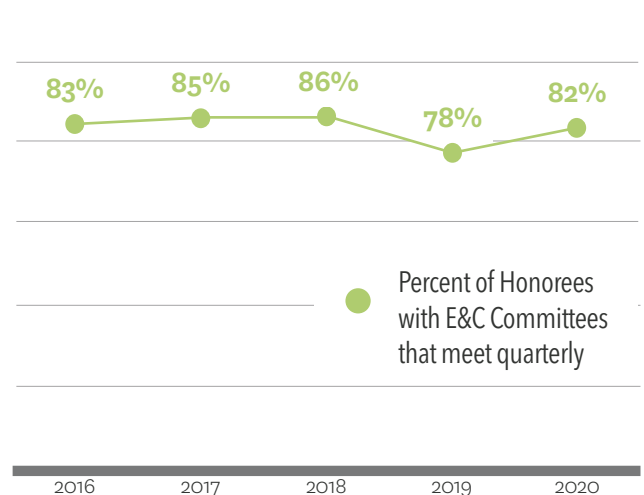
Convening the committee on a periodic basis is a best practice; all but one of the 2020 World’s Most Ethical honorees that maintain such a committee indicated that they convene the steering committee on a regular schedule, most commonly quarterly.

E&C Steering Committees That Convene Periodically Remain a Staple for an Effective Program

Does your company have a steering committee dedicated to ethics and compliance?¹



Proportion of Honorees with E&C Steering Committees that Meet Quarterly



¹ Guidance was included in the 2020 EQ survey that may have impacted the proportion of applicant companies selecting “yes” as an answer: “A steering committee is a committee that provides guidance as to the operation of the ethics and compliance program for the company as a whole.”

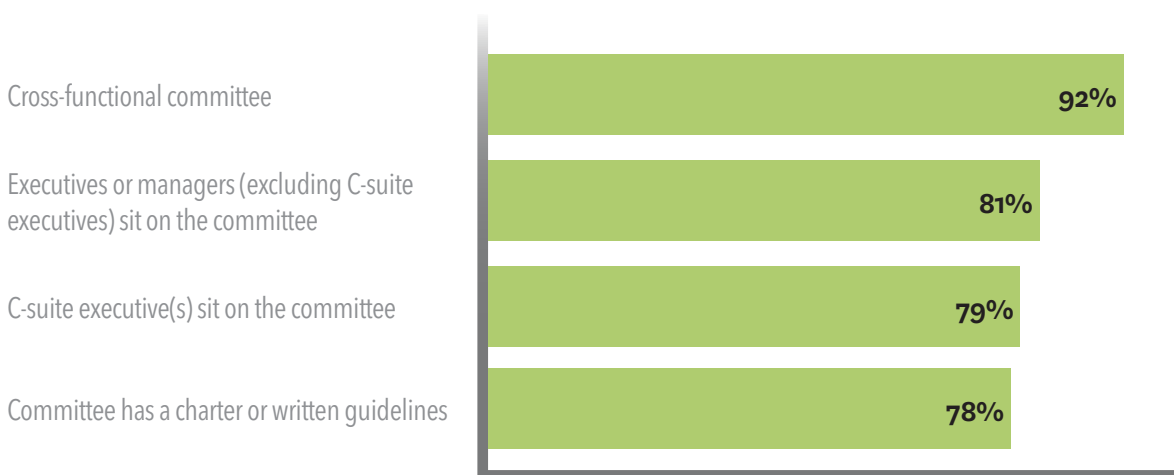
We often get questions about what constitutes an effective committee. First, assemble a committee of leaders across a diverse set of functions. Finance, audit, operations, human resources, sales, procurement, and strategy or development teams comprise a strong foundation. Your organization's needs will, of course, vary.

The benefits of expanding committee membership horizontally are twofold. First, this cross-functional team will bring unique expertise into their respective risk areas and provide a two-way window into the culture and methods of their teams. Second, soliciting input on initiatives throughout the year—training, communications, employee surveys—across the organization increases the odds of these efforts being well received by their intended audiences.

For example, an Asia-Pac Group President may be best equipped to help develop region-specific communications to encourage participation in regional trainings. Another common example resulting, in part, from a cross-functional committee is the willingness of partners in human resources to assist in the development and administration of ethical culture and compliance perception surveys.

Increase Committee Utility by Including a Diverse Set of Leaders Among Members

Which of the following applies to your steering committee dedicated to ethics and compliance? (Multiple select)



From culture to hotline metrics to risk management, a wide variety of topics are included on 2020 honorees' steering committee agendas. Among the more popular write-in responses to the question of what's regularly discussed during steering committee meetings are developing and updating policies, security matters such as physical, cyber, and information security, succession planning and personal development, and merger and acquisition activities. One honoree noted committee meetings are used as a forum for internal and external guest speakers.

Ten Topics Most Often Discussed During E&C Steering Committee Meetings

01

Ethics and compliance training and communication initiatives

02

Key program initiatives

03

Industry trends and best practices updates

04

Culture of ethics

05

Significant regulatory and legal updates

06

Overall program performance

07

Ethics and compliance risk management

08

Hotline and reporting statistics

09

Ethics and compliance program assessment

10

Ethics and compliance program benchmarking against practices of other companies

USING LIAISON PROGRAMS TO INCREASE THE REACH OF THE PROGRAM

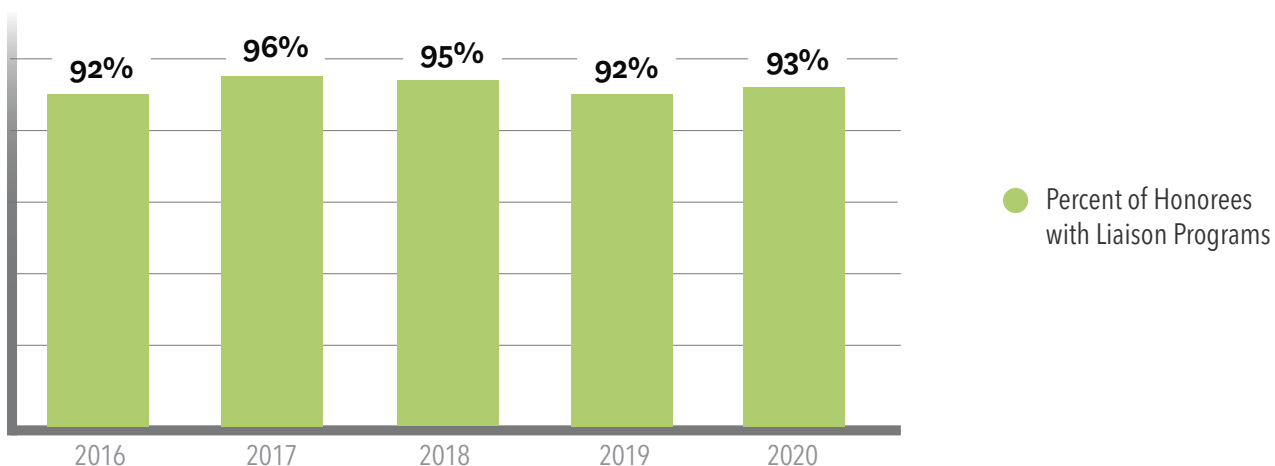
Honorees' use of employees in specific regions or business units to formally serve as ethics and compliance points of contact for compliance-related needs, such as receiving reports of misconduct, has remained widespread and consistent since 2016. Note that these are not regional compliance personnel, although those are increasingly also a feature of a global program. Instead, these are individuals outside the compliance or legal function who serve as ambassadors for the program, assisting with disseminating messaging and directing employees to guidance. In order for a liaison program to work well, liaisons have to be selected carefully and equipped with the right information to do their jobs.

Not surprisingly, the most common methods that central functions use to communicate with liaisons are ubiquitous in most organizations—email, documents, and SharePoint. More than half (57 percent) of honoree companies with liaison programs have incorporated software tools specific to ethics and compliance or governance, risk, and compliance. This represents a 15-point increase over 2019 honorees, suggesting such function-specific tools are gaining traction.

Write-in responses regarding how functions communicate with liaisons include annual in-person meetings, monthly or even weekly compliance all-hands calls, lunch-and-learn sessions, as well as virtual resource repositories for sharing best practices and templates. Increasingly, companies are incorporating liaison service into performance evaluation processes and high-potential employee selection processes to provide outstanding lower-level employees with the opportunity to interact with the program early in their career.

Percentage of Honorees with Employees Located in Various Units Who Serve as Formal E&C Contacts Has Remained Constant

Does your company have employees located within various business regions or business units who formally serve as ethics and compliance points of contact for compliance related needs, such as receiving reports of misconduct?



INCENTIVES AND TRANSPARENCY

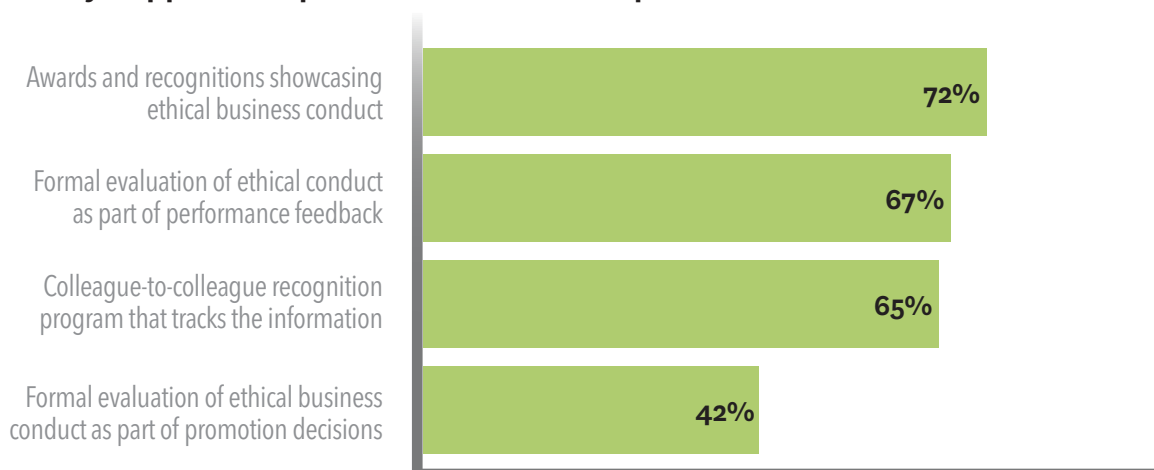
Building Ethics and Compliance into Performance Evaluations and Sharing Investigation Data with Employees Builds Faith in the Program

Regardless of whether your operations span the globe or only a region, establishing incentives for compliance while disincentivizing non-compliance is a hallmark of an effective program. Disincentivizing through disciplinary action is something organizations have well in hand, although we are seeing an increasing focus on disciplinary calibration across business units. The most interesting evolutions have been on the incentive side of the equation.

An effective incentive program can take the form of peer- and manager-led recognition programs that recognize and celebrate employees observed doing the right thing or going above the call of duty in support of the ethics and compliance program. These are often tied to certificates, plaques, department- or company-wide recognition by leadership, or monetary gifts. Incentive and awards programs that are tailor-built to your operating environment and culture will resonate best with employees.

We are also increasingly seeing ethics and compliance metrics used as part of managers' evaluation process, including whether managers are utilizing the tools the ethics function has provided to help them discuss ethics and compliance issues, how soon team members complete their training (as opposed to overall completion rates), and more. In many companies, the ethics and compliance team is partnering with other control functions to develop "scorecards" for managers that reflect not only ethics and compliance data but also data from HR, audit, finance or procurement, IT, and safety. This may take the form, for example, of expense report audit results, phishing test failures, turnover rates, near-miss numbers, and case management data. Layered together, it often provides a more complete picture of a manager's commitment to the company's values and key control processes.

Mechanisms Used to Incentivize Employees Who Engage in Ethical Conduct or Actively Support Compliance Initiatives/Compliance Performance Metrics



Incentives: Examples and Guidance

The 2020 class of honorees displayed a wide array of creative and effective ways to incentivize their workforce to support the ethics and compliance program.



E&C ON THE BIG SCREEN...

One honoree hosted an ethics- and compliance-themed film festival asking employees to develop and submit movies based on a topic from the company's code of conduct and gave out monetary prizes for the best submissions.



REWARDING GOOD BEHAVIOR...

Another honoree created a program where compliance teams gave recognition cards to employees who reported misconduct in good faith. These cards were redeemable for perks, including paid time off.

WHAT THE GUIDANCE SAYS...

"...companies have also found that providing positive incentives—personnel promotions, rewards, and bonuses for improving and developing a compliance program or demonstrating ethical leadership—have driven compliance"

[\(DOJ April 2019 Guidance\)](#)

"By way of example, some companies have found that publicizing disciplinary actions internally, where appropriate, can have valuable deterrent effects."

[\(Also from DOJ April 2019 Guidance\)](#)

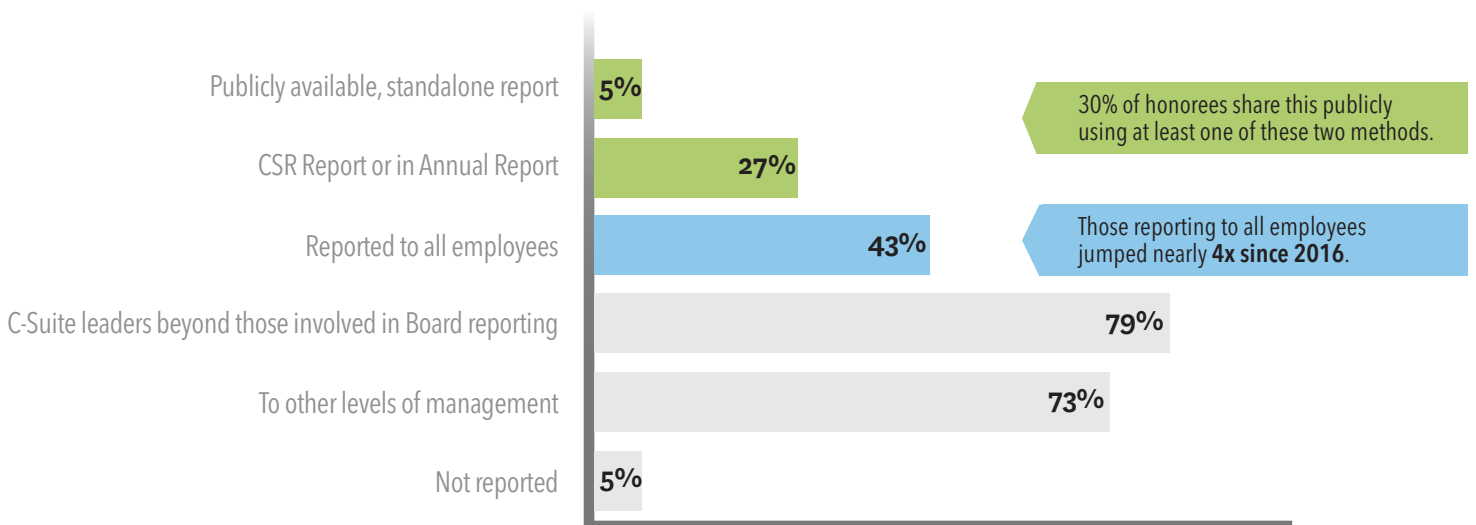
INCREASING TRANSPARENCY

Ethisphere prides itself on being a “carrot” organization—that is, we place our focus on promoting positive developments in business integrity. However, when it comes to motivating employees to act in compliance, we understand a carrot-and-stick approach is often best. Broadly communicating how many concerns were reported, the types of concerns reported, and the results of reports and investigations is one method to reinforce that misconduct is taken seriously.

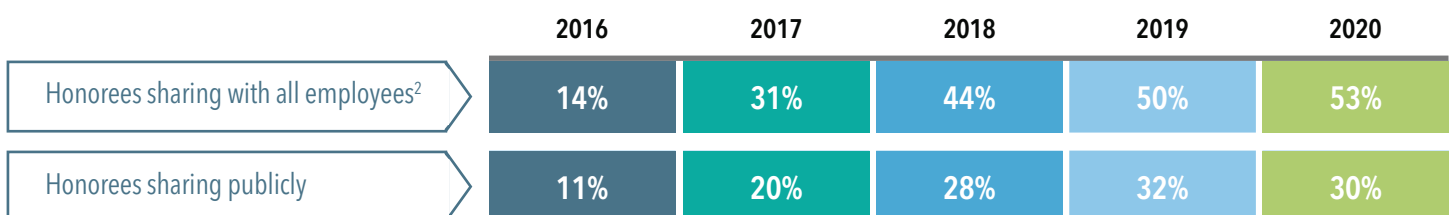
An increasing number of World’s Most Ethical Companies honorees are sharing reporting and investigations with their employee populations and, in some cases, the public at large. Transparency is the foundation of trust, and organizations that are willing and able to share confidently communicate that integrity is a priority.

More Honorees Sharing Reporting and Investigations with Their Employees and Even Public at Large

Separate from reports to the Board or other governing authority, how does your organization communicate how many concerns were reported, the types of concerns reported, and the results of reports and investigations? (Multiple select)



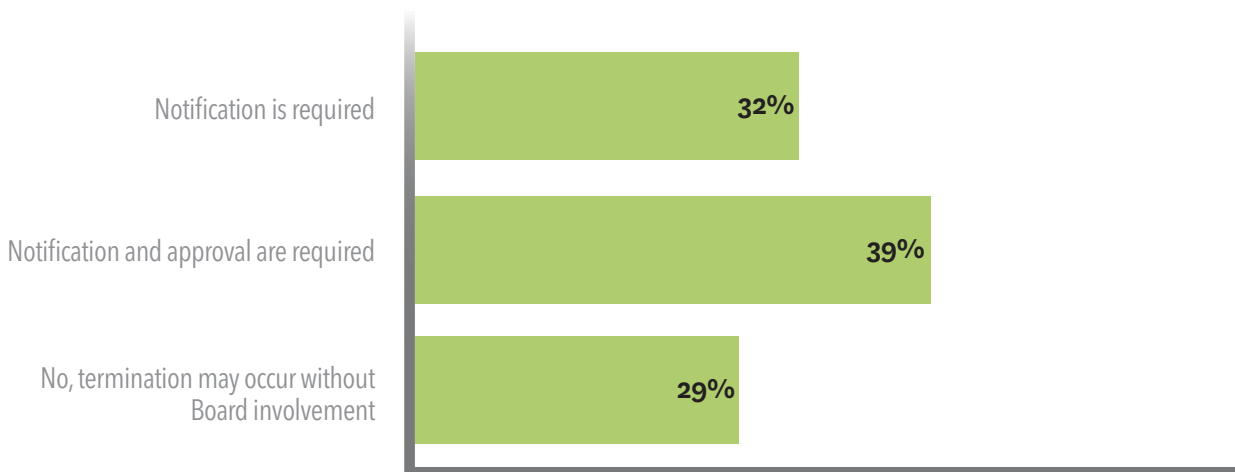
Honorees Communicating Reporting and/or Investigation Data Externally Is a Growing Trend



² Includes respondents that selected at least one of the following choices: 1) Publicly available, standalone report, 2) CSR Report or in an Annual report, or 3) Reported to all employees.

How the compliance team itself is incentivized also matters. In the event of an issue, regulators will ask who is ultimately responsible for decisions related to compensation, bonuses, and discipline for the compliance team. Ethisphere believes, as do a majority of honorees, that in the event of termination, a documented process or policy should be in place that requires Board notification prior to dismissing the owner of the ethics and compliance program. Ideally, this process would require Board approval of dismissal.

Is there a documented policy or process requiring that the Board, a committee of the Board, or other governing authority be notified or approve before the person who has been assigned overall responsibility for the ethics and compliance program is terminated?



CONCLUSION

In this time of global upheaval, ethics and compliance leaders around the world are considering how to do more with less and effectively prioritize and optimize programs. We hope that these insights on global structure, steering committees, and liaison and incentive programs are helpful as you map out your plans.

This is the first in a series of three reports. In the coming months, we will be looking closely at third party engagement, and will also share data and insights on training and communication innovations.

Related Ethisphere Resources

WORLD'S MOST ETHICAL COMPANIES

To learn more about the honorees, the process to apply, and other insights, visit www.worldsmostethicalcompanies.com



[Sign-In to the BELA Hub >](#)

Not a member? [Learn more >](#)

BELA MEMBER HUB

Members of the Business Ethics Leadership Alliance (BELA) have access to a broad range of resources, including:

- **Operationalizing Compliance**, contributed by 3M
- **Ethics Liaison Best Practices**, contributed by JLL
- **Rewards, Discipline, and Incentives**, contributed by Panasonic Corporation

ASSESSMENTS

Benchmark your program against the World's Most Ethical Companies data set and gain expert insights.



Learn more: www.ethisphere.com/pa

Contact: Jonathan.Whitacre@Ethisphere.com

ABOUT ETHISPHERE

Ethisphere is the global leader in defining and codifying the standards of ethical business practices that fuel corporate character, marketplace trust, and business success. Ethisphere has deep expertise in advancing business performance through data-driven assessments, benchmarking, and guidance.

Our Ethics Quotient data set enables the ability to benchmark against the ethics and compliance practices of leading companies. We also work with the world's largest companies to assess and enhance ethical culture capital with the insights from our culture assessment data set, which represents the views of more than five million employees worldwide.

Ethisphere honors superior achievement through its [World's Most Ethical Companies](#) recognition program and by showcasing best practices in [Ethisphere Magazine](#) and at [global events](#). We also facilitate the [Business Ethics Leadership Alliance \(BELA\)](#), a global community committed to solving the big challenges of business integrity together.

More information about Ethisphere can be found at:
www.ethisphere.com