

THE MEASUREMENT ISSUE

DEFINING WHAT MATTERS AND IMPROVING PERFORMANCE

FEATURING: PEPSICO, NOVARTIS, OSHKOSH, CLEVELAND CLINIC, U.S. BANCORP, HENKEL AND MORE

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GOOD. SMART. BUSINESS. PROFIT.[®] Q3 // 2016





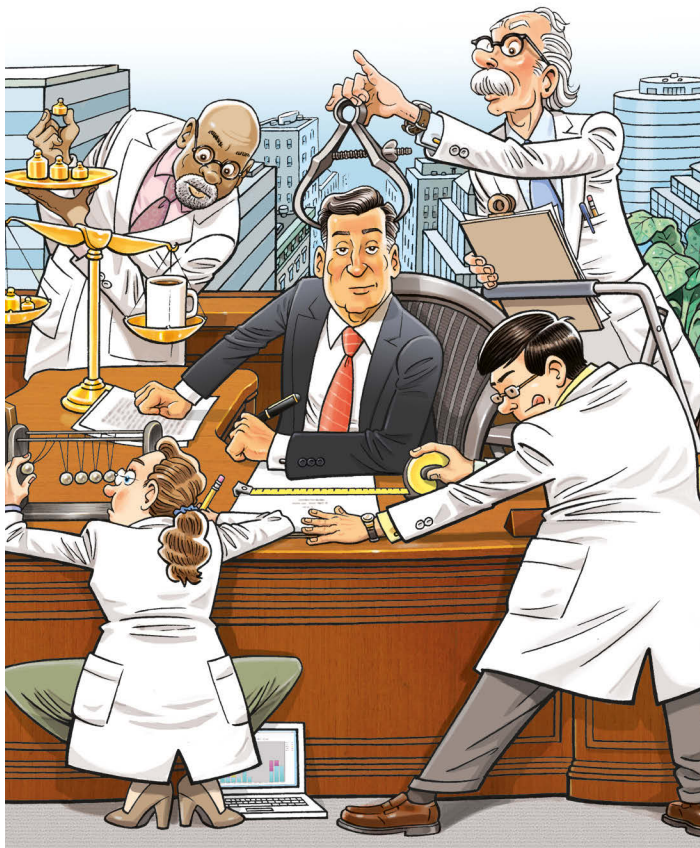
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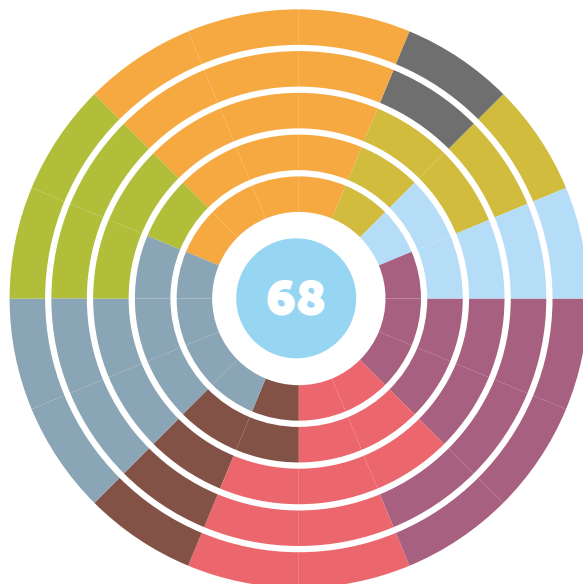


WHY MEASUREMENT MATTERS

ARE YOUR PROGRAMS TRULY EFFECTIVE?

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SPECIAL FEATURES



DATA & INSIGHTS:
THE MEASUREMENT EDITION



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Our Mission Statement

The Ethisphere® Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success. We have a deep expertise in measuring and defining core ethics standards using data-driven insights that help companies enhance corporate character. Ethisphere believes integrity and transparency impact the public trust and the bottom line of any organization. Ethisphere honors superior achievements in these areas with its annual recognition of The World's Most Ethical Companies®, and facilitates the Business Ethics Leadership Alliance (BELA), an international community of industry professionals committed to influencing business leaders and advancing business ethics as an essential element of company performance. Ethisphere publishes *The World's Most Ethical Companies Executive Briefing* and *Ethisphere Magazine*, and hosts ethics summits worldwide.

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SPEAKING UP

»»» THIS QUARTER'S LETTER FROM THE EDITOR «««



Dear Readers,

The Q3 issue of *Ethisphere Magazine* places a spotlight on measurement. In this issue, global leaders share their overwhelming appreciation for the infallible beauty of data. The value of data persists across organizations of all sizes, industries, locations and ownership structures.

Through measurement, organizations can effectively assess, compare and strategize. As such, each and every metric has the capability of offering fundamental benefits including the ability to monitor performance, benchmark results against other organizations and peer types, identify strengths and weaknesses, prioritize risks and develop strategies. If you are looking to identify gaps, gain knowledge, reduce risk and enhance shareholder value, perhaps new metrics are the very shot in the arm your program needs.

Chapter eight of the U.S. Sentencing Guidelines states that organizations shall take reasonable steps to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct. Part of this effort should include the utilization of quantifiable information to assess internal and external performance. Collectively, well designed metrics may be used to gauge an entire program or fundamental aspects of your organization such as corporate culture.

The Q3 issue examines valuable metrics from the perspective of vital organizational leaders, including a comprehensive feature section with insightful contributions from the likes of Oshkosh Corporation's CEO, Wilson R. Jones, U.S. Bancorp's Chief Reputation and Strategy Officer, Katherine B. Quinn, Northwell Health's VP and Chief Corporate Compliance Officer, Greg Radinsky and Henkel's Head of Sustainability Management, Uwe Bergmann. When it comes to metrics, each of these talented authors has something to add to the equation.

With the oceans of data that are at our fingertips, the possibilities are endless. May you enjoy the vital metrics discussed in the Q3 issue, including the "what" and "how" behind them. Regardless of your role, purpose-driven metrics can take you to where you need to be. On this journey, you may be quite surprised by what you learn.

Enjoy your fall and happy reading.

A handwritten signature in black ink that reads "Les Prendergast". The signature is written in a cursive, flowing style.

Les Prendergast
Managing Editor
Ethisphere



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MOUTHING OFF

» THIS QUARTER'S LETTERS TO THE EDITOR «

Have something to say? Write to us at: info@ethisphere.com or at *Ethisphere Magazine*, 6263 N. Scottsdale Rd, Suite 205, Scottsdale, AZ, 85250



★ LONDON ETHICS AND COMPLIANCE FORUM

I am always interested in attending local ethics and compliance events. Can you please share more information regarding the London Ethics and Compliance event in October, including the details such as cost and exact dates?
-Jack

Ethisphere Response: The London Ethics and Compliance Forum will take place on October 11th. The forum is a one-day event assembling diverse company leaders to address the issues largely impacting corporate integrity today.

Accommodations, registration and session information are available on the event website at <http://londoncomplianceforum.com>. Please visit the website for continued updates.

★ EVENTS & WEBCASTS

Feedback from the 2016 Latin America Ethics Summit (June 8-9):

"I enjoyed the event. The best part of it for me was the benchmarking about what other organizations are doing to implement best practice standards."

"The most valuable aspect for me was the practical approach taken by each speaker to share their professional experience more than discussing applicable legislation in theory."

"The exchange between Brazilian and foreign compliance professionals was great."

Feedback from the webcast: Strategies for Staying Ahead of Bribery and Corruption Challenges (June 22nd):

"Thanks for putting on this webinar. Corruption seems to constantly make the headlines. I was disheartened but not surprised to see that 40% of respondents in the Kroll survey believe their organization will face an increased risk of bribery and corruption in 2016. At the end of the day, this helps me justify the need to further develop our anti-corruption program."

★ PARTICIPATE AT ETHISPHERE EVENTS

"I have an interest in being a speaker at a future ethics and compliance event. How can I learn more about the process?"
- Mary

Ethisphere Response: Ethisphere has been honored to work with exceptional speakers and moderators over the years. In fact, we consistently receive excellent feedback from event attendees regarding the quality of our speakers and the insights they shared. We truly appreciate your interest in contributing to future events and sharing in our collective passion.

Subject matter experts who have an interest in becoming a speaker or moderator at our events are encouraged to please contact Kevin McCormack at kevin.mccormack@ethisphere.com.



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BY THE NUMBERS

MOVING CULTURE IN THE RIGHT DIRECTION

WHAT GETS MEASURED, GETS BETTER

Richard D. Fain, Chairman and CEO of Royal Caribbean Cruises Ltd., points out in his insightful interview on pages 58-59, "What gets measured, gets better." Ethisphere's 2016 World's Most Ethical Companies® supports this concept by demonstrating that consistently conducting an employee perception and culture of ethics assessment does lead to significant gains. As an organization looking to improve its corporate culture, some of the key questions you should be asking are, "Do you regularly evaluate your corporate culture?" and "Do you assess all critical elements or do you merely skim the surface?"

88%

The overwhelming majority of employees indicated that their organization has a strong tone from the top (leadership's commitment to ethics & integrity), up 8% from 80% to 88% year-over-year.

↑
+8%

74%

Strong tone at the middle (management's commitment to ethics & integrity) experienced an even more impressive annual gain of 10%, increasing from 64% to 74%.

↑
+10%

77%

More than three out of four employees showed a willingness to come forward and report his/her concern(s), an increase of 6% from 71% to 77% year-over-year.

↑
+6%



* Statistics source: Ethisphere's 2015 and 2016 World's Most Ethical Data Set*



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THE GOOD AND THE BAD

» PAPER BAGS AND PROFIT PROPELLERS «

HOW IT WORKS



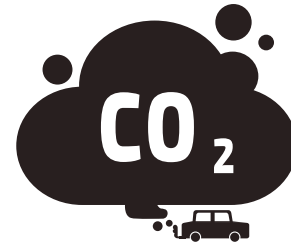
Paper Bags are given to companies and organizations that are involved in, or have attempted to cover up, scandals, violations or other embarrassing events.



Profit Propellers are awarded to companies and organizations that have recently done something interesting, innovative or brave in the area of ethical leadership.

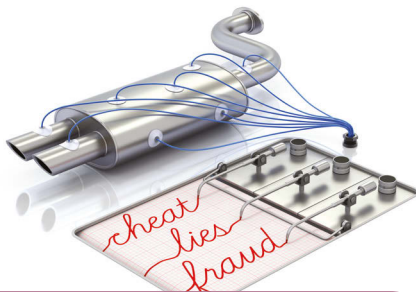
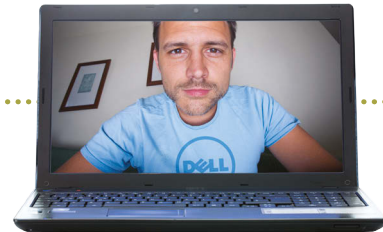


Starbucks gets a **profit propeller** for making the decision to give raises of at least five percent to all of its US store workers and managers. The intent was to enhance the company's ability to attract and retain employees in an improving job market. 2016 marked the 10th year in a row that Starbucks has been named one of the World's Most Ethical Companies®.



Volkswagen gets a **paper bag** as top executives including the former CEO, Martin Winterkorn, face fraud accusations in its emission scandal. The company which had previously agreed to a record \$14.7 billion settlement over the emissions scandal, tried to cover up its wrongdoing when it first faced regulatory investigation but eventually admitted to the truth when faced with indisputable facts that could not be overcome.

The construction management company **Louis Berger Group** gets a **paper bag** after two former executives were sentenced for their roles in a bribery scheme that involved obtaining government contracts through bribing foreign officials. James McClung was sentenced to one year in prison while Richard Hirsch was sentenced to two years of probation and dealt a fine of \$10,000. The sentences marked the end of a lengthy investigation at the company regarding the bribery of officials in India, Indonesia, Vietnam and Kuwait.



Volkswagen wasn't the only automaker with an unethical track record. A **paper bag** goes to **Mitsubishi Motors**, after the company admitted that it had used methods to test the fuel economy of its vehicles that did not comply with local regulations over the span of 25 years.



As a result of offering employees the flexibility to telecommute, **Dell**, earns a **profit propeller** this quarter for saving the company \$39.5 million and reducing an estimated 25 million kWh of energy and 13,000 metric tons of greenhouse gas emissions since fiscal year 2014. The company values a work-life balance and values the sustainability-related benefits.

A **profit propeller** goes to the **CIT Group Inc.**, for making "tone at the top" a component of the compensation matrix of the company's CEO. Adding this factor to the scorecard does an excellent job of demonstrating the importance of tone at the top in the organization and demonstrates that all employees, regardless of title, are held accountable.

Do you know of a recent news story you feel should be awarded a Paper Bag or Profit Propeller? Send your ideas to les.prendergast@ethisphere.com

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AROUND THE CIRCUIT

»»»» SÃO PAULO, BRAZIL: 2016 LATIN AMERICA ETHICS SUMMIT ««««



On June 8-9, 2016, the Ethisphere Institute hosted the 4th annual Latin America Ethics Summit in São Paulo, Brazil. The Summit, an event uncommon in this market, placed the spotlight on the critical importance of company culture, robust anti-corruption practices, governance and ethics, third party risk assessment and much more.

Things kicked off with an inspiring keynote speech by Luiz Navarro, former Minister of State, Office Comptroller General of Brazil Current Member, and Public Ethics Commission of the Presidency of the Republic. Luiz discussed the current legal environment, the steps companies are taking to remediate leniency agreements and trends in government enforcement during a challenging business and political environment.

The agenda was jam-packed and the first session of day one focused on something we all strive to achieve, "How to create an open reporting culture within our organizations". Ethisphere's Kevin McCormack, VP, Global Thought Leadership & Programs, highlighted the importance of fostering a speak-up culture by stating that the overwhelming majority of the 2016 World's Most Ethical Companies® (97 percent) reportedly encourage their employees to speak up and report misconduct. In addition, 95 per-

cent have taken an active role in promoting a culture of compliance and ethics.

The two speakers in the first session, Juliana Darini Teixeira Cruz, Compliance & Ethics Officer at PepsiCo, and Reyna Torrecillas, Chief Compliance officer, Latin America at GE, did a fine job of explaining the benefits of an "open reporting" culture. One such benefit proved to be the ability to identify problems and program gaps before the company is exposed to greater risks. It is essential to the compliance team and middle management as part of the effort and the right information needs to reach the C-Suite to ensure they are properly informed.

Sometimes you need to be creative. Ms. Torrecillas stated, "We had to start brainstorming, how do we engage employees on the very important and very serious topic of reporting, doing the right thing and no-retaliation in a way that is fun and inviting for employees? We had a trivia where you asked questions about open reporting, our policies and the channels to report and the way to answer those questions is for people to stand up and make a move-dance. Employees received a small token of appreciation for answering the question correctly. Everyone laughed and it broke barriers down. It allowed employees to get closer to leaders. We try to identify how to keep things fun and engaging while getting the message across."

Culture was a popular theme on day one. In another panel, Jessica Reaoch, General Counsel and Compliance Officer at Electricidade e Servicos SA, José Renato, Chief People and Sustainability Officer at Grupo Tigre and Ernesto Rodríguez Valdez, Head of Legal Affairs Department, Compliance Manager & Data Protection Manager at T-Systems México, led the discussion. Companies that fail to make the shift from a rules-based culture to a values-based culture are missing the boat. The trio explored the vital role of compliance, faced with balancing rules and regulations with the company values that govern ethical behavior. Consistent communication is the recipe for success as the compliance group needs to set the stage for making the decision to "do the right thing" a natural one.

Another key focus on day one was risk assessments. Just like culture, risk needs to be assessed. Both culture and risk remind us of the importance of metrics. Better tools are constantly being developed to measure risk as part of the company's overall ERM program. In order to keep up, companies need to enhance their measurement tactics. This also goes back to the monitoring and auditing requirements established in the Federal Sentencing Guidelines.

Speaking of risks, none is more daunting than third party risk, a topic addressed on day two. Other topics discussed during the event included establishing controls to avoid corruption, the vital role of compliance in mergers and acquisitions in Latin America, an exploration of the shifting role of the general counsel with an increased focus on compliance priorities, the role of ethics and compliance in improving Latin America business and the role of the board in overseeing ethics and compliance.

[Visit ethisphere.com/events](http://ethisphere.com/events) for details on next year's speakers and agenda in the months ahead.

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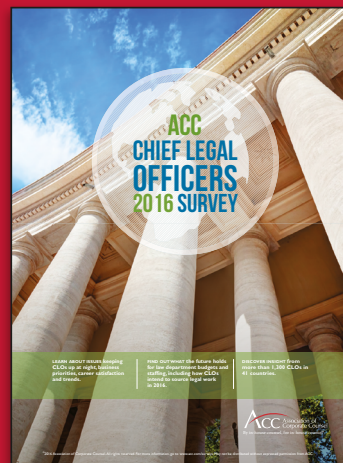
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LEGALLY SPEAKING

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TOPICS COVERED

// *Program Advice & Integrity*

We just released the 2016 list of World's Most Ethical Companies. PepsiCo is one of a handful of companies that have been honored every single time we've done this list. Why is it important for PepsiCo as a global company to reinforce an ethical culture?

TW It's important for a number of reasons. I think first and foremost, corporations increasingly are being looked to by society to help resolve big problems. Part of that is not just because companies have resources. But because companies operate in societies, operate in communities, not as a matter of right, but because they earn a social license in which to operate on.

And earning that social license to operate is not something that happens automatically. Companies have to actually gain the trust of communities, they have to make sure they are bringing value to the social ecosystem in which they're operating, and that can only happen if they are operating with a core of sustainable, ethical business practices. If a company wants to be a long-term, sustainable company – and PepsiCo celebrated its 50th anniversary – you have to do things which bring value to the society in which you're operating and that begins with an ethical culture.

There's great data out there that says 79% of prospective employees will choose a company because of their purpose. I think that what we find is companies like PepsiCo realize it's not only the right thing to do, but it's also really good business. It's really about attracting and retaining the best people isn't it?

TW There are two things that you touch on that I think are particularly important. The first is this idea of purpose. It's been ten years since our CEO Indra Nooyi first introduced this idea of "Performance with Purpose." It says that a company can't only be managed for the level of re-

LEADING WITH INTEGRITY

In Conversation with Tony West

Interview by Tim Erblich

Tim Erblich, CEO of Ethisphere, had a chance to sit down with Tony West, PepsiCo's EVP Public Policy and Government Affairs, General Counsel and Corporate Secretary. The two discussed PepsiCo's culture of integrity, the value of diversity and much more. This ten time *World's Most Ethical Companies* honoree shows us how the company is focused on doing things the right way.



In order to be competitive in the 21st century, we have to be a place where people can not only come to work and have a rewarding professional life, but they will see their own personal values reflected in the workplace.

turns quarter over quarter. You need to do that, no question about it, but in addition to that you have to manage for the duration of returns over the long-term. And the way that a company does that is that it engages in long-term, sustainable business strategies – strategies that are not only good for the company, but good for the community and the society in which it operates.

The second thing you mentioned is also important, which is talent. In order to be competitive in the 21st century, we have to be a place where people can not only come to work and have a rewarding professional life, but they will see their own personal values reflected in the workplace in which they find themselves. Pro-

viding that type of workplace I think is absolutely essential to being one of the leading companies in the 21st century.

How do you at PepsiCo create a culture of integrity?

TW I think that it really does start with our Code of Conduct. If you think about a stool, our Code of Conduct has four legs. The first is integrity in all of our actions, the driving force behind the whole idea. The second is ethical behavior in all of our business dealings and all of our business relationships; making sure that we're doing business the right way. The third is mutual respect; respecting one another in the workplace. The last is making sure that we're acting responsibly on behalf of our shareholders because the fiduciary duty is paramount when it comes to a lot of the work that we do as a company. When you put all of that together it creates an atmosphere or culture of values that says this is how we want to do business in the world.

How do you create that moral compass of an organization where people can really raise their hand? Isn't it as simple as can they raise their hand?

TW They can raise their hand. We actually have a system which we've worked hard to put together and to maintain called "Speak Up," which allows any employee to anonymously say something when they see something that is not right, something that is not consistent with our culture of integrity, and with our Code of Conduct, which we think is at the heart of how we ought to operate as a company. It's not just the job of the Department of Compliance and Ethics. It's everybody's job to make sure that we are living our values every day as a company.

McKinsey has a great study on diversity premium so companies that are more diverse financially outperform over

the long-term. Could you speak to how diversity plays a key role at PepsiCo?

TW Ethics and diversity are very linked. We know that diverse teams make better decisions. We know that they incorporate thinking, and nuances, and sensitivities that will help you make better, more informed business decisions and therefore will help you outperform. We know that's true and so making sure that is a priority and a value in the way that we not only recruit but the way we retain and promote, is absolutely essential. We find that when you're operating in as many countries as we are and as many cultures as we are, it's important to reflect that in your workforce and so that's another reason why that's such an important value.

Facts & Figures

58%

Fifty-eight percent of corporate officers indicate that creating a culture of integrity is the top goal of their ethics and compliance programs in 2016. – Source: Thomson Reuter's Top 5 Compliance Trends Around the Globe in 2016.

Expert Biography

Tony West is Executive Vice President of Government Affairs, General Counsel and Corporate Secretary of PepsiCo. West assumed this role in November 2014 and is responsible for the company's worldwide legal, government affairs and public policy organizations. He also oversees the company's global compliance function and serves as President of the PepsiCo Foundation. West has more than 20 years of experience in the public and private sectors. Prior to joining PepsiCo, West served as the Associate Attorney General of the United States, the U.S. Department of Justice's third-ranking official. West graduated with honors from Harvard College, where he served as publisher of the Harvard Political Review, and received his law degree from Stanford Law School.

For more information or to learn more: insights.ethisphere.com



TOPICS COVERED

// *Program Advice & Strategy*

EMBRACING CHANGE

Mark Smolik on the Efficient Approach to Maximizing Success

Written by Mark A. Smolik

Growing up I wanted to be a doctor. My reasons were simple – to help people in need. All that changed in college when my career advisor “suggested” I would make a better lawyer than a doctor. Initially, I was reluctant to change. After considerable “soul searching,” I realized she was right. Three decades later, I have the privilege to serve as the General Counsel (GC) at DHL Supply Chain leading a diverse team of associates all of whom are incredibly dedicated and talented. In 2009 we were a team of five. Today, we are a team of 58. I now help others with their business and legal challenges. It’s a dream job.

I’ve learned through experience that it can be hard to let go of a cherished initiative or goal. Lawyers are typically conservative by nature. I’m no exception. As in-house counsel, we learn to be vigilant stewards and protectors of the companies that employ us. For most of my in-house career, practicing law was the most important aspect of my job. No longer is that the case for me or for my team.

When recruiting lawyers, I look for people who bring an entrepreneurial approach to the practice of law...business people who happen to have a law degree. People whose attitudes and demeanor are aligned with the businesses they will serve. Admittedly, this is a vast change from the talent I recruited years ago. Back then, I looked for lawyers. Now, I want people who deeply understand that we are an organization run by entrepreneurs who put customer service at the forefront of all that we do as an organization, and we expect to be held accountable for our performance.

It is incumbent on today’s GCs, and those aspiring to be such, to communicate the value their teams deliver to the businesses they serve. Business leaders typically report on key metrics that seek to measure the success of their operations: P&L results, gross and net revenue, EBIT, units sold/installed, customer service feedback, among others. It should be no different with the legal department. Most everything we do as in-house counsel helps drive sales, support or enhance customer service and protect the bottom line. Beyond the lawsuits fought, cases won or settled, deals closed and counsel offered, today’s GC should evaluate what performance standards or metrics will help communicate that value. It’s an entrepreneurial approach to the practice of law, fueled by the role of the GC as a business leader, not just a lawyer. I’ve implemented successfully a number of such metrics since becoming a GC, some of which are mentioned later in this article.

Changing Dynamics of the Legal Industry

Corporate law departments of decades past primarily acted as liaisons between their organizations and the company’s outside counsel. Legal work was almost entirely outsourced, and the vast majority of legal spend was devoted to outside counsel. With growing sophistication,

Business leaders typically report on key metrics that seek to measure the success of their operations: P&L results, gross and net revenue, EBIT, units sold/installed, customer service feedback, among others. It should be no different with the legal department.

greater business savvy and new budget models, legal departments today insource the majority of their work. The ACC Chief Legal Officers (CLO) 2016 Survey found that among more than 1,300 Chief Legal Officers surveyed, an average of 53 percent of their budget was spent on internal resources, while the remaining 47 percent was spent on external counsel fees. (See figure 1 below)

Complementing insourcing is the evolving in-house attitude towards outside counsel. Entrepreneurial GCs are holding their external counsel accountable. They are evaluating outside lawyers much in the same way they do with their internal team, with performance reviews and agreed-upon goals and standards. Performance metrics, set initially and then reviewed at consistent intervals, align objectives and yield the intelligence; law departments need to be change agents for the businesses they serve, ultimately functioning as the foundation for measuring their own value.

Getting Started with Metrics

Despite general increases in total legal spend in the US, the GC is certainly not immune from senior management's continuing demands to "do more with less." Knowing that change and process improvement starts with metrics is not enough. Metrics need to remain consistent and objective in order to sustainably track progress.

In my department, one of our priorities has been the overhaul of our outside

counsel hiring and evaluation processes. When I joined the organization in 2009, the number of firms with whom we worked was unmanageable. We had no standards for hiring and no means of evaluating which firm was performing well and which ones were not. We had no visibility to whether we were investing in high or low performing firms. So, we changed our methods. It wasn't easy and we got significant pushback from a number of firms. Our methodology was relatively simple and was based on an approach I developed and implemented prior to joining DHL. The overhaul proved to be challenging. First, our small team was doing their best to keep up with a growing workload. Second, we had no technology to assist us. Everything about our evaluation process was paper-based and proved to be time-consuming.

Our approach was (and still is) to rate each of our law firms on seven key performance indicators (KPIs; metrics) each of which are clearly defined:

1. Understands our Objectives/Expectations
2. Expertise
3. Responsiveness/Communication
4. Efficiency/Process Management
5. Predictable Cost/Budgeting
6. Results Delivered/Execution
7. Compatibility with Company Values

Members of my team who work with each firm assign a score of 1 (does not meet expectations) to 5 (far exceeds expectations) for each KPI. We flag for further review any firm that has an average aggregate score below a 3 (fully meets expectations).

There's a method behind the metrics, and the scores are not the only factor for outside firms. But, the data frame objective conversations about performance, goals, billing rates and continuous improvement actions. Among my team, we've significantly lowered our spend on day-to-day matters we refer to outside counsel since holding our firms accountable to these metrics. We now have an established panel of 19 high performing firms whose rates/compensation are directly tied to their performance.

How to Make it Happen

Accept that you will continue to be under pressure by your management to do more with less. In a world where the GC is expected (and oftentimes now prefers) to spend time providing strategic advice to the business, evaluate opportunities to implement meaningful changes that help drive value, particularly those changes perceived as valuable by your CEO or CFO. In our organization, in addition to reporting on financial and budget performance, claims and litigation status and accruals, among others, I report on external counsel spend and performance trends. This assures management that my team is spending valuable resources with high performing law firms whose performance is measured objectively against our 7 KPIs.

Figure 1

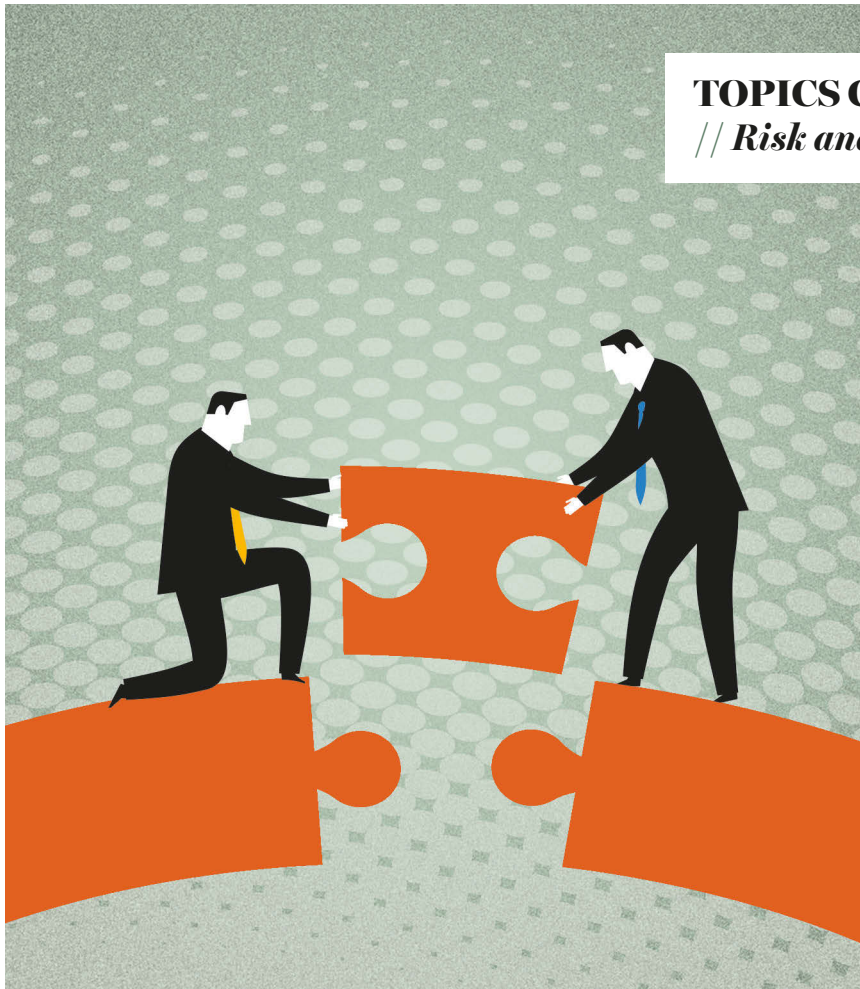


Of the more than 1,300 Chief Legal Officers surveyed, an average of **53 percent** of their budget was spent on internal resources, while the remaining **47 percent** was spent on external counsel fees.

Source: The ACC Chief Legal Officers 2016 Survey

Expert Biography

Mark Smolik is VP, General Counsel, at DHL Supply Chain Americas where he leads the legal, commercial contracts management, compliance, and economic development teams. Previously, Smolik served as Senior Vice President, General Counsel and Chief Ethics Officer of Safelite Autoglass, where he also led the Human Resources and Government Affairs teams. Prior to Safelite, Smolik served as Senior Corporate Counsel with The Sherwin-Williams Company. Mark can be reached at mamoliki@gmail.com



TOPICS COVERED
// *Risk and Strategy*

Finance / Accounting

In many ways, the accounting and finance function is the most important function for mitigating third party risk. The finance team plays two crucial roles in third party risk mitigation:

- 1) Implementation of compliance controls
Many risk controls require continued monitoring by those that pay the bills. Some examples include invoicing requirements to ensure compliance with contract requirements such as restrictions on using sub-contractors and interface with government officials, and invoice detail and supporting documentation requirements.
- 2) Identification of red flags
Those that pay the bills are also in the best position to identify certain red flags. Some examples of such red flags include third party, third country, or third country currency payment instructions, repeated failures to comply with contract restrictions, generic or vague descriptions for services rendered, or questionable service fees, expediting fees, or gifts and entertainment.

It should be noted that third party compliance risk controls may differ significantly from traditional SOX or accounting controls. Traditional SOX/accounting controls are primarily based on a binary financial threshold, i.e. payments over \$5,000 require two signatures. Compliance risk controls that are responsive to business needs have more components; e.g. payments to high risk third parties, in certain regions, require heightened scrutiny or higher levels of approval. Implementation of these controls will require revision of the accounting practices guidelines, training of relevant individuals, and adjustments to software systems used for these processes.

Key discussion points for Finance/Accounting:

- What are the existing controls, how are they implemented and what software is used?
- How to recognize red flags, what to do when they are spotted.
- How many and what types of third parties are there, or how can that be determined?

EFFECTIVE INTEGRATION

A Practical Guide to Third Party Risk

Written by James E. Williams and Jill M. Williamson

There is more to a successful Third Party Risk program than risk rankings and questionnaires. A successful program relies on buy-in at all levels and integration with existing processes and controls. If your third party risk program is administered by the legal and/or compliance team working in a vacuum, you may be doing more harm than good. Third party risks run across many functions and new risks are arising with more frequency.

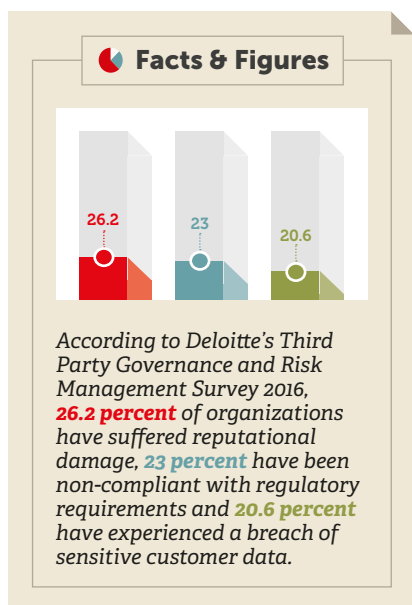
Business Stakeholders

A third party risk program will be most successful if it is designed to meet business needs. "Business partners" include the sales and marketing functions, customer facing departments, as well as operational / fulfillment functions. Meaningful consultation with key business stakeholders actually acts as a complement to business success. When consulting with business stakeholders, ascertain what their key concerns and perceptions are regarding a third party risk program. Common concerns include slowing of the sales / contracting processes, termination of successful long-standing relationships due to red flags, and offending long-term partners with questions about ethics. Not all of these issues can be avoided; after all, the point of a third party compliance mitigation program is to gather relevant information to allow the company to make informed decisions about risk. In some cases, that decision might be to terminate a relationship, but in other cases, the right decision might be to add controls, monitor the relationship, or even assist the third party to build the appropriate compliance framework. By maintaining an open dialogue, the right balance can be reached.

Business partners also provide specific information helpful for building a program responsive to business needs.

Key discussion points for business stakeholders:

- What risks do you worry about? What reputational issues do they think would have a negative impact on sales or shareholder value?



- What are they doing to mitigate those risks currently?
- Which third parties are used in the business, what the pipeline is for various third parties, and the rationale behind using third parties for various activities?
- What the due diligence is expected to look like, what might constitute a red flag, and what some options are for dealing with them?
- What further steps are needed when a red flag arises? In many cases, depending on the type of red flag, further inquiry may be required before making a decision.

Procurement

The procurement function often provides the basic framework within which the third party risk mitigation program will sit. Understanding how the existing procurement process works, which third parties go through it, which risks are already being addressed, and how, will provide the baseline to determine the most efficient implementation for the third party risk program. An advanced procurement system, that already has mechanisms for collecting information and ranking third parties with respect to financial or supply chain risk, should be easily adaptable to incorporate additional compliance risks. Less sophisticated systems may not provide the same baseline, but on the upside, they may provide a relatively blank slate for the company to address risk.

Key discussion points for procurement:

- Which third parties, if any, go through procurement?
- What is the existing onboarding system, what software is used, and what risks are already addressed?
- Can additional functionality be built into the onboarding system to better monitor compliance risks?
- How can the current system be best modified to incorporate compliance risk?
- Which reports can the system generate to monitor compliance risk?
- How many and what types of third parties are there, or how can that be determined?

Numbers, Numbers, Numbers

There are a few key metrics that can assist in planning the program implementation, risk assessment, planning a monitoring program and reporting. Careful husbandry of metrics is also useful in set-

ting expectations with key stakeholders. The metrics you choose should be tracked and analyzed for trends so your program is responsive to changes. Potential measurements include:

- How many third parties exist in each risk category?
- How many third parties have risk controls implemented?
- How many third parties have had red flags, either during on-boarding or afterward?
- If you are screening third parties through restricted party lists, such as the OFAC Specially Designated Nationals list, the percentage of records that match, and how many are 'good matches' v. 'false positives.'
- Number of compliance incidents, such as hotline reports, internal or external investigations, violations of law or policy, and incidents arising out of third party activities.
- The percent of revenue that is generated through third party agents and/or percent of activities that are performed by third parties.

A successful third party risk program addresses the risks impacting different functions, takes into account the priorities and needs of each function, integrates with their key processes and systems, and is flexible enough to include new risks that arise over time. Effective collaboration with each constituency and the use of detailed metrics will enable your company to effectively navigate this increasingly complex area.

Author Biography

James E. Williams served as Vice President, General Counsel, and Corporate Secretary at Liquidity Services from November 2005 - April 2016. James contributed to the Company's market leadership by building the legal, compliance and risk management team and counselling the Board and executive team on all governance, legal and risk management matters.

Jill M. Williamson is of Counsel at Rimon Law where she advises clients on a wide variety of compliance matters. She has served in house as the Chief Compliance Officer at Liquidity Services, Inc., where she built their compliance program from the ground up and as Deputy Chief Compliance Officer at Cigna.



WHY MEASUREMENT MATTERS

Are Your Programs Truly Effective?

Illustration by RJ Matson

Quantitative measurement provides corporations with some of the best tools available to assess and improve organizational health and performance. First things first, establish your baseline. Second, set new goals and measure your progress against them.

The following pages examine key metrics utilized by organizational leaders across the globe. From the CEO to the Chief Reputation & Strategy Officer, and from VP and Chief Corporate Compliance Officer to the Head of Sustainability Management, one thing is constant, a deep appreciation for the value of metrics and the competitive advantage they offer. In this section, such executives will address the most critical organizational metrics from their perspective, examine the actual systems of measurement and offer insight into how the data is utilized. Read on to learn what sets these stellar organizations apart and discover how you may take the same approach.



MAKING A DIFFERENCE

It Begins with our People

Written by Wilson R. Jones

At Oshkosh, team members come to work every day knowing that we are making a difference in someone's life. We build vehicles that protect war fighters, firefighters and construction workers so they can do their jobs and return home safely. It's no surprise we are customer focused, always trying to serve and delight them.

Our core values of Honesty, Integrity, Accountability, Respect and Citizenship guide our decisions and are the cornerstone of our ethical culture. I, along with my leadership team, must model the right behavior that can be embraced and replicated throughout the organization. If we don't set the right tone, then how can we expect others to do the right thing? Our ethical culture begins and ends with our people. We must enable them to be successful. And, we measure our progress to verify we are on the right track. The ways we measure the success of our ethical culture are through our employee engagement survey, training and communication and anonymous reporting.

1. Employee Engagement

We are committed to instilling an ethical culture, one where team members are proud of where they work, trust and respect their supervisor and are comfortable reporting a potential ethics violation. We conducted an employee engagement survey last year and have learned much about what our team members are seeking and our greatest strengths. This gave team members an opportunity to share their thoughts on a variety of topics (including communication, values, safety, engagement and leadership), and to do so confidentially as it was managed by a third party.

The survey revealed that our team members are being treated with respect and dignity by their managers (16 points above the industry norm), comfortable reporting an issue if they witness a potential policy violation (20 points above the industry norm), and proud to work for Oshkosh (18 points above the industry norm).

We understand there is much more to do. Our team members have asked us to communicate more, and based on their feedback, we created various forums to highlight events throughout the company. I have

also challenged myself and my leadership team to think about ways to build on our strengths by being a people-first culture. Oshkosh experiences success when we focus on our people, rally around a shared purpose to inspire the best in each other, and create value for our customers through our superior performance.

2. Training & Communication

It is critically important that we provide our team members with the proper tools. Our comprehensive training plan identifies targeted audiences (e.g., training specific to one's risk, region, function and level within the organization) and measures completion rates, scores and feedback. The analytics we receive from a given training are very comprehensive. The scores can be divided into region, function and business segment. We are then able to identify the topics that are our greatest strengths and areas of opportunity.

Based on training scores, we then provide follow-up communications through the Intranet, all employee emails, newsletters and TV monitors depending on who we are reaching, such as production and international team members. Communications may be funny, informative videos with relevant policies attached and a link to our Code of Conduct, The Oshkosh Way, or a real Oshkosh investigation that discusses lessons learned.

Most importantly, we need to ensure ethics and compliance is part of everyday discussions. Managers are encouraged to have regular conversations with their teams, and they should create an atmosphere where their teams are comfortable speaking up and asking questions. Our Code was recently revised and has provided opportunities for new discussions by using our "Values in Action" sections. We also include ethics and compliance



topics at our quarterly global town halls. Here, team members around the globe have an opportunity in real time to ask me questions directly.

3. Anonymous Reporting

In section 1, I mentioned that our team members feel comfortable reporting potential policy violations. I'm pleased to see that we are above the industry average. However, my goal is not simply to increase reporting, but for team members to feel comfortable reporting concerns with the expectation that they will be free from retaliation. A key measurement to determine this is through anonymous reporting.

We have seen a recent trend in decreased anonymous reporting. Two years ago, on average, nearly 60% of our ethics and compliance inquiries were reported anonymously. In contrast, most recently, less than 40% of all inquiries were anonymous.

I believe the following considerations have contributed to our decrease in anonymous reporting. First, we created a stand-alone non-retaliation policy, which states our zero tolerance for retaliation. This policy has been highlighted in our Code of Conduct and all employee emails, and included in ethics and compliance training. Second, we increased the visibility of our global investigations process through our Global Ethics and Compliance Advisory Committee and on-site visits across our locations around the globe. Lastly, we publicize our metrics on our Intranet and highlight examples of actual Oshkosh investigations on a quarterly basis to increase transparency and build trust in regards to the investigative process.

4. Concluding Remarks

I have found the above measurements provide a well-rounded picture of our ethical culture. An added benefit of such metrics is that they are not limited simply to our ethics and compliance program, but instead, they reflect a commitment made by all Oshkosh team members.

Oshkosh's brand and reputation are unmatched in the industry, and as we approach our 100 year anniversary in 2017, it'll be the success of our people that will drive superior performance for the next 100 years. The key ingredient to that success is doing things the right way, the Oshkosh Way.

Author Biography

Wilson R. Jones is the President and Chief Executive Officer (CEO) of Oshkosh Corporation, a position he was appointed to in January 2016. Most recently, Mr. Jones served as President and Chief Operating Officer (COO) for the Company.

Mr. Jones has been in specialty vehicle manufacturing for more than 25 years. He serves on the Board of Directors for Thor Industries, Inc., one of the world's largest manufacturers of recreational vehicles and has served on the Board of Directors for the Fire Apparatus Manufacturers' Association and the American Ambulance Association.



THE BIG THREE

Manage, Protect and MEASURE
Your Reputation

Written by Katherine B. Quinn

Reputation is one of the greatest assets for any organization. A strong reputation doesn't happen by chance. It must be managed and protected. In order to do that effectively, it must be measured. Measuring the movements of your reputation – either improvements or declines – is often neglected by organizations, even though everyone agrees with how critical a strong reputation is to the long-term strength and success of an organization.

For more than 150 years, U.S. Bank has earned a strong reputation by creating a relationship of trust with our customers. A relationship that is strengthened, reinforced or weakened with every interaction we have every day. Our customers trust us with their financial goals and objectives. While each customer has their own goal – buying a house, paying for college or starting a business – they all rely on us to keep their financial future safe and secure.

We take this responsibility very seriously. Our core values and ethics drive every interaction, process and decision we make. This ultimately drives our reputation. And we measure how we are doing every month. These measurements are the barometer that allows us to forecast changes in the climate – good or bad – and adjust accordingly.

When an organization lives their values and ethics it strengthens their reputation. As the Chief Strategy and Reputation Officer, I know how important a reputation is to a brand. I also know how quickly a reputation can be damaged. It starts with your employees. You need to strongly and clearly define your values, and then you need to be as thoughtful and committed to living your values and ethics with your employees as you are with your customers. If they don't feel it, it will show in every customer interaction your employees have.

Measuring your reputation can provide important information about how your customers perceive you and where opportunities to do more exist. While difficult to measure – reputation is 70 percent who you are and 30 percent what you sell – the data and insights you garner can give you a strategic roadmap that will drive your business forward.

Start with establishing your baseline. Determine what is most important to you as an organization. What drives the company and your reputation? Is it the quality of the products you produce? Your high ethical standards? Your ability to provide exceptional service? Use this information to start your measurement process. You can always build and adjust as your measurement process becomes more sophisticated.

Establishing a baseline measurement, however, is critical.

Markets are susceptible to frequent swings based on economic, political and social environments. A company's reputation must be able to successfully withstand these swings and must be able to deliver on the promise made to customers regardless of the external environment.

U.S. Bank's reputation successfully withstood the financial crisis a few years ago – how? Because we knew who we were and what we stood for. Our reputation withstood the test because our employees and customers trusted us to do the right thing. In other words, our reputation preceded us. And, because we measured and monitored at all times to see how the barometer was changing.

Our ethical standards drove everything we did, including our governance, processes, innovation and customer interactions. They are in the fabric of every banker at U.S. Bank. That authenticity comes through and is critical to maintaining your reputation, regardless of industry. Without it, you will do more damage than good to your reputation.

When measuring your reputation you have to listen. The data is the data. And sometimes it hurts a little, telling us things we don't want to hear. That great new product that was the CEO's



While difficult to measure – reputation is 70 percent who you are and 30 percent what you sell – the data and insights you garner can give you a strategic roadmap that will drive your business forward.

favorite? Customers don't like it or don't use it. The excellent training you provide your employees so there is a consistent experience? Depending on which location you go to the experience varies wildly.

It isn't easy to hear and it isn't always easy to share with your leadership, but you need to listen to what your employees and customers tell you and make the necessary changes to get back on course.

The commitment from leadership to be open to the feedback is important. If you don't take the information you gather when measuring, understand it, and act on it, you will lose the strategic insight and competitive advantage you may have gained.

Finally, invest in your reputation before you need it. It doesn't matter what organization or industry you are in, you will face challenges and unexpected events. Take the time to build your reputation, nurture it and measure it. If you do, when times become challenging your stakeholders will give you the benefit of the doubt, because you earned it.

Manage, protect, measure and repeat.

Author Biography

Katherine B. Quinn is the Chief Strategy and Reputation Officer of U.S. Bancorp. Ms. Quinn has served in this position since joining U.S. Bancorp in September 2013 and has served on U.S. Bancorp's Managing Committee since January 2015.

From September 2010 until January 2013 she served as Chief Marketing Officer of WellPoint, Inc. (now known as Anthem, Inc.), having served as Head of Corporate Marketing of WellPoint from July 2005 until September 2010. Prior to that time, she served as Chief Marketing and Strategy Officer at The Hartford from 2003 until 2005.

Kate has served on the board of Fraser, Minnesota's largest and most experienced provider of autism services, since 2013. She is also serving on the boards of Slumberland Furniture as of January 2016 and Minnesota Public Radio (MPR) as of May 2016.

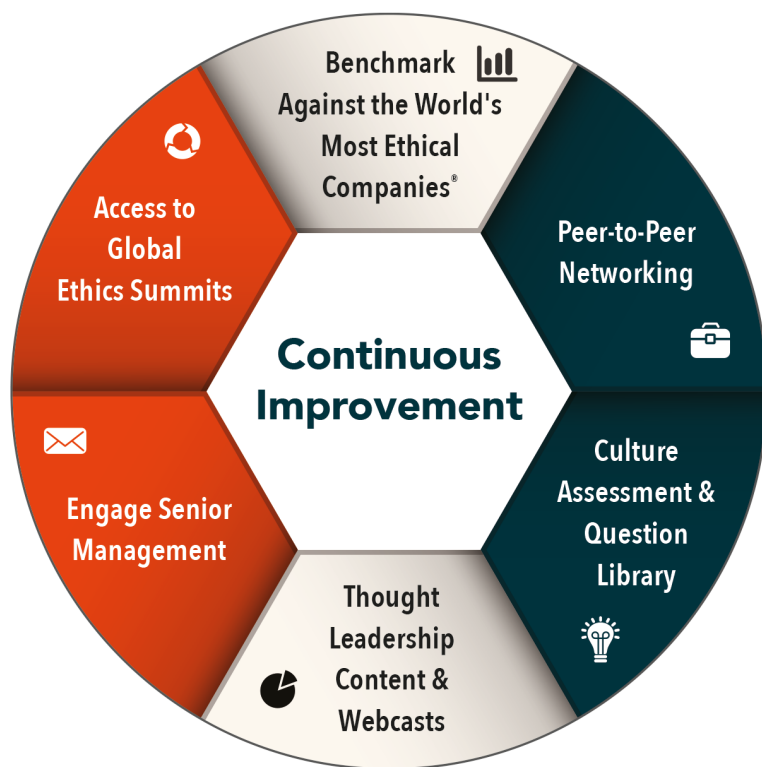


BUSINESS ETHICS LEADERSHIP ALLIANCE

A cross-industry collaboration of multinational companies committed to shaping leadership behavior and understanding the correlation between business ethics and performance.

2016 Alliance Priorities

- Capture, codify and communicate leading practices throughout the community.
- Bring together experts and expertise across local and global markets.
- Help companies measure, improve and simplify their programs.
- Provide resources, tools and techniques to engage the C-suite and Board.



Events

Attend member-driven local roundtables and our global summits and forums on key topics.

Global Summits & Local Roundtables

A Year-long Conversation Across Cultures, Geographies and Functional Boundaries

- Free, year-round access to all global summits and forums
- Participate in, or host, invite-only roundtables
- Pan-industry best practice sharing and networking

Recent and upcoming event cities include:

Paris | Hong Kong | San Francisco, CA
Seattle, WA | Portland, OR | Phoenix, AZ
Denver, CO | Houston, TX | Minneapolis, MN
Chicago, IL | Nashville, TN | Atlanta, GA
Pittsburgh, PA | Washington DC | New York, NY



"The Executive Compliance Roundtable was an exceptional way to build relationships and interact with compliance leaders across industries to share practices that we can leverage in our respective companies."

– Diana Sands, Senior Vice President for Internal Governance, Boeing



Benchmarking

Benchmark against Ethisphere's data set of leading practices from the World's Most Ethical Companies®.

A non-intrusive way to compare your practices in 5 key categories: ethics & compliance program; CSR & sustainability; culture of ethics; governance; and leadership, reputation & innovation.

- Collaborate across your organization
- Identify gaps and areas for improvement
- Executive- and board-ready data and analysis
- Validate your efforts and goals
- No additional fee, service included with membership

Event Attendees

C-Suite Executives including:

53%

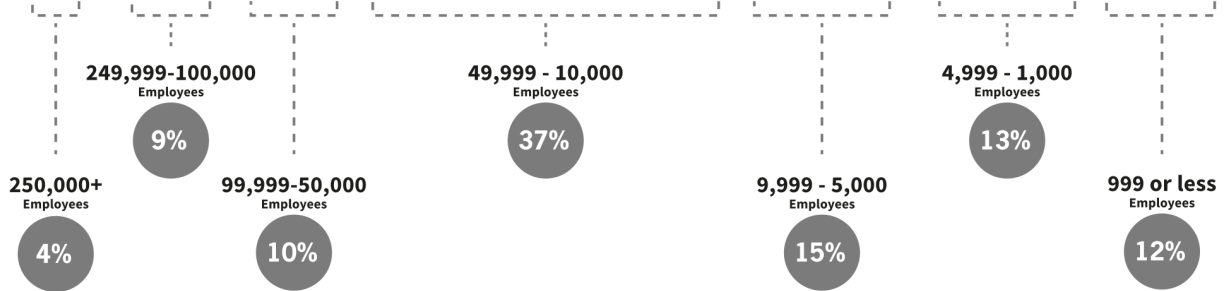
Board Member
Chief Executive Officer
Chief Diversity Officer
Chief Audit Officer
Chief Privacy Officer
Chief Operating Officer
Chairman, Audit Committee
EVP, Chief Communications Officer

Senior Level Legal & Compliance Leaders including:

61%

Corporate Counsel
Corporate Secretary
Chief Legal Officer & General Counsel
Chief Compliance Officer
Enterprise Risk Management

Companies by Size



Resources

Determine program needs and access resources created by your community and curated by Ethisphere.

The BELA Member Resource Center features:

- The member roster gives you direct access to your peers enabling the sharing of “what works” across the community
- “Useful stuff” features downloadable presentations and content. Plus we are curating the best examples of policies into an exclusive library!
- Get peer insights from member contributions including articles, webcasts, white papers, podcasts and more



Culture

Use our culture assessment or library of questions to gain insights into your most critical asset – your employees.

Full-Service Culture Assessment or Access to Our Library of Questions

- Let Ethisphere administer the survey and provide a qualitative analysis OR supplement your existing engagement survey by accessing our library of questions
- Retain organizational data for long-term trend analysis
- Easy-to-use reporting tool allows you to slice the data (no assistance needed!)
- Evaluate results and differentiate between blanket vs. targeted remedial steps
- Members receive exclusive pricing on culture assessments



MAINTAINING A HEALTHY PULSE

Compliance Metrics Role in Conveying Important Signals

Written by Greg Radinsky

A company's compliance metrics serve as a nervous system to convey important signals to management and the board. With an increasingly demanding regulatory environment, companies will be required to prove to regulators that a reasonable approach was implemented to assess and address industry compliance risks. "Paper tiger" compliance programs are no longer acceptable.

Northwell Health evaluates several data points that are transmitted throughout its network of data systems and facilities. In today's data-centric world, it is easy to lose sight of what data is important. Northwell's compliance department hones in on three vital data metrics to keep a healthy pulse on addressing potential risks: compliance inquiry statistics, case completion time, and predictive analytics.

Compliance Inquiry Statistics

It is critical for companies to hear employee, vendor and business partners' compliance concerns and have them appropriately addressed. Northwell considers all communication channels when evaluating this metric. Northwell logs and tracks all compliance complaints from an anonymous compliance hotline and website. Any concerns the compliance department receives directly are also addressed, and individuals are encouraged to raise concerns to their manager or supervisor.

Various industry statistics exist in assessing whether a company has received a reasonable number of compliance calls. In general, some studies suggest that companies should get approximately one call per 1,000 employees per month. This type of benchmark can vary depending upon the size of the company and the industry sector. A trend higher than this range should not be viewed negatively. In fact, an increase in compliance inquiries are not necessarily an indication of misconduct or a breakdown of company's controls, but often

can be a result of the company's workforce's awareness to bring forward concerns.

As part of examining this data metric, it is also vital to analyze whether a company's workforce is comfortable reporting a compliance concern without fear of retaliation. Northwell sends out periodic anonymous surveys to its workforce to gauge whether it is comfortable raising concerns. All of the compliance inquiry and survey data is evaluated and used to target compliance training areas, future audits and policy development. Also, a detailed breakdown of compliance inquiry statistics is shared both with management and the board and also published in quarterly reports, a semi-annual risk assessment report and an annual risk assessment report.

Compliance Case Completion Rate

While a robust number of compliance inquiries allows management and the board to become aware of potential risks, it is just as important as knowing that resources will be designated to review each of those potential matters in an expeditious manner.

Northwell strives to close out cases as soon as possible and uses a 30-day time metric as a guideline to close out compliance cases. While a limited number of investigations can take longer due to their complexity, the majority of compliance inquiries can be closed out well within this 30-day timeframe.

There are laws that further support this premise to ensure companies invest in an expeditious investigation process. For example, most state data breach notification laws require consumers to be notified in the most expeditious time possible without unreasonable delay. Some states have defined this to mean no later than 30 or 45 days. A federal law related to health care privacy and security data breaches requires notification to patients without unreasonable delay and no later than 60 days.



Beyond not complying with specific regulatory time requirements, a longer case completion rate can result in the complainant reporting the matter directly to a regulatory agency or even filing a whistleblower lawsuit. It also can have other consequences to a company – it can decrease workforce morale, productivity, and employee and customer trust. Unfortunately, this can lead to a perception of an unethical culture by a company's workforce and customers.

To avoid an adverse event, Northwell created additional controls around this metric. A special log is kept of any compliance cases over 30 days to ensure the matters are handled in the most expeditious time. For regulatory matters that have a shorter timeframe, a log is kept and updated on a weekly basis. Each compliance employee assigned to any case that is active over 30 days is required to provide an update on a weekly basis to the Chief Corporate Compliance Officer.

This metric also can indicate whether a compliance program is adequately staffed to address compliance issues on a timely basis. If a company cannot respond to general compliance inquiries in a timely manner, it sends a signal to management and the board that more resources may be necessary to support its compliance program.

Data Mining & Predictive Analytics

It is also vital that organizations address potential unknown risks by utilizing data mining and predictive analytic tools. For example, Northwell uses a third-party software application where we feed large quantities of real-time billing data that is run against algorithms based upon known government and industry risk areas to identify potential outliers. Northwell also has a third-party application that identifies users who are engaging in patient record access patterns that are indicative of snooping, identity theft or other inappropriate behaviors. Our staff investigates outliers to determine whether there is a legitimate reason for the billing trend or

record access and whether an additional compliance review is necessary.

The data results identified from these types of applications allow Northwell to have a greater degree of confidence that the key risk areas are being identified and addressed. Northwell shares these data findings with management and its board to provide additional assurances that we are targeting the appropriate risk areas in our audit plans.

The Compliance Nerve Center

Compliance metrics serves as the nerve center to ensure potential compliance issues get appropriately handled. Compiling and sharing these data metrics allows management and the board to better ask questions about compliance trends, outliers and existing and emerging risks. This helps demonstrate a company has an effective compliance and ethics program. Assessing organizational risk is not a precise science, but using these vital metrics can help assure a compliance program is fit to pass a regulatory review and receive a clean bill of health.

Author Biography

Greg Radinsky is Vice President and Chief Corporate Compliance Officer for Northwell Health, the largest health system and private employer in New York. A frequent contributor to professional publications, he often shares his expertise via presentations on compliance topics at conferences for national organizations. Greg received his M.B.A. from the Kellogg School of Management, his J.D., magna cum laude, from Saint Louis University School of Law, and his B.A., magna cum laude, from Tufts University.



MORE WITH LESS

Creating Value and Maximizing Efficiency Through Metrics

Written by Uwe Bergmann

Decoupling growth from resource consumption is one of the central challenges facing the planet. How can companies respond? With sustainable innovations driven by ambitious goals, like Henkel's: It aims to make all of its products and processes three times as efficient by 2030, by creating more value for its customers and consumers, the communities it operates in, and for the company itself – at a reduced environmental footprint.

Our innovation teams integrate sustainability metrics into the product development process as part of a unique approach that focuses on every single stage in the value chain. Here's how it works...

Sustainability and innovation are central elements of Henkel's long tradition of success. Since its foundation as a laundry detergent company in Germany in 1876, the company has developed brands and technologies for over 140 years and holds globally leading market positions in both the consumer and industrial sector. Its well-known brands such as Persil, Schwarzkopf and Loctite reach customers and consumers with technologies ranging from homecare products and consumer hygiene products to industrial adhesives, sealants and functional coatings. Its success story owes much to its culture of innovation and strong commitment to leadership in sustainability. These two characteristics will be at the core of the company's future because metrics related to sustainability enable Henkel to align its business with global challenges and expectations, drive progress, strengthen its communications and integrate sustainability into product development activities.

Henkel's commitment is clear: Each new product must continue to make a contribution to sustainability. To achieve this, products are analyzed along the entire value chain – from raw materials right through to use and disposal – in two dimensions, value creation and environmental footprint reduction. In pursuing this objective, Henkel concentrates on six focal areas: Its value-related activities focus on performance, health

& safety and social progress, while its footprint activities are centered around materials & waste, energy & climate and waste & waste water. The focus areas are taken direct from the company's sustainability strategy, which is built around its ambitious long-term goal: "To triple the value we create for the footprint made by our operations, products and services by 2030."

Delivering more value

All new products are assessed with regard to quality, functionality, reliability, convenience, durability and cost efficiency. However, for Henkel, delivering more value also means contributing to social progress as well as safety and health.

Henkel analyzes new products' contributions to health and safety as a top priority, with a focus on product safety – for customers and consumers. All raw materials and finished products are subjected to numerous assessments and tests to ensure a high level of safety during production, use and disposal. This is based on ensuring compliance with legal regulations and farther reaching Henkel standards.

Furthermore, as an employer and business partner as well as directly through its brands and technologies, Henkel contributes to social progress. For example, the company aims to improve work-place conditions for one million employees in its supply chain and reach 200,000 children with its education initiatives.

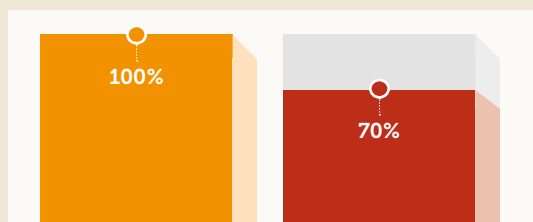
Reducing the footprint

In terms of footprint reduction, Henkel focuses on three areas: materials & waste, energy & climate, and waste & waste water. Henkel's approach to materials and waste includes resource-efficient production techniques, optimizing product packaging and reducing waste as well as initiatives related to renewable raw material use and extending product life.



Henkel's commitment is clear: Each new product must continue to make a contribution to sustainability. To achieve this, products are analyzed along the entire value chain – from raw materials right through to use and disposal – in two dimensions, value creation and environmental footprint reduction.

Facts & Figures



100 percent of Henkel's products are assessed according to sustainability criteria throughout the innovation process.

Henkel has conducted representative life cycle analyses covering around **70 percent** of its sales across all product categories.

Assessing progress in terms of energy and climate includes reductions in energy use, as well as prevention of greenhouse gas emissions, in Henkel's own operations and for the production of its raw materials or in logistics. In addition, many products and technologies enable customers and consumers to save energy and contribute to climate protection.

Contributions to the focal area water and wastewater include products that enable customers and consumers to reduce their water consumption as well as ingredients optimized for biodegradability.

Sustainability#Master® as central tool

Teams from Henkel work with various measurement methods to identify those actions that have the greatest effect on sustainability along the value chain. The Henkel Sustainability#Master® is a central tool for this: Its core element is a matrix that can be used to assess changes in value creation and footprint by comparing new products against the previous generation products or standard products they replace. The matrix compares performance in Henkel's six sustainability focal areas across all relevant stages in the value chain: Raw materials, production, logistics, retailing or industrial processing, service or use, and disposal.

Did you know that getting involved as early as possible and shifting the mindset from “enforcer” to “enabler” will pay dividends in managing third-party risks.



WHAT ELSE HAVE YOU MISSED?

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The Henkel Sustainability#Master® matrix uses scientific measurement methods to identify hot spots – the fields with the greatest relevance for sustainability – for a given product. By using this tool, Henkel's life cycle analysis experts enable product development teams to better understand what environmental impacts occur, to what extent, and in which phase of a new product's life. Henkel's researchers use these findings to drive continuous product improvements.

Leveraging insights from Life Cycle Analysis

Henkel's approach to integrating sustainability metrics into product development relies on its expertise in product life cycle assessment. These analyses show the impacts of its products along the different steps in their value chain – and enable its innovation teams to identify key areas for improvements to specific product categories. For example, laundry or dishwashing detergents consume the most energy (and emit the most CO₂) while being used in the washing machine or dishwasher – so Henkel focuses on developing products that can be used at lower temperatures, with less water. Other product categories call for an increase in the resource-efficiency of Henkel's production processes: In these cases, it targets increased use of renewable raw materials, improved biodegradability, or reduced packaging materials. This information is made available early in the development process, which means improvement measures can be applied where they are most needed.

When preparing life cycle analyses, Henkel uses its own primary data as well as data from partners along the supply chain. If such data is not available, secondary data from existing databases on life cycle analyses, average values and emission factors are used to fill the gaps. Teams from Henkel also collaborate with external partners to develop metrics and indicators related to topics such as product carbon footprints and water footprints, in addition to participating in international initiatives such as The Sustainability Consortium and the Consumer Goods Forum's Measurement Group.

Prepared for future challenges

Henkel's organizational metrics ensure its products and technologies make a positive contribution to its customers and consumers, as well as the communities it operates in – and of course, to the company itself. They form part of a holistic approach that maintains a balance between economic success, protection of the environment, and social responsibility, and responds to the resource challenges of the future by driving innovation. At Henkel, this brings employees together to embrace the principles of sustainable development in their daily work.

Author Biography

Uwe Bergmann heads the Sustainability Management department at Henkel and coordinates Sustainability across the company.

He holds an M.Sc. in Environmental Technology from Imperial College, London and a B.Sc. in Environmental Sciences from the University of East Anglia, Norwich. Prior to joining Henkel in 2000, he worked as a Researcher and Consultant at the Institute for Environmental Management at the European Business School, in Oestrich-Winkel, Germany.

For more information, visit henkel.com/sustainability

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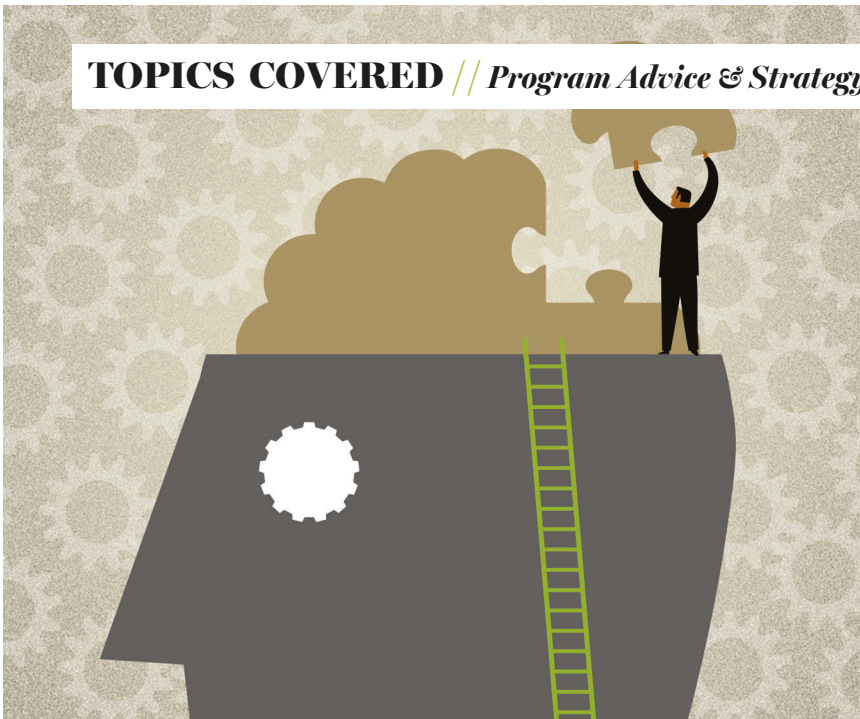


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So how does a company go about measuring a value like integrity? First, you need a plan. As the old saying goes, “plan your work, and then work your plan.” In my experience, the best plans include a disciplined assessment process that measures progress against goals, and allow the flexibility to make changes to adapt to new data and trends. Planning and measurement are as important in establishing an ethical culture as they are in developing and executing a financial plan.

We have a number of metrics that we use to manage risks related to ethics and compliance, among them:

- **Enterprise Risk Management** – We take a rigorous and disciplined approach to ERM at both the individual business unit and corporate level. We actively track our progress and monitor risk trends in a select number of categories most relevant to our business.
- **Training and Certification** – Our employees must certify annually on our Code of Ethics training, which includes an industry-specific focus on the Real Estate Settlement & Procedures Act (RESPA), among other topics. Each year we add new custom content that reflects the most current trends and business issues faced by our industry.
- **Employee Engagement** – We have been tracking how our employees feel about our ethical behavior for the past 10 years. In our most recent employee survey, 99% of Realogy employees stated that they feel they have a personal responsibility to make sure the company behaves ethically.
- **Hotline Data** – Like many companies, we have a Code of Ethics Hotline through which we track and manage potential issues. Because real estate is such a relationship-based business, we have been extremely proactive in getting our employees to self-report any potential conflicts of interests or relationships that could pose a potential conflict. Through this process of self-disclosure, we are able to identify potential risks and move proactively to protect both

CREATING ENDURING VALUE

The Advantages of Taking a Strategic Approach to Ethics

Written by Richard A. Smith

At Realogy, integrity is a core value. We view our commitment to integrity not just as the right thing to do, but as a critical component of our company’s success. As we continue to move forward, we are focused on enhancing our ethics & compliance program through defined measurements and metrics.

our employees and the company's reputation. Over time, we have had an increase in self-reported potential conflicts, and we view this as a positive reflection of our ethical culture. We are pleased that our employees both understand the company's commitment to adhering to the highest ethical standards in the workplace, and also recognize that if they have any inkling of a concern, it's better to consult with our ethics & compliance team rather than to make assumptions on their own.

- **Return on Investment** – We actively look at our ROI from our compliance activities. For example, by implementing and adhering to a strong records retention schedule, we have achieved significant and quantifiable annual savings in off-site records storage costs while also reducing our risk profile. Another way that we measure our risk-based approach to ethics and compliance is from the absence of fines, investigation costs, penalties, attorneys' fees and multiyear consent decrees that have become the norm for other companies. By focusing on ways to eliminate or minimize our risk, including fraud prevention, our ethics & compliance program contributes positively to the company's bottom line.

In addition to these standard measurement practices, we have developed a long-term ethics and compliance strategic planning process that looks ahead to the next three to five years and incorporates business and functional perspectives obtained through tailored feedback from key stakeholders. Our ethics & compliance team utilizes a neutral third-party to conduct interviews and solicit actionable feedback from our business unit leaders, with an emphasis on obtaining their perceptions of risk.

By identifying potential risk mitigation gaps incorporated from a range of differ-

Planning and measurement are as important in establishing an ethical culture as they are in developing and executing a financial plan.

ent perspectives in our planning process, we are better able to understand how our risk exposure may change, or may need to be changed. From there, our Chief Ethics & Compliance Officer, Liz Gehringer, conducts an analysis of business risk issues and how they compare to the issues identified as compliance risks. This first-hand feedback from our key executive officers ensures that our ethics & compliance strategy incorporates a diverse set of perspectives and business needs. We also ask our top executives to individually sign off on the ethics & compliance plan as a means to create buy-in and increase the quantity and quality of their feedback in the process as our strategies are developed.

Our ethics & compliance plan is executed with regular checkpoints at every audit committee board meeting, and progress is reported quarterly. Our commitment to ethics is a benefit to our business, and it truly supports our business growth. We are keenly focused on improvements to meet the new risks and regulatory demands that may arise.

Going well beyond our internal practices, we have stepped back and taken a hard look outside our company and industry in order to identify broader trends impacting the current ethics and compliance environment, and we have incorporated them into our strategic planning process.

Here are the five broad external trends that we are monitoring closely and for which we are maintaining a proactive stance internally:

1. Theft of funds and data are on the rise: Ethics & compliance, information security and law enforcement are typically stuck in emergency response mode as criminals call the shots.
2. Integrating compliance into operations: Regulators are less impressed with check-the-box activities so compliance programs need to move from bolt-on to built-in, risk-specific practices.
3. Using data analytics: As compliance-related data grows, companies begin to deploy compliance monitoring, non-compliance monitoring and predictive

analytics. We see a growing shift in companies using a single system of record.

4. Managing the expanded enterprise: Companies are held more accountable for understanding their supply chain and third-party network activities. Corruption is not going away and cyber concerns about partners are growing. Companies should know more about their partners to avoid complications inherent in an association with a bad actor or, at the minimum, an entity not focused on ethics.
5. Focusing on basic integrity: Recent headline scenarios in the automotive industry are driving companies to question basic right-from-wrong decision making and the failure of employees to speak up at the time an ethical problem occurs.

In closing, we understand that the work we do supports very important aspects of our clients' lives, their homes and their businesses. Together with our employees, we have created a culture that inspires a fundamental mindset of always doing the right thing. The enduring value of our unwavering commitment to ethics and integrity is reflected in how we operate our business and how we think about our future.

Facts & Figures

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According to a 2016 Gallup poll, only **six percent** of the American Public says they trust big business "a great deal."



Author Biography

Richard A. Smith is Chairman, CEO and President of Realogy Holdings Corp. (NYSE: RLG), a global leader in residential real estate franchising with company-owned real estate brokerage operations as well as relocation, title and settlement services. Realogy's renowned brands and businesses include Coldwell Banker, CENTURY 21, ERA, Sotheby's International Realty, Better Homes and Gardens Real Estate, ZipRealty and the Corcoran Group, along with NRT, Cartus, Title Resource Group and ZapLabs, the company's innovation and technology hub.



TOPICS COVERED

// Program Advice & Strategy

In today's business environment, change is constant. Companies must measure themselves against something that will stand the test of time: specifically, how are we trying to change the world? Without a clear purpose, organizations run the risk of becoming too focused on short-term returns, which can sometimes lead to long-term decay.

Focusing on a larger mission also makes business sense. Research from a Deloitte Review study in 2015 has shown that mission-driven companies have 30 percent higher levels of innovation and 40 percent higher levels of retention. What is most important is a company's lasting impact on society.

At Novartis, our mission is to discover new ways to improve and extend people's lives. We put a lot of time and effort into engaging our associates around this. We want them to not only understand it, but live and breathe it so when they wake up in the morning and come to work, they're focused on enhancing lives. Whether in the minutia of our work – from office meetings and regulatory deadlines, to understanding the scientific mechanism of disease – we see it as our fundamental purpose driving us to work hard and deliver for the people who need us the most.

It may sound simple, but reminding people of the reason they are here takes a bit of inspiration. What started as a rallying cry around our mission in a time of extraordinary change and uncertainty in the external global healthcare landscape has become a movement in our company that was driven by our associates. We call it "Long Live Life."

Long Live Life is all about celebrating the fact that every normal life is extraordinary. When somebody gets sick, all you want to do is get back to normal. That is what we at Novartis fight for every day. So we asked associates to share photos, stories, and ideas across the organization, to engage with our mission on a personal level and explain what Long Live Life means to them. And this year, we're asking associates to share inspiring patient moments to help make these extraordinary moments possible.

Since it launched three years ago, the program has become a collective expression of what we stand for and believe in. Participation has exceeded our expectations and we've seen engagement with our mission increase at all levels throughout the

MAKING YOUR MARK

Measuring the Impact of a Mission Driven Organization

Written by Joseph Jimenez

In business, how we measure ourselves is constantly evolving. Traditionally, success has been measured in dollars and cents: revenue, profit, shareholder returns. These are important indicators of performance, but I strongly believe that the true measure of an organization's long-term ability to be financially successful is whether it leads with purpose and a mission.

I strongly believe that the true measure of an organization's long-term ability to be financially successful is whether it leads with purpose and a mission.

company. During its first year alone, over 80 percent of our associates visited our internal Long Live Life website. Sixty-four percent of global associates participated in our image sharing program, in which over 8,000 associates from all levels and tenures in 95 countries registered to generate 1,250 new ideas and more than 400 video stories. Across the board, our associates now feel they're leading with purpose – they're coming to work for a more noble cause.

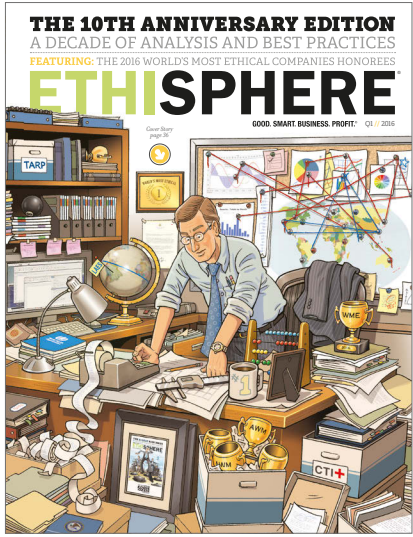
For instance, through Long Live Life, we learned about one of our own cancer researchers who works at the Novartis Institutes for BioMedical Research. The day a drug he spent years researching was approved by the FDA – a career-marking moment for any scientist – was also the day he was diagnosed with cancer himself. His story as a patient and a scientist struck a chord with many of our people, illustrating the powerful impact of what we do in a personal way. Stories like this rally us all around our common enemy – disease. They inspire us to work harder.

The same is true for me personally. I recently received a letter from a patient who is taking our medicine Entresto® for chronic heart failure. He told me that Novartis changed his life. He now has the chance to see his daughter graduate college and get married, and he hopes to hold his future grandchildren one day. Because of us, he is able to enjoy life again.

Stories like this show us the real impact of our mission. They also help reinforce the values and behaviors we want to reward internally. When we illustrate our mission in action, we motivate associates to make the right decisions and carry out higher ethical thinking. Our mission has both quantitative and qualitative value. We evaluate the performance of our 120,000 employees against six values and behaviors. It's not just what they deliver in a year but also how they deliver it. This also determines how they are compensated. This has been critical to attracting and retaining top talent and has helped us identify what kinds of people we want in the company. This is especially true for millennials, who will make up half of the global workforce by 2020. According to Deloitte's 2015 Millennial Survey, 60 percent of millennials identified a "sense of purpose" as part of the reason they chose to work for their current employers. Refocusing around our mission has helped us to not only become an employer of choice, but also find the right people who share our same values and will hold up our very high standards.

What a company stands for and the impact it makes on society will determine its success or failure. As the world becomes increasingly complex, let us focus on the reason society allows us to exist – our mission – and the impact we will leave on the world.

Did you know the Q1 2016 issue of Ethisphere Magazine was our 10th anniversary and we celebrated 10 years of helping organizations reach new heights.



WHAT ELSE HAVE YOU MISSED?
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Facts & Figures



Sixty percent of millennials identified a "sense of purpose" as part of the reason they chose to work for their current employers.

Source: Deloitte's 2015 Millennial Survey

Author Biography

Joseph Jimenez has been CEO of Novartis since 2010. Under his leadership, and driven by a commitment to R&D investment, Novartis has developed one of the largest pipelines of self-originated drugs in the industry. Mr. Jimenez has also transformed the company's portfolio to focus on leading businesses with innovation, power and global scale in pharmaceuticals, eye care and generics. He is a member of the Board of Directors of General Motors Company.



IF YOU'VE BEEN LOSING SLEEP OVER THE SEC'S REGULATION S-K CONCEPT RELEASE, I GET IT.

On one hand, the SEC could eliminate any disclosure requirements they deem unnecessary, reducing the number of redundant forms you need to file with the federal agency. On the other hand, you may have to restructure the existing reporting regimen in light of amendments.

You've been through this before: The SEC proposes a new set of regulations that affect your business. Once implemented, you have to nail down exactly how the new regulations impact specific processes and collaborate with upper management to reassess your compliance approach. This typically involves spending countless hours with your best friend, Google, entering search terms such as "Regulation XYZ, Subart 775.200, Item 105 - how this relates to business process A."

Accessing relevant information is a part of your job, but you certainly don't look forward to reading SEC documents into the early hours of the morning. In an ideal world, you'd like to dedicate 100 percent of your time towards systematically reducing risk to the business and implementing adjustments to the reporting process as required.

So the question is: If the SEC overhauls Regulation S-K, how can you reduce the amount of time you spend researching the new requirements?

Preemptively staying ahead of compliance challenges

Think of it this way: In your role, time is a currency. But, according to a 2014 survey conducted by Grant Thornton, only 17 percent of corporate counsels believe they can keep up with new legislation. Additionally, more than two-thirds of respondents said they didn't implement

compliance guidelines because they didn't have the staff or budgets required to do so.

Sound familiar? Well, there's more. Ensuring you have enough time to fully review and understand new SEC regulations is just the beginning.

Let's go back to that ideal world of yours. In it, the concept release comment period has closed and the SEC has introduced several changes to Regulation S-K.

Instead of buying your caffeinated beverage of choice and preparing for a long night in the office, you open a platform that enables you to not only find statutes, rules, regulations and other legal content relevant to specific parts of your business but also determine how SEC examiners interpret requirements. In addition, this solution shows you how competitors are developing specific disclosures, which Regulation S-K items are trending in your industry and notifications on particular items of interest.

Now imagine tapping into these functions from anywhere: A branch in New York City, a coffee shop in South Carolina or even the comfort of your own home. I've just described Intelligize, a web-based platform that positions research as a competitive advantage.

An intelligent touchpoint for regulatory content

Whenever I think about past technological innovations, from the printing press to office productivity software, it's clear that the people who developed them were trying to solve problems they encountered every day.

Intelligize's founders created the platform to address the issues yourself and other GCs face in the wake of new regulations. It's not a dumping ground of SEC filings, comment letters and other such information, but a

The Shift in Trends in SEC Comment Letters

While the overall number of comments issued by the Commission continues to drop, the complexity of the topics that the SEC focuses in on continues to increase.



Analysis performed using Intelligize highlights the SEC's strong focus on financial statements, MD&A and Risk Factors

platform that logically organizes this data according to your immediate concerns, enabling you to investigate specific issues with speed and precision.

Say you're concerned about SEC examiners' criticism of Form 8-K. You may configure the platform to send you a notification every time a specific SEC examiner sends a comment letter to a competitor regarding the latter's Form 8-K content. Where did the registrant go wrong? What steps could your organization take to avoid the errors highlighted by the SEC examiner?

Our SEC Comment Letter application helps you answer these questions. We break down each letter into individual comments and responses, and then match each response with the comment it addresses to form a correspondence thread spanning multiple letters. For example, you could search for a specific SEC examiner by name, add a topic filter for Item 2.03 of Form 8-K, and see how the examiner interpreted the stipulations under that particular item. This is one of many features that distinguishes Intelligize from content repositories.

The premise behind Intelligize is that if your legal team can quickly find regulatory content that's applicable to specific concerns, you can spend more time strategizing with upper management. You no longer have to spend weeks identifying pertinent items - you can go straight toward predicting and defending against possible repercussions.

Current and evolving

Between benchmarking and section analysis, Intelligize enables GCs to find granular details in Regulation S-K items and other SEC stipulations. But all the features in the world mean nothing unless the data within the platform is up to date.

Every time a company files a disclosure with the SEC, Intelligize receives the information and logs it into its database. The same transaction occurs whenever the SEC updates regulatory statutes, an examiner submits a comment or no-action letter to a registrant, and so forth.

Time is precious, and making the most of it doesn't typically happen when you need to peruse hundreds of documents before assessing the risk to your business, benchmarking with other companies or simply understanding a key concept. Intelligize enables you to optimize the time spent reviewing regulatory amendments, and the platform isn't a stagnant solution. It will continue to evolve as future SEC requirements roll out and new GC demands arise. For more information, visit intelligize.com.



COMPLIANCE & ETHICS

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// *Program Advice & Strategy*

Can you tell us more about your role and day-to-day activities at Cambia Health Solutions?

PM As the Senior Vice President of Corporate Accountability and Performance, I oversee a number of key areas, including ethics and compliance, and work with the leaders over those areas to ensure that we have effective programs in place so that we can deliver on our promises around consumer-focused healthcare. I have been with Cambia for 19 years. I joined the company as an Associate General Counsel and have held several posts, including Chief of Staff to the CEO, Vice President of Legal Services, and Director of Litigation & Risk Management prior to being promoted to my current position.

Cambia and its companies have been on a continuous journey, creating and investing in innovations designed to serve the changing needs of individuals and families in our communities and beyond.

Cambia has taken the approach of separating the Ethics and Compliance functions. How do they work to help drive awareness across the business?

PM Both functions report to me and there is a close partnership between Ethics and Compliance, but we keep them separate to highlight the weight and importance of each function. Ethics is at the core of who we are, it goes beyond compliance. We encourage employees to ask questions of themselves and of their colleagues and leaders such as “Does it feel right?” Or, “even though this may meet every letter of compliance, is this the very best we can do for our customer – can we go above and beyond to do better?” Compliance partners with the business leaders to create processes that prevent, detect and protect legal violations. Both functions are both incredibly important and best seen as partners.

THE CONTINUOUS JOURNEY

In Conversation with Peggy Maguire

Interview by Aarti Maharaj

With nearly two decades with the company, Peggy Maguire shares the passion she brings to her role as Senior VP of Corporate Accountability and Performance at Cambia Health Solutions. Ms. Maguire shares her insights regarding the role of transparency in the healthcare industry and explores the key role of values, ethics and compliance within her organization.

We encourage employees to ask questions of themselves and of their colleagues and leaders such as “Does it feel right?” Or, “even though this may meet every letter of compliance, is this the very best we can do for our customer – can we go above and beyond to do better?”

Can you talk more about the company’s “Values, Ethics and Compliance” program?

PM Values: We believe that how we do business is every bit as important as what we do, we are a completely values-based company and that expresses itself in a number of ways particularly with regard to ethics and compliance. Both elements play an integral part in our ability to create a focused and sustainable healthcare system. We are always pushing the dial to improve things for consumers and I think that a strong culture of ethics and compliance is the backbone of our company and fundamental to our ability to innovate. Compliance is integrated throughout our business and this builds our trust and credibility with stakeholders. It is clear that when it comes to compliance, we need to get it right the first time, and acting with ethical clarity to inspire trust in us and with each other is a critical part of our company and core values.

How do you bake ethics into the company’s programs?

PM I think ethics is pervasive to our culture and there are so many examples of how we embed this throughout our culture. As soon as we hire or promote a new leader, our ethics team meets with that leader and provides tips on how to build

ethics into the team. Our team gives them practical tools to help them continue to focus on ethics. One of the ways we encourage them to do this is by having quarterly ethics-related conversations with their team. After the new leader meeting, the ethics team follows up with them later to make sure their ethics conversations happen.

In addition, every year we do a company-wide training that is really intensive and focused on highlighting the importance of ethics and compliance. This year we updated the video course for employees based on their feedback to ensure it is practical and productive to them.

Every year, we survey our employees to assess our culture of ethics and integrity. We share the results with each division leader and provide them with the topics they should be discussing with their team. In our recent standalone ethics survey, our employees rated our ethical culture at 92% and our response rate was impressive at 69% of 5000 employees.

We also recognize the importance of accountability. We have a corporate scorecard, which we share with the board. It’s very important that we share this information with our leaders and those on the executive leadership team.

In addition, we have a non-retaliation policy and it’s not just on paper. We follow up with each report to make sure that person’s concern has been addressed and we make sure people feel safe coming to us with an issue, and trust that they will be treated well in the process. There is no filter – and retaliation is not accepted for reports made in good faith.

Transparency is a hot topic in the healthcare industry. How does Cambia Health keep customers, employees and all other stakeholders engaged in the business?

PM We were talking about transparency before it became a hot topic. We strongly believe that consumers need to understand the quality of healthcare services. In order to sustain a healthy, transparent culture we keep our employees updated and engaged through our Quarterly Reso-

lution Series, which shares studies that describe situations and how they are resolved. This opens up the lines of communication and it helps them to understand the full circle of our ethics investigation process. We also produce an annual ethics report to our Board of Directors. This is also shared with our employees and it provides highlights of our Ethics and Compliance program throughout the year.

How does leadership at Cambia “set the tone at the top”?

PM Our Board Chairman, Mack Hogans, was recently recognized with the Modern Healthcare Excellence in Governance Award in part because of his commitment to setting a strong tone at the top with the Board of Directors. The Board has very open and transparent conversations with the management team; it’s a collaborative, open process.

Our CEO, Mark Ganz, leads with his heart and values. He was the company’s first Ethics and Compliance Officer many years ago. As a lawyer, he helped build our ethics and compliance program and kept the role separated from the very beginning, yet he ensured that they worked in tandem with each other. The strong program we have today stands on his shoulders.

Facts & Figures

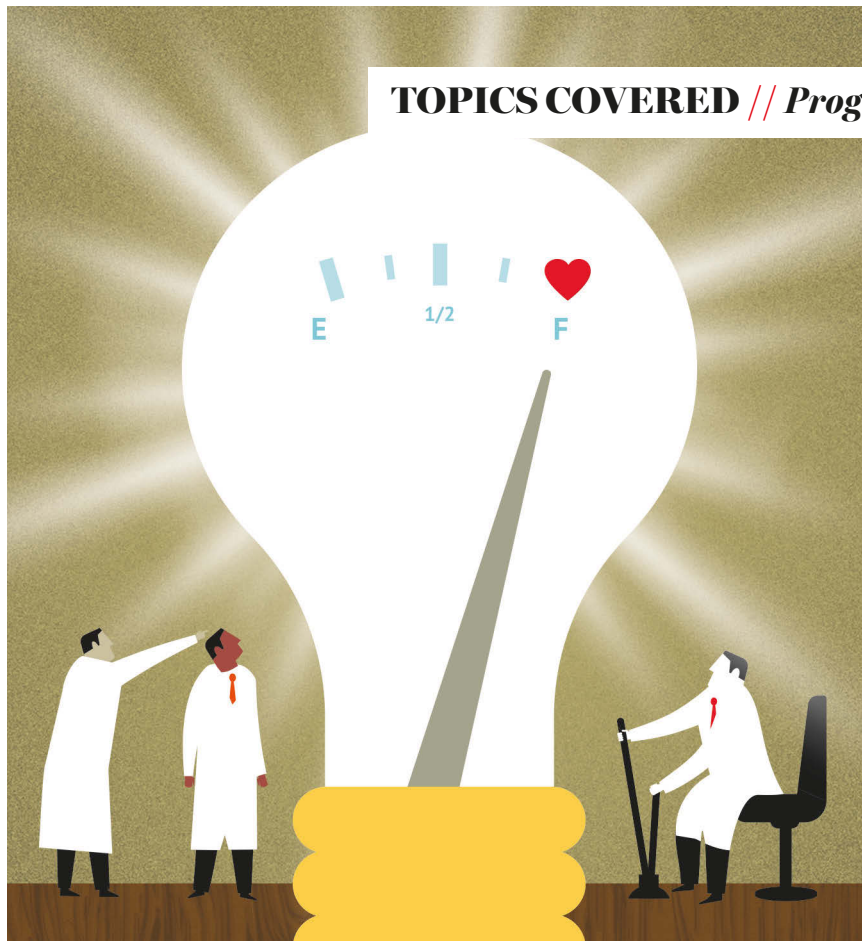


According to **71 percent** of board directors, the top trait of a Chief Ethics and Compliance Officer is independence.

Source: The SCCE and NYSE Governance Services 2015 Board of Director’s Compliance and Ethics Survey.

Expert Biography

Peggy Maguire is SVP, Corporate Accountability and Performance at Cambia Health Solutions. She provides leadership and strategic direction to several key areas at Cambia, including ethics, compliance, strategic planning, corporate performance, enterprise risk management and corporate social responsibility. She also serves as President and Board Chair of Cambia Health Foundation, where she works with a wide range of stakeholders to enhance quality and improve access to palliative care through Sojourns, the Foundation’s signature program.



TOPICS COVERED // Program Advice & Strategy

Companies understand that this is something they should be doing – after all, the Federal Sentencing Guidelines talk about program effectiveness, and 66 percent of the companies on our World’s Most Ethical Companies list in 2016 conducted periodic evaluations of their compliance programs. Yet the challenge remains, what metrics truly matter in the chase for effectiveness?

It is not that there is a lack of available metrics at most organizations. The bigger challenge has been in figuring out which pieces of data relate to program effectiveness. One fruitful approach is a careful and consistent overlap of data analysis with other control functions. Safety and quality are two sister control functions in many organizations that allow for triangulation of data that can spotlight key risk areas. Audit and HR have long been potential partners to the chief ethics and compliance officer, and the chief technology officer is becoming a key ally. All three have data that can provide insights into potential hot spots.

But while the triangulation of data with sister control functions can provide tremendous insights for a risk assessment or other resource allocation exercise, it does not answer the key effectiveness question. At the end of the day, two key questions matter. First, do our people know what to do when faced with a key risk area – can they spot a red flag? And second, will they tell us when things go wrong? If you focus on the metrics that fall in those two buckets – knowledge and culture – you are truly getting at the heart of what an ethics and compliance program is trying to accomplish.

Knowledge

Training at most organizations is prevalent, from compliance topics, to training on HR topics, from training on operational skills, to training management on their unique responsibilities. The problem is not a lack of training.

The challenge is not a lack of planning either; increasingly, training plans are getting more and more detailed as companies try to ensure that employees are only being asked to take training that applies to their job responsibilities (see diatribe above on all the training). In fact, 100 percent of the companies on our 2016 World’s Most Ethical Companies list maintains a curriculum plan.

MEANINGFUL METRICS

How Knowledge and Culture Can Tell the Tale

Written by Erica Salmon Byrne

Effectiveness. It should be a question we ask ourselves consistently in everything we do. Is what we are doing working? Where might we need to deploy more resources? Where are we plowing the same ground over and over without having an impact? An effectiveness analysis has been a consistent component of regulatory guidance for years, and as companies look carefully at the return they receive for investments in ethics, compliance and culture, it is a question that more and more organizations are asking.

If you focus on the metrics that fall in those two buckets – knowledge and culture - you are truly getting at the heart of what an ethics and compliance program is trying to accomplish.

So the issue is not training or planning – it is how do you know that all that training is working?

There are a few options. One leading practice is a post-training knowledge assessment. What companies are doing is waiting some period of time, such as a few months from the roll-out of the training, and sending a short set of scenarios to a sample of the employees that took the training, to see if they retained the information. The results can be extremely illuminating.

Open-door and helpline call rates can give you rough metrics of knowledge and they are used consistently with varying degrees of success. If you are fortunate enough to have one centralized case-management system, utilizing trending analysis to look at spikes in reports around training or communication initiatives can give you a sense of how well your methods are working. Taking that one step further, consistent root cause analysis by a team of trained investigators utilizing the same taxonomy provides a tremendous source of information on program effectiveness. Also, be sure you are not utilizing this as your only metric of effective-

ness. That was a common practice five years ago; however, it is no longer enough.

Another option for measuring employee knowledge, if the topic lends itself, is an audit exercise. We see this frequently in the information security realm, where IT sends out a phishing test to see which employees end up falling for it, or conducts some other security audit. Conflict of interest certification disclosures can also give you a rough proxy of knowledge, if your current certification process allows for a reasonable level of granularity. Third party due diligence failure rates, if cross-referenced with the business leaders sponsoring the third party, are another rough measure. Finally, a minority of companies, 11 percent in our dataset, are utilizing pretest capabilities in their learning management systems to allow employees to test out of certain courses. Expect to see the use of pretests grow, especially as learning management systems allow more of it.

Culture

If knowledge is one side of the effectiveness coin, culture is the other. A willingness to raise a concern or ask a question is a critical metric of effectiveness. Fortunately, there are some excellent ways to measure it.

Using a survey to measure employee willingness to report concerns is an increasingly common practice, utilized by over three-quarters of the companies on the 2016 World's Most Ethical Companies list. In terms of the various methods used to assess culture, 76 percent of those companies indicate they include culture questions in their employee engagement survey while 62 percent run a stand-alone survey specifically focused on the culture of ethics. In both cases, most companies are asking questions along the lines of Ethisphere's eight key pillars of culture. Collectively, the pillars offer a full view of the corporate culture that exists. Results are analyzed along a variety of demographic criteria to allow the compliance team to identify key "hot spots" by region, tenure, business unit, etc. Cross-referencing that data with helpline data and other knowledge metrics can provide

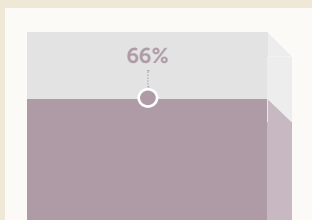
quite a roadmap to managers who may be creating – unwittingly or not – an island of misadventure.

Of course, surveys are not the only way to measure culture. Site visits can provide a tremendous amount of information, and that mechanism is used by 53 percent of 2016 WME companies. The reaction of employees in a location when you arrive can be telling. Is it surprise? Does the management team for that region welcome you, or are they unavailable during your visit? What are the conversations like when you are in country? If you coordinate getting feedback from internal audit and other control functions that are also making site visits, you can cover far more ground than the compliance function alone might be able to. Focus groups, if done well, can also be tremendously effective, but they are time consuming and generally require an experienced outside facilitator to ensure good participation. Companies are also scrubbing feedback from annual ethics week activities to gain insights into the way employees perceive the function and its ability to assist them when needed.

Conclusion

Here at Ethisphere, we are fond of saying that what gets measured gets done. It's a shorthand way of reminding ourselves that metrics matter. They send signals to employees of what is important to the organization. They allow an organization to prioritize the distribution of resources. And they prepare you to, if the day ever comes, walk confidently into a regulator and defend your ethics and compliance program. Whether you start with knowledge or with culture, what matters is that you start.

Facts & Figures



66 percent of the companies on Ethisphere's World's Most Ethical Companies list in 2016 conducted periodic evaluations of their compliance programs.

Author Biography

Erica Salmon Byrne is the Executive Vice President, Governance and Compliance at the Ethisphere Institute and the Executive Director of the Business Ethics Leadership Alliance (BELA). She's responsible for Ethisphere's data and services business and works with the BELA community to advance the dialogue around ethics and governance. She has been in the governance and compliance space for over a decade, speaks, writes and appears regularly on topics of interest to ethics and compliance professionals, and previously served as the EVP of Compliance and Governance Solutions for NYSE Governance Services, Corpedia. See her full bio in the leadership section at www.ethisphere.com.



TOPICS COVERED // *Program Advice & Strategy*

As multinational corporations shore up their compliance functions to meet this new normal, questions of resourcing have come to the fore, especially: how many compliance personnel are necessary for a program to succeed? The answer at present is: it depends on company size, markets served, and business partners. To complicate things further, there is very little reporting on metrics in this regard from the private sector, nor guidance from either the DOJ or the Securities and Exchange Commission (SEC) as of yet. In other words, there is no set formula to determine the size of your compliance staff, due to the challenging nature of compliance, which is constantly shifting as companies change and grow. However, there are guidelines.

The US Sentencing Guidelines, that describe an “effective compliance and ethics program,” clearly delineate roles, authority, access, and ensuing duties for such personnel—but not the number of people, say per capita at a company, required to execute the program to DOJ’s increasingly exacting standards. Therefore, a firm must make decisions based on the size of their workforce, the levels of corruption present within the markets it serves, and the transparency of third parties with whom it chooses to do business. Further complicating the straightforward query of “how many,” is the practice of tasking current employees with compliance duties, instead of hiring dedicated compliance staff.

There is also the risk committee; companies of all sizes should have one. And if it is particularly influential, it can reduce the number of staff required to craft and implement policies and procedures, monitor employee behavior and financial transactions, and report the results of internal audits to executive leadership and, if necessary, the DOJ.

The DOJ and SEC recognize that small to medium enterprises (SMEs) may not be able to maintain the same resources as large multinational corporations. Therefore, as a temporary measure, SMEs may opt to utilize “half a Chief Compliance Officer (CCO),” affording this dual hat to an executive within the legal, finance, or human resources departments, who is already familiar with the industry and company culture. The same method can be applied to compliance liaison officers (CLOs). Operating in each field office CLOs are indispensable in implementation, as well as reporting what aspects of the program are untenable, and in need of adjustment for

THE RIGHT BALANCE

Establishing Effective Compliance Staffing

Written by Greg Esslinger

In November 2015, the US Department of Justice’s Fraud Section retained Hui Chen as their full-time compliance expert, to advise and provide expert guidance to Fraud Section prosecutors, concerning the prosecution of business entities, and to help create benchmarks by which to evaluate corporate compliance programs. The following April, the DOJ added three squads of special agents, and more than doubled the number of prosecutors within its FCPA enforcement unit.

the global markets in which they operate. This would afford half a compliance personnel in every brick and mortar operation the company manages, with perhaps the risk committee supporting the CCO at headquarters.

However, as the company expands, especially into developing markets, these positions must grow into full-time, dedicated roles, regardless of how robust the risk committee's efforts are. Larger revenues beget greater expenses and spending, and thus a greater risk of improper payments being missed. Growth in number of employees or locations around the globe increases the challenge of being physically present to tackle compliance issues in a timely manner. It also adds to the burden of training and refreshing the entire company on compliance measures.

Entry into new markets may also require a level of local compliance expertise not currently available in the organization, as well as a deeper understanding of cultural and communication requirements.

Technology can further magnify the reach of any compliance program through monitoring employee activity, streamlining internal investigations, enhancing reporting methodologies, and training the workforce on international rules and regulations.

This can vary industry by industry. Meanwhile, new go-to-market strategies can shift risk from internal sales teams to third party partners (and vice versa), which in turn changes the focus between internal and external compliance risk.

For example, new leadership at a utility company operating in Latin America may find they need to hire additional staff to identify past and current internal corruption. Meanwhile, a retail distributor expanding operations in China may find it needs more people to carefully audit new distribution partners to avoid theft within the supply chain.

It's not always about sheer numbers of people, however. Technology can further magnify the reach of any compliance program through monitoring employee activity, streamlining internal investigations, enhancing reporting methodologies, and training the workforce on international rules and regulations. In addition, it can provide the data analytics by which to measure the program's effectiveness, often characterized as reduced violations of the compliance policies, company-wide over time. Nonetheless, it cannot replace human intuition into cultural business norms that differ greatly across the globe in their potential levels of corruption. The more a company proliferates into emerging markets, the more critical that local compliance person becomes. A firm cannot effectively manage compliance from a remote location, such as headquarters.

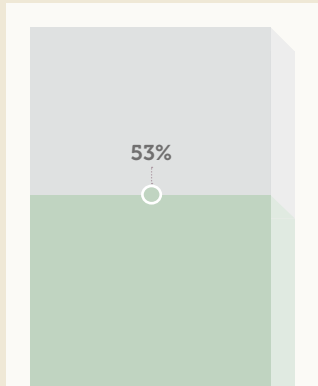
For companies seeking a formulaic answer, such an approach flies in the face of the DOJ FCPA Resource Guide's thematic requirement for corporate entities to establish a "thoroughly implemented ethics and compliance program." That thoughtfulness should begin with risk-based analysis, but also manifests in something difficult to define, but essential to have: manager intuition. Compliance managers take into account company culture, industry dynamics, business strategy, and market volatility. Based on their experience and intuition they make judgment

calls on a rolling basis regarding whether more or less people are needed.

Ultimately, the number of compliance personnel deemed necessary will be influenced by DOJ's evolving benchmarks informed by Ms. Chu and her team's prosecutorial experiences. Meanwhile, industry will begin to self-report what works and what doesn't, as multinational corporations adjust to the DOJ's increased scrutiny in a landscape of self-monitoring-themed DPAs.

Control Risks, on a recurring basis, conducts surveys across its client base spanning a wide variety of industries, in order to collect data on compliance efforts, and will seek to shed more light on the issues discussed in this article in future published materials. In the meantime, a well-crafted compliance program that has the visible support of the CEO and Board of Directors can be easily communicated, easily understood, and thus is less likely to be violated. It also provides a yardstick against which the CCO can judge whether he or she needs more or less personnel to fulfill the program's mandate, and thus reduce the chances of prosecution.

Facts & Figures



According to a survey in 2015 by the Society of Corporate Compliance and Ethics (SCCE), 53 percent of organizations with revenues in excess of \$3 billion, have relatively small compliance departments comprised of 10 or fewer compliance employees. Moreover, 2 to 5 employees was the most common response to the question regarding how many people are on the compliance team, across all revenue segments.

Source: SCCE's Staffing and Budget Benchmarking Guidance Survey – June 2016.

Author Biographies

Greg Esslinger is a Senior Partner in Control Risks' Compliance, Forensics and Intelligence practice in the Americas region, with an emphasis on regulatory investigations, compliance program evaluation and development, business intelligence and due diligence, as well as the utilization of litigation support and analytic technologies. Greg is a Certified Fraud Examiner (CFE) with nearly 20 years of experience addressing domestic and international issues on behalf of governments, boards, senior management and counsel.

TOPICS COVERED // *Program Advice & Strategy*



Government is keeping pace with integrating measures into requirements

When the Department of Justice (DOJ) examines a compliance program in the midst of an investigation, they look for adequate controls to be in place and how the compliance officer minimizes the risk. And while Andrew Weissman, Chief of the Criminal Division's Fraud section at the DOJ, says that you can't eliminate risk in totality, you can minimize it. When a case of misconduct or wrongdoing arises, the DOJ wants to see how the company has learned from it, how the company conducted a root cause analysis and what they are doing to integrate the learnings into the maturity of their compliance program.

At the end of the day, the DOJ seeks to understand how the company is identifying emerging risk areas by applying strategies and tactics of an integrated compliance program.

In parallel, the Security Exchange Commission (SEC) views an effective compliance program slightly differently. Their analysis of a program comes when an issue has already arisen – early on in the investigation. They have even gone as far as taking a confrontational route of asking to hear about the program as well as asking to meet directly with the compliance officer. The objective is to get a better idea of where a company's compliance story is in that moment, and what they will be working with for the next few years. Stephen Cohen of the SEC's enforcement division told Compliance Week in a recent interview.

Research shows a strong appetite for learning the "how" behind metrics

Taking what the regulatory bodies are looking for to determine what an effective program looks like, despite its loose definition, couple it with industry research and we've found professionals are eager to solve the puzzle of how.

We partnered with Ethisphere earlier this year to produce a compliance strategy report. Our survey found that measuring a program's effectiveness is top-of-mind for compliance teams. While we found that most respondents have a firm strategy in taking metrics to determine the effectiveness of training and communication, there is a large individual yearning to measure program ROI.

The survey found that to be more effective, teams need to establish a more

FRAMING THE PICTURE

How Metrics Can Present a Defensible Story

Written by Chris Nixon

Metrics are taking the floor in nearly every compliance conversation and will continue to be in the limelight due to the newly hired Department of Justice's dedicated compliance expert, Hui Chen. However, determining what *effective* translates to in relation to a compliance program's use of metrics remains an unknown for most, and in turn, is a top frustration felt by all compliance professionals.

Metrics are taking the floor in nearly every compliance conversation and will continue to be in the limelight due to the newly hired Department of Justice's dedicated compliance expert, Hui Chen.

direct correlation between compliance and company strategy as well as with long-term business profitability. Results indicate that only 41 percent are involved in company strategy, which is an extreme disadvantage for compliance and the business, and as such, does not set the function up for success.

And while most surveyed feel confident in using hotline statistics, investigations and training completion rates, the biggest challenge is finding new and relevant data that helps to support the effectiveness of the program. Calculating and defending the ROI of the program is where the function needs to be headed, and where compliance officers need to be given the resources and tools to do so in or-

der to meet regulatory requirements and prove to the business that compliance is an enabler rather than a blocker.

Get creative in mining your compliance data

Convercent holds regional "Tech Talks" where 20 or so compliance executives join together to talk about industry trends, problems they're grappling with. At our most recent event in Chicago, one attendee shared how he brought his compliance program's maturity level to world-class by implementing measurement in different ways.

The attendee in Chicago reported that his rapport and respect with his board insurmountably grew from the approach he took. He went outside of his comfort zone and gathered what some may see as abnormal data from unusual sources in an effort to prove himself, as well as the program's impact and effectiveness. Through the numbers, he was able to share with the board a compelling, dynamic story in a way that resonated with them.

Start small and take a look at partnering with department heads such as those in HR and even in IT. Working closely with HR will yield data from annual culture surveys, a tactic most are familiar with, and overlay general employee data on top of your policy and training updates. Employee data related to raises or demotions, and hiring and firing can demonstrate if there is a correlation between company and compliance events. Building strong relationships with department heads opens a line of two-way communication.

Stop reacting and get proactive

This data-driven shift compliance teams are seeing is not an easy transition. These initiatives funnel down from the board, a CEO, executives, business partners or the regulators and this push for the compliance professional to think and act in this way is not a very natural one. And while it's how nearly every other business unit

functions, asking CCOs to do the same takes time given the simple reality that being a technologist or data analyst is not as intuitive to them.

Convercent's CEO Patrick Quinlan recently spoke with Laura Jacobus, an advisory board member for the company, for an interview recently featured in the Ethics and Compliance Initiative (ECI) blog. Mr. Quinlan shared some insight into how to easily start using metrics in compliance. His example is straight forward – you have a high amount of fraud incidents. Without the push towards using data to solve this issue, you'd see this as an opportunity to write an antifraud policy, ramp up a new training and revisit your communication strategy.

On the other hand, by using data from your HR department, you might be able to see that a large amount of your employees who are involved in fraud incidents have been with the company longer than five years, they've reached a comfortable position and rationalized the behavior as doing no harm to the company.

This intelligence will give you the ability to target your training and communication efforts to a specific employee or set of employees. A big picture strategy would be to take that data and work closely with HR to develop new ways to keep employees motivated and engaged – proactively avoiding a repetitive occurrence.

Don't get lost in the data jargon or allow the fear of the unknown deter you from using data and metrics. While the regulatory oversight is not as clear as we'd all like in terms of how to find these metrics, there are simple and creative ways to do so. Aside from meeting these new requirements, making data-driven decisions on a regular basis allows your program to be more effective and efficient; they help the story of your compliance program become more dynamic, impactful and world-class.

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According to the U.S. Federal Sentencing Guidelines (FSG), compliance program monitoring and auditing is a major component of an "effective compliance program." A joint survey conducted by the Society of Corporate Compliance and Ethics and NYSE Governance Services in 2014 determined that the majority of organizations (83 percent) conduct a formal assessment of their overall compliance and ethics function.

Source: 2014 Compliance and Ethics Program Environment Report.

Author Biographies

Chris Nixon is Executive Vice President of Marketing at Convercent. Having directed marketing strategy for several successful software firms, Chris Nixon is no stranger to reaching and engaging technology customers and igniting revenue growth. While serving as VP of Marketing for TapInfluence, a social content platform provider, Chris' strategic marketing plan directly contributed revenue to the company's two most successful quarters spanning 2013 and 2014.




FAR AND AWAY



Overcoming the Challenges of a Global Ethics and Compliance Program

Written by Les Prendergast. // Art by Marc Aspinall



Maintaining a domestic ethics and compliance program is challenging enough. Constantly changing laws, changes in company structure, a seemingly never-ending list of third parties; need I say more? Now multiply that exponentially for those who run global ethics and compliance programs. With limited resources yet increased demands, clearly the task at hand is not an easy one. Thankfully it can be done. Let's explore some of the ways you can make those "far and away" locations a whole lot easier to manage.

It's not as if maintaining a successful compliance program is simply a "good" thing to do. Each and every day the headlines are littered with tales of corruption, fraud and corporate scandal; the kind of stories that can prove devastating for an organization. As a result, organizations are making huge investments in compliance, ethics, developing programs, improving risk assessment systems, implementing training and communication plans, setting new standards and nurturing corporate culture. Companies want to maintain the reputation necessary to compete and ultimately meet the needs of their stakeholders including investors, customers, business partners and local communities, all of whom are increasingly expecting companies to operate with integrity. Quite simply, a successful compliance and ethics program is a "must" and not simply for the heavily regulated industries such as banking and healthcare.

To get the ball rolling, let's take a journey through each of the hallmarks of a complete ethics and compliance program to determine what needs to be done to effectively implement it around the globe. These hallmarks include program resources and structure, written standards, training and communication, monitoring and auditing, enforcement and discipline and ethical culture.

Program Resources and Structure

More often than not, one person maintains responsibility for the compliance and ethics program, usually a general counsel or chief ethics and compliance officer. Now, what if the company operates in 30 countries across five continents? The expanded footprint adds a tremendous amount of responsibility and clearly s/he will need some help.

Organizations can look to maximize limited compliance and legal resources by obtaining the assistance of employees embedded within regions or business units who may formally serve as ethics and compliance liaisons. These individuals can function as local points of contact for compliance related needs and can offer two huge benefits; assistance with program initiatives and a feedback loop to maintain awareness of important issues at all times. Taking this approach can dramatically increase the impact of your ethics and compliance programs.

It is important to carefully nurture the relationship with ethics and compliance liaisons. These employees have full-time jobs and a relatively small amount of time to devote to compliance related activities. In an effort to promote success, make sure the commitment you seek is manageable on their end as well.

Set regular meetings well in advance and share your agendas ahead of time. It's also helpful to present ethics and compliance as a partner as opposed to an enforcer. In this way, compliance and ethics and liaisons can work together to reach goals and objectives. Let liaisons understand the helpful role they can play; share the barriers that exist and explain how they can help overcome them. Lastly, it's a two-way street: make yourself available when they need your support and guidance.

Another valuable resource is middle management. It only makes sense that the ethics and compliance function maintains a close relationship with middle management since most employees report their concerns to their immediate supervisor. You need to understand what these open door reports are while also helping managers to create the type of atmosphere that fosters open reporting and teaching them the skills they need to effectively manage such reports. After all, as companies grow and expand, so too will the nature and magnitude of ethical dilemmas. Strong communication will also provide a much better sense of the actual culture that exists and shed light on the front-line perspective. Feedback will help clarify the effectiveness of the compliance program as well as individual aspects such as training and communication. Through the relationships formed with middle management and ethics and compliance liaisons, you will achieve so much more and without negatively impacting the compliance budget.

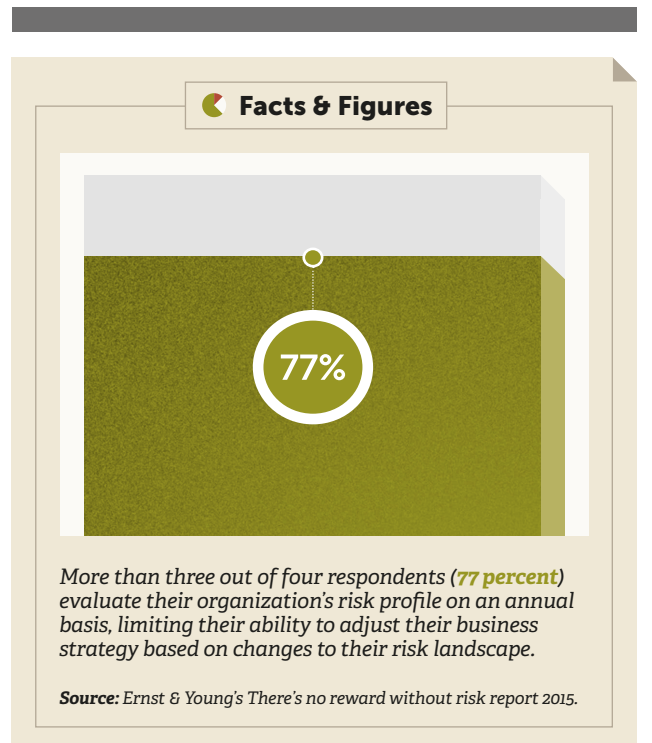
Written Standards

Written standards are at the heart of a successful global ethics and compliance program. Organization is the key to success. As such, a good first step is to develop a policy on policies and a policy index. A separate index can be maintained for global and local policies. Each index should contain policy name, review frequency, policy reviewer(s) and approver(s), the date of prior review or origin, whichever is most recent, and required languages. It is also important to determine which job function shall own responsibility for each policy. For instance, the communications function may own the social media policy whereas the compliance function will likely own the anti-corruption policy. Make sure your policy covers what will be considered a policy and what will be considered a local procedure; it will be important to maintain control over policy approaches while allowing for a measure of local autonomy.

Organizations need to develop clear and concise policies to ensure employees understand how to maintain compliance with corporate and regulatory requirements. Create a policy template to offer each the same look and feel. This shall help employees to recognize global policies and help aid in their interpretation. Try to maintain an appropriate reading level that does not become too complex and legalese.

First thing is first, determine what policies are considered global and have them translated into all required languages based on the organization's locations. Work with the internal communications team to develop a strategy for communicating the update to employees. This may include company-wide emails, pay stubs, signs, the corporate news portal, and management tool-kits to name a few.

If you haven't already, look to make a global policy library accessible to all employees and in each of the established company languages. It is helpful to offer one centralized location to employees while also ensuring that policies maintain a standardized look and feel. In addition, look to include links within the Code of Conduct to all relevant global policies. On a similar note, it's also helpful to embed links to global policies within individual training courses to generate increased awareness and obtain compliance attestations.



Most of the same tactics can also be applied to the local policies albeit an alternate template may be used to distinguish them from global policies and they can be displayed in a separate and unique local policy library. Such policies will require the assistance of local legal counsel and ethics and compliance liaisons. Look to liaisons for assistance with policy updates. In order to simplify the process for communicating new and updated policies, develop translated announcement communications and share them with the compliance liaisons to help facilitate the process. They can then work with their local communications teams to distribute the communication to employees.

Training and Communication

Any organization that has oversight of the ethics and compliance training component knows it takes a lot of planning and dedication to manage the overall process. Moreover, with so many risk topics to address and limited resources, training pushback is not uncommon. A great way to lay the foundation for a successful program is to create a multi-year integrated training and communication plan, a product of thoughtful cross-collaboration between key functional groups such as HR, legal, procurement, communications and compliance. Include onboarding training, frequency, modality, targeted completion rates, rollout schedule and metrics to assess its effectiveness. As Erica Salmon Byrne pointed out in her article on pages 44-45, more organizations are offering follow-up training assessments several months after the actual training event to determine the amount of content that employees have retained. Tactics like these are essential for assessing the effectiveness of your training program.

A little creativity also goes a long way. Start by looking at what you have in place. For instance, look to maximize the existing code of conduct training. Ideally, code training should be offered on an annual basis. Take advantage of this! By incorporating high priority subtopics, organizations can be assured that they've offered their employees training on as many as a dozen critical risk topics each year. These should include core risk topics such as conflicts of interest, harassment and discrimination as well as risk topics based on the most prevalent type of allegations received. Lastly, look at your industry, geographic location, and ERM findings to round out the additional Code subtopics. If the organization is processing large amounts of customer data, information security and data protection should be included. Likewise, if the organization has a presence in a hot zone for corruption, make sure anti-corruption content is included in your Code training.

Focus on your priorities. Once you have identified them, generate additional resources to help workers easily recognize red flags, ask questions and report concerns. For instance, due to the severe consequences of a corruption offense, organizations with locations in hot zones need to do much more than include relevant content within a Code course. In these cases, effort should be made to develop an anti-corruption program featuring a standalone anti-corruption policy and training course, as well as additional resources for local employees. Live training is highly recommended for all employees who may potentially interact with a government official on an annual basis. Give the attention where it is needed. Some organizations have gone as far as to create portable anti-corruption policies for workers in the field while others have banned facilitation payments to remove shades of gray and send a clear message to third parties that acts of bribery will not be tolerated.

Pedro Pablo Barragan, VP Global Chief Compliance Officer at Grupo Bimbo, one of the largest banking companies in the world with operations in 22 countries and more than 129,000 associates, shared some of the creative strategies his organization has applied during the 2016 Latin America Ethics Summit. "The Audit Committee set the bar very high and required us to train more than 80,000 associates within six months via in-person training. Having six months to cover 11 business units in 22 countries and develop the materials appropriate for each location, each language and jurisdiction is quite a big challenge. E-learning works well in developed countries like the US



A great way to lay the foundation for a successful program is to create a multi-year integrated training and communication plan, a product of thoughtful cross-collaboration between key functional groups such as HR, legal, procurement, communications and compliance.

and for our Latin American locations, we planned on using in-person training with a "Train the Trainers" program. The CEO of the company gave the program to VP's, each VP trained his/her direct reports and this cascaded downward throughout all levels. We are in the process of this training and within the first month we trained almost 23,000 employees and we are on track and set to surpass the goal by 20,000." This is a great example of how a willingness to try something new can be incredibly effective.

A pain point for many organizations is gaining timely completion for required compliance training courses. For instance, you may find that you invest 80 percent of your time trying to obtain training completions at locations with a lack of access to technology and computers. Take a look at what is working well and what is not. Engage your ethics and compliance liaisons to understand what the barriers are. In this case, another mode of delivery will be required. In addition, it's not uncommon for management to resist pulling workers away from their jobs to attend training events due to the pressure they feel to meet revenue goals. In these cases, the biggest challenge is to simply get the workers into the classroom.

A great way to overcome these type of barriers is to send pre-training communications to management to ensure they recognize its importance and to gain their support. You may also tack courses such as code training onto previously scheduled mandatory courses such as annual safety training. If you've got them in the classroom, take advantage of the moment! Live in-person classroom training can be effective for large groups and opens the door to two way communication. A final training mechanism option is to utilize paper surveys which may be interpreted via Scantron. Again, it's the planning on the front end and the ability of the compliance and ethics function to maintain effective partnerships that makes all the difference.

An effective learning management system is another critical component of a successful global training program. Prescheduled reminder emails at established intervals will help to gain completions in a timely manner. Moreover, management escalations can be pre-programmed to email managers a list of their direct reports who have an incomplete training status. In addition, timely training completion can be made part of the overall performance plan. As such, employees can be incentivized to do their part. Many organizations have also taken a positive ap-

proach by recognizing and rewarding the first business unit or location to successfully achieve 100 percent completion. There are many possibilities; see what option works best for you.

Large organizations have an even steeper hill to climb. If you face the daunting challenge of training tens of thousands of employees, consider staggering your training rollout so you are not overwhelmed by training all regions or business units at the same time. Details like these should be included on the multi-year training and communication map. Your goal should be to make the training process as efficient and effective as possible.

Looking at the communications side of the table, it's important for employees to receive regular and consistent communications pursuant to an integrated training and communication plan. In this way, companies can utilize the multi-year map mentioned earlier in this section, featuring the communication topic, distribution date and delivery avenue for each of its business units and individual locations. Make the most of your communication avenues; run communication campaigns, utilize videos, host podcasts, update posters, offer live presentations, make emails dynamic, encourage management to host team meetings and incorporate brown bag lunch sessions with the compliance group and your liaisons to explore important matters.

It is a best practice for the ethics and compliance function to develop a strong relationship with the communications department. During the Latin America Ethics Summit in June, Reyna Torrecillas, Chief Compliance officer, Latin America at GE stated, "Communications as a function is a partner for compliance. We need to make sure the message resonates with employees, regardless of the country. If it's better to do things one way in Brazil versus a different way in Mexico or Central America, we will do that to ensure employees fully grasp the message." The point is that good communication is a joint effort.

Monitoring and Auditing

First things first, acquire and retain good people. How can you maximize your chances? By engaging in appropriate background checks on all individuals, or at the very least those in positions of trust, you've improved your odds. Perform background checks not only at the time of hire but also for instances of promotion. As we all know, people make mistakes during the course of their everyday lives. For this reason, periodic checks at least once every two-three years is also recommended.

Conflicts of interests (COIs) are a prevalent type of violation. If you haven't already, develop a company-wide COI disclosure form to evaluate potential conflicts on an annual basis before they could become a serious issue. Examine the findings and gain the support of local ethics and compliance liaisons to help facilitate the process at the site level. On a similar note, all gifts and entertainment should be tracked company-wide as well. An automated tracking tool with built-in advance approval, allowing for cumulative tracking per recipient and company, is preferred.

Due to the elevated risk posed by third parties, a supplier code is a good way to establish expectations. Moreover, weave language into supplier contracts regarding compliance, including provisions regarding compliance with applicable bribery and corruption laws.

In an effort to establish priorities, suppliers should be segmented into risk tiers. In this way, the greatest level of monitoring and auditing can be focused on organizations posing the greatest risk. You may end up discovering that 20 percent of your third parties pose 80 percent of your risk. Hold these sources of risk accountable by having them complete a third-party certification adhering to compliance with the established set of expectations.

Risk assessments, including the risk posed by third parties, should be conducted every year to assess compliance-, regulatory- and ethics-related risks either independently or as part of a larger company-wide risk assessment. The compliance function

would be served well to include focus groups, interviews and surveys at the local level to gain a more complete picture of what is actually taking place. Key findings can be used to reshape the code, global and local policies, procedures, training and communication planning, as well as the company's audit plan.

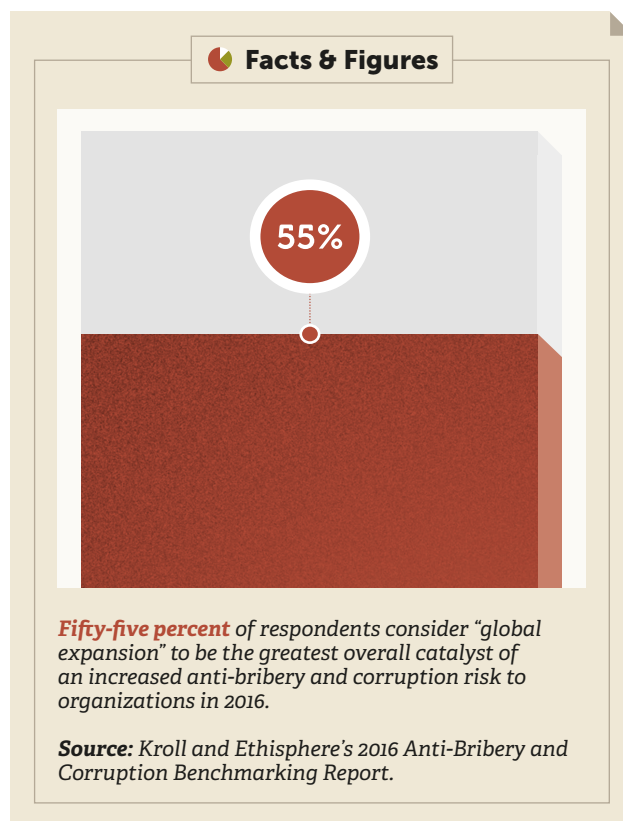
Another core aspect of monitoring and auditing includes the review of reports and investigations, including open door reports. Reporting resources should be offered in the local language to help remove potential barriers. In addition, anti-retaliation language should be incorporated as frequently as possible since it is typically the greatest barrier to overall reporting. Similarly, site employees should have access to local points of contact for reporting misconduct and raising concerns (i.e. regional ethics and compliance ambassador, liaison, etc.).

Each year the ethics and compliance program should be evaluated to assess performance and benchmark findings against peer groups and current best practices. Part of that analysis should include a review at the local level to develop customized program initiatives.

Usually growth is a blessing; however, it can be a curse if certain precautions are not in place. At the very least, make sure compliance has a say before making decisions regarding mergers and acquisitions. Due diligence needs to be done proactively before a decision has been reached and a plan for ongoing review needs to be established.

Enforcement and Discipline

Every organization must be equipped with its own investigation process. Global organizations bear the challenge of conducting such investigations with consistency. One way to combat this challenge is to develop an investigations handbook to walk the investigator through the process from start to finish and ensure not only a consistent process but also consistent record-keeping. Ethics and compliance may conduct live training sessions

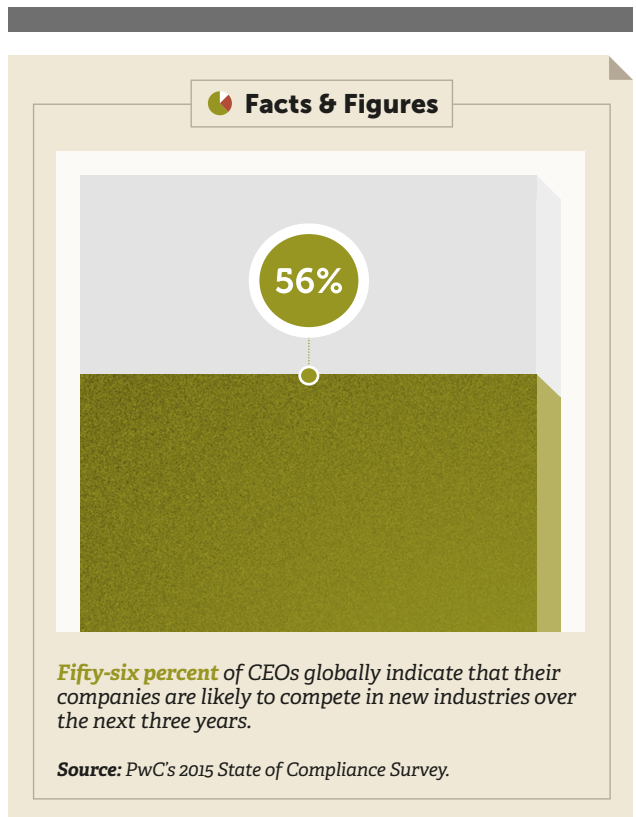


to review the investigation process and facilitate two way communication between the compliance function and local liaisons, as well as HR personnel who will be conducting investigations at the site level. A best practice is for compliance to obtain time in monthly senior executive HR meetings to discuss investigation matters, trends, concerns, updates, etc. That being said, the compliance function should be prepared to travel to individual sites for escalated matters. Be prepared to utilize investigation metrics to track local reporting trends and allegations to assess the need for targeted training and communication, as well aid in the identification of red flags. Also be sure that you are using the same taxonomy company-wide to do root cause analysis.

As previously mentioned, it's essential to communicate a strong non-retaliation message to employees. The best way of doing so is through consistent communication and by teaching managers about their unique responsibilities pertaining to creating an open door atmosphere that fosters reporting. Also, don't be afraid to demonstrate transparency. Publicize examples in which action was taken, including action against senior management, in an effort to demonstrate that all employees are treated equally and held to the same standards.

As previously suggested, make ethics and compliance training completion a component of performance reviews. Why stop there? Make it one piece of a broader ethics and compliance category. Does the employee respect his/her peers? Do they speak up and voice their concerns? Do they act as a role model to others? In a similar way, ethics and compliance can be a factor in promotion decisions and bonus plans. Consider placing a spotlight on business units and/or specific sites that have demonstrated consistently high scores or excelled in some ethical manner.

Unfortunately, sometimes the only time some employees will speak is when they leave the company. For this reason, take advantage of this great opportunity to ask the right questions. Did they observe unethical behavior? Do they have concerns of an ethical nature? Adopt this practice across all locations. You may uncover concerns that you would never have otherwise been aware of.



“ First things first, acquire and retain good people. How can you maximize your chances? By engaging in appropriate background checks on all individuals, or at the very least those in positions of trust, you've improved your odds. Perform background checks not only at the time of hire but also for instances of promotion.

Corporate Culture

Thanks to the corporate scandals we read about each and every day, it's quite evident that few things are more important than the culture of ethics and integrity that exists within an organization. Moreover, while improving corporate culture can prove to be a challenge, it's an even greater one to strengthen culture in far flung reaches that are thousands of miles away. Nonetheless, you may find solace in knowing that you are not alone and every organization, regardless of size, can bridge the physical gap that exists between the ethics and compliance function and the various areas of operations.

In order to make improvements, you need to know your weaknesses. Despite your own confident assurances regarding the health of your organization's culture, the real proof is in the numbers. Such numbers can only be obtained through a company-wide culture assessment. A culture assessment conducted at least once every two years is the best way to measure the actual perceptions that exist.

Thanks to the magic of survey data, results can paint a vivid picture of the culture that does in fact exist. By reviewing the results, organizations can set goals to address weaknesses and improve organizational culture. For instance, perhaps you never knew that sales employees in Great Britain frequently felt significantly higher levels of pressure to compromise the code of business conduct and such pressure was at the hands of suppliers. Questions like these allow employees the opportunity to offer an honest and anonymous appraisal of the environment that exists broken down by region, business unit, job function, and even tenure group within the company. It's the ultimate way of determining what is actually going well versus what needs improvement.

Culture doesn't form overnight; it's a byproduct of consistent effort and dedication. What can organizations do to enhance the corporate culture? The answer is, quite a lot! They can incorporate company values and ethics into regular communications and the code, host interviews with business unit management to gain perspective, adopt a willingness to host company-wide events such as ethics and compliance week, drive the C-suite to include personal ethical experiences in their communications, institute comprehensive culture assessments and create

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“The key questions organizations should be asking are “What do I really want to measure?”, “How am I going to go about measuring it?” and “How can I use the data to create a positive impact?”

a strong tone at the top that truly cascades downward through middle management. Many organizations fail to focus effectively on the mood in the middle. Avoid this pitfall by looking to middle management to ensure the right message permeates throughout the organization. Have them sit down with their teams every week to discuss culture and to make sure the message is embedded and barriers can be identified.

Lastly, make culture a key component of ethics and compliance training. According to NAVEX Global's 2016 Ethics & Compliance Training Benchmark Report, the majority of the 644 respondents, 70 percent, have made culture the top training objective for the third year in a row. Perhaps the most important theme is consistency. It is through repetitive effort that culture can begin to take shape and resonate with employees.

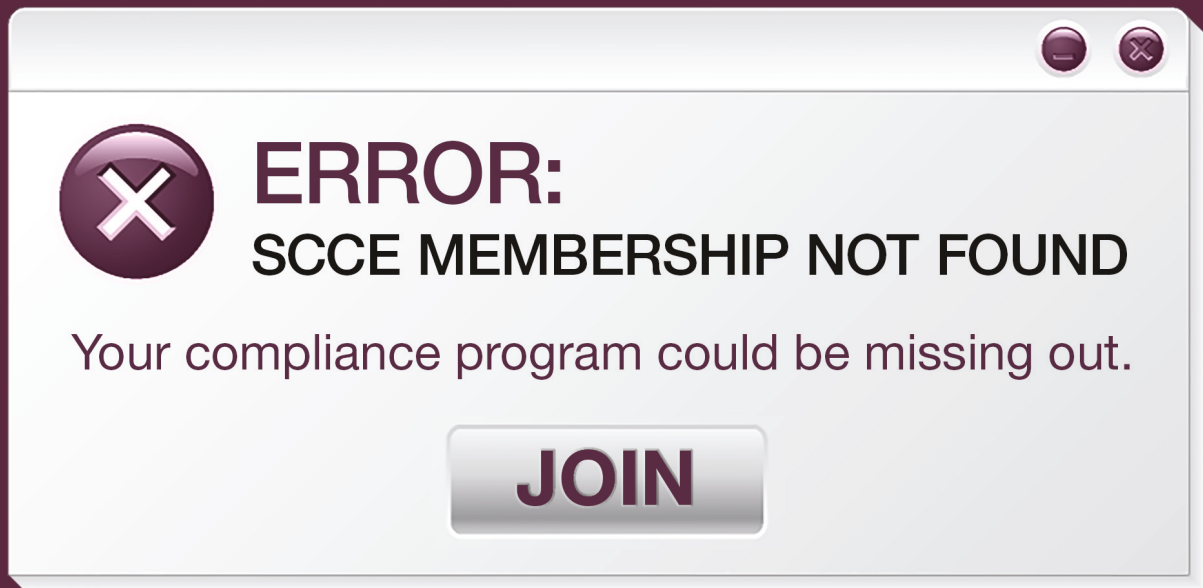
Final Thoughts

The Q3 issue of Ethisphere Magazine embraces the value of metrics. In each of the hallmarks included in this article, metrics play a vital role. Whether it's measuring training retention, corporate culture or reporting trends, data presents a compelling business advantage. The key questions organizations should be asking are “What do I really want to measure?”, “How am I going to go about measuring it?” and “How can I use the data to create a positive impact?” Through metrics, partnerships and thoughtful planning, a global ethics and compliance program can be made to feel a whole lot smaller.

Author Biography

Les Prendergast is VP and Managing Editor at The Ethisphere Institute with more than eight years of experience in the ethics and compliance field. He's dedicated to using Ethisphere Magazine as a platform to help organizations strengthen their ethics and culture, including enhancing their governance and compliance practices, and to share best practices among corporate leaders.

His primary areas of expertise include overall compliance program assessment, culture and knowledge assessment, risk assessment, training and communication planning, and benchmarking. See his full bio in the leadership section at www.ethisphere.com.



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How has your decades of invaluable experience with Royal Caribbean Cruises helped you in your current role as CEO and Chairman of the Board?

RF It's challenging to summarize 28 years in a few sentences but I will say that this is a very complex industry and we deal with a lot of people, in a lot of different places. That experience has been particularly meaningful to me in terms of how you deal with the challenges of interacting with a large organization, along with the complexities of different people with unique skill sets and interests.

I think I have the best job in the world. We have people who are passionate about what they do. If there was one characteristic that stands out at Royal Caribbean, it would be everyone's passion. I get to work with innovative and committed people which makes it fun.

During your time with the company, what are some of the key shifts that you have seen in the industry?

RF In almost three decades, the industry has gone through quite a significant transformation. When I first became involved the industry was seen as a niche player. It appealed to a limited demographic and it was sold as a unique product with a narrower target market. Over time, the industry has exploded and become more available to the middle class. The average age of guests has declined significantly, the growth of family and multi-generational travel has increased dramatically and international travel has blossomed. The big change is that we have gone from a relatively narrow-focused, relatively small industry into something that touches almost everyone as a vacation option and impacts the economy.

LEADING THE WAY

In Conversation with Richard D. Fain

Interview by Les Prendergast

When it comes to being passionate about what you do, Richard D. Fain is among the highest ranks. After nearly three decades with Royal Caribbean Cruises, Ltd. ("Royal Caribbean Cruises"), one of the 2016 World's Most Ethical Companies®, Richard brings his valuable experience to the table. In this interview, we discuss the evolution of the cruise industry, the corporate culture at Royal Caribbean Cruises, the role of metrics and the dynamics of his dual role as both CEO and Chairman of the Board.

Can you tell us how you have adapted to these shifts?

RF The task is dramatically more challenging but also more rewarding. We have to appeal to different categories of people. For instance, we are catering more to families and that requires another level of expertise to appeal to both parents and children. The ships themselves have also changed and we provide food, entertainment, etc., that our guests can appreciate and enjoy.

We also focus on accommodating those with unique needs such as disabilities and dietary restrictions. For instance, we have developed menus that are dairy-free, lactose-free, and gluten-free as part of our effort to meet the dynamic needs of our guests.

From your perspective, what are some of the challenges you encounter as both CEO and Chairman of the Board and conversely what are the key advantages?

RF On one hand, having the two roles actually makes the job more challenging because you truly do have to perform two tasks. It would be easier if I could see my role simply as running the business with the understanding that someone else was acting as chair of the board and orchestrating that relationship.

Having said that, it's been advantageous because as CEO, I am involved in many activities which provide me with meaningful information that ultimately makes the interaction at the board level significantly more effective. About five years ago we added a lead director to take on many of the responsibilities that would normally be held by a non-executive chair and it's worked quite well. What I find is that as Chair and CEO, you don't always have someone you can talk to and the lead director role provides the kind of depth that you sometimes need. On balance, in our company, we are blessed to have an involved and very qualified board which has made us more effective.

I will add that one size doesn't fit all. I would strongly argue that a proper structure and process can help and vice versa. Real success depends on a reasonable structure and people working together in the appropriate way. As such, either structure can work well. In our context, the combined role works well.

As board chair, can you offer some insight regarding the relationship that exists between the board and the compliance and ethics department?

RF The board needs to make it clear what it values. We have been fortunate that our board has consistently and uniformly

Of all the jobs in the world, there is only one that I could imagine myself fulfilling and enjoying as much as the one I have and that is the job of CEO and Board Chair at Royal Caribbean Cruises. I cannot even think of anything else.

made it clear that good ethics, proper respect for people and appropriate dealing must come first. There is no ambiguity, whether it's a budget or policy discussion, there has never been a time in 28 years in which the board hasn't said, "If you can't do it the right way, then don't do it."

One of the manifestations of that is the relationship with our compliance department. I am a firm believer in "What gets measured, gets better." When an organization pays attention to what the board and senior management focus on and when the board and audit committee spend time looking at the statistics and the relevant issues, everyone knows that they are spending that time doing so. That accomplishes two things: firstly, they are focusing on whatever the issue is and making the decisions to push us in the right direction and secondly, and perhaps more importantly, the committee and the board are looking at the actual results of what we are doing. There is a self-discipline that follows and a cultural development that permeates throughout the organization and that's more powerful than any decision the board or I can make.

How would you describe the corporate culture that exists at Royal Caribbean Cruises, including the tone at the top?

RF I am very proud of the fact that the people here really seem to care about doing the right thing. When we have auditors, consultants or attorneys looking into matters, one of the key pieces of feedback I receive is just how passionate the employees are about, "doing things the right way." While we could set up systems until we are blue in the face, it's the everyday decisions that our 55,000 employees make that need to subscribe to a higher standard. It isn't necessarily the decisions that the board or top management make; it's the decisions each person makes in performing their jobs that counts. We try to follow the expression, "Would you be proud to tell your mother what your decision was?" That seems to be a key driver for so many of our people.

What recommendations do you have for companies that are looking to develop and improve their corporate culture?

RF Every company needs to decide what fits their enterprise. What we have found is that you really have to actually talk about it, have the discussions, use examples and demonstrate it every day. It's not a matter of creating a policy and sending emotional letters from senior executives; it is something that must be in the minds of their peers.

This does go back to "What gets measured, gets better." We find that the more we quantify these things and the more tools we provide serves two purposes. We can actually measure it to see how we are doing and ensure it fits into our mantra of continuously improving but it also serves as a constant reminder that this is important and that's why we keep measuring it.

The compliance department deserves so much credit. They have been methodical in training, communicating and measuring which has worked well for us.

Assuming there is only one job that you could apply for at this stage of your career, where would you apply and why?

RF Of all the jobs in the world, there is only one that I could imagine myself fulfilling and enjoying as much as the one I have and that is the job of CEO and Board Chair at Royal Caribbean Cruises. I cannot even think of anything else.

Expert Biography

Richard D. Fain serves as Chairman and Chief Executive Officer of Royal Caribbean Cruises Ltd. (NYSE: RCL). Fain became the cruise line company's Chairman and CEO in 1988, and has guided its growth to its current place on the S&P 500, as well as its listing by the Ethisphere Institute as a 2016 World's Most Ethical Company®. Fain is the Chair of the University of Miami Board of Trustees, and serves on the board of the Posse Foundation and the executive committee of the World Travel and Tourism Council.



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THE MAGIC INGREDIENT

Alan Sauber Talks with Ellen Wolf About the Role of Metrics in Ethics, Compliance and Culture

Article and interview by Alan C. Sauber

Propelled by competition, businesses today are constantly measuring their value. This is largely assessed from the perspective of the shareholder, and rightfully so. But companies must also measure the effectiveness of their support services which are essential to a well-run organization. With the goal of reducing cost while improving efficiency, quantifiable metrics are critical. This has never been more important for the areas of ethics, compliance and culture.

While many (including this author) ascribe to Peter Drucker's notion that "culture eats strategy for breakfast", the effectiveness of a strategy can be more easily measured by the company's financial results. But to measure the integrity or ethics of a company or its governance and compliance processes, may seem more difficult. But without such measurement, culture surely suffers.

Premier has had a deeply embedded ethics program for the last 15 years. This commitment to ethics and compliance has been effectively woven into the fabric of the company culture, resulting in only a handful of grievances and compliance issues across thousands of employees, customers and suppliers. But over the last few years, Premier has grown tremendously through mergers and acquisitions, increasing the employee count by 36%. Adding to these challenges, Premier became a public company in 2013 and now faces more complex compliance related matters including public company Board charters, FCPA requirements, managing structural conflicts of interest, privacy & security rules and other regulatory challenges. The governance and control measures around these areas fall largely to both me as the Chief Ethics & Compliance Officer (CECO) and General Counsel. One of my key objectives is to ensure that the Board of Directors has access to the information they need to oversee and ensure ethics and compliance program effectiveness.

Yet this is an area where many CECOs struggle. The 2015 Compliance Trends Survey by Deloitte found that more than 40% of Chief Compliance Officers are not confident that the metrics they use to gauge program effectiveness give them a strong sense of how things are actually going. And only 24% of CECOs are involved in culture assessments, which are increasingly viewed as the most important predictor of ethics and compliance effectiveness. This inability to focus on culture metrics is further demonstrated by LRN's 2015 Ethics and Compliance Ef-

fectiveness Report, which found that the most common metrics reported to the Board, even among programs rated highly, are largely devoid of culture measurements as shown in Figure 1.

Since “tone at the top” is critical, having an agreement about which metrics are most valuable to drive ethics and compliance program performance starts with an open dialogue with the Audit & Compliance Committee, and in particular the Chair. Ellen Wolf assumed this role in April of this year at Premier and agreed to talk with me about her vision on metrics, culture and the relationship to management.

There continues to be an ongoing discussion in the ethics and compliance community about over-reliance on “process” metrics (e.g., training completions, code certifications, etc.) versus “impact” metrics (e.g., how effective was the training, is the code actually used, etc.). How do you see this issue, and from a Board Chair’s perspective, which types of data are most useful to you?

EW Many people assume that you have to choose one set of metrics over the other. However, in understanding both the nature of the ethics and compliance issues that a company faces, as well as the company’s response to those issues, one needs to take a three-pronged approach: 1) understand the preventative actions, that is to say the process metrics; 2) review the impact of the preventative actions, that is to say the effectiveness; and, 3) more importantly, set the right tone and atmosphere within the organization.

As a Board member and Chair of the Audit Committee, it is important to see metrics around training and certification. However, it is equally important that we understand the nature of that training. It is often too easy to sign a certification without really engaging with the material. Training that is performed online, that includes quizzes and minimum times on material, can be a step in the right direction. However, training that is in-person can ensure actual attention to the topic. It allows the participant to ask clarifying questions and to better understand the issues. In addition, it puts a human face to some very important topics and allows the participant to know and “trust” the person to whom they may report an issue.

Measuring the impact of the preventative actions is equally important. It lets one know if the training, code, helpline or other program elements are effective. For example, zero complaints to a helpline can be just as troubling as a significant amount of complaints. No complaints may indicate either a lack of understanding or an atmosphere that is not open to addressing ethics and compliance issues.

The key to data is unlocking the message and then taking appropriate actions.

Conversely, too many complaints could mean there are a significant number of issues to be resolved or management changes to be made.

More data is often better than less data, and some key metrics that are important when reviewing numbers of complaints include both the nature and resolution of those concerns and time to resolve a complaint. Also, are complaints disproportionately from one district, subsidiary, management team or outside contractor? Are they focused around certain issues and/or concerns?

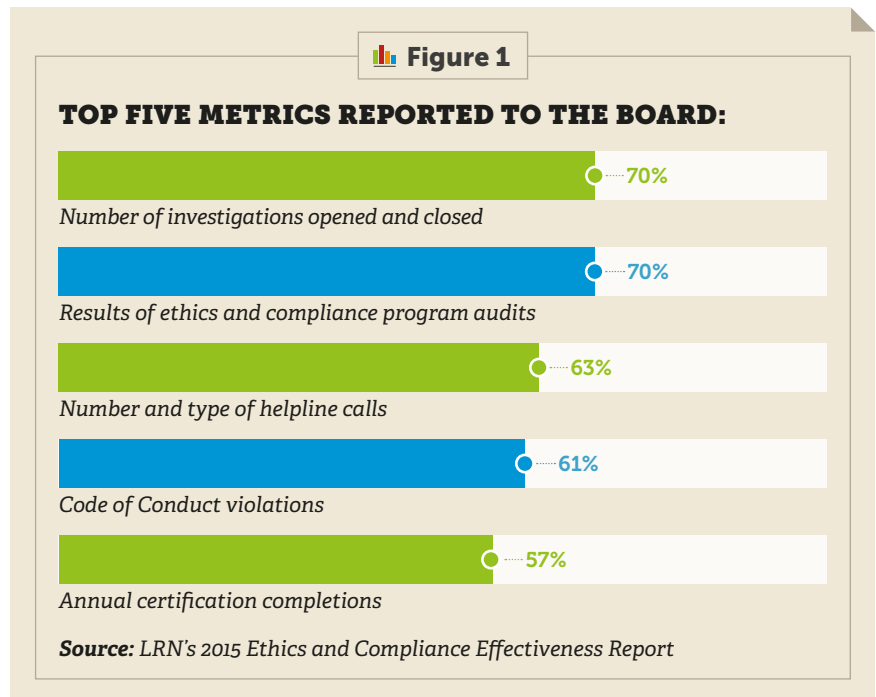
The key to data is unlocking the message and then taking appropriate actions. It is also important to continuously look at the metrics you are using to determine whether or not they are still appropriate or need to be adjusted based upon changes within the company or external issues outside of the company.

How important are ethical culture measurements, such as willingness to speak up about misconduct, or employees’ belief that senior managers

behave ethically? Should senior leaders be held accountable for these types of metrics? And if so, who should be responsible for ensuring this?

EW As I mentioned earlier, for a company to have a strong ethics and compliance culture, the message starts at the top. This includes not only senior management but the Board of Directors as well. What this means is that it is extremely important to create an atmosphere where employees feel they can speak up about any of their concerns to any of the communication channels that the company provides. Employee surveys and exit interview data can be particularly useful metrics in this regard.

Another metric that has been very helpful in the past is the number of complaints that are anonymous versus those in which an employee has felt comfortable identifying themselves. While some employees will always feel more comfortable reporting anonymously, a higher percentage of anonymous complaints may indicate a lack of trust in management or fear of retaliation in the organization.



Did you know that more than a dozen chief executives from leading companies such as Jones Lang LaSalle and Hasbro contributed insights to the CEO issue of *Ethisphere Magazine*?



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Boards & Governance

Senior managers should absolutely be held accountable for indicators of the company's ethics and compliance culture. It is the responsibility of the Board, in partnership with the CEO, to ensure such accountability.

How important is the ability to benchmark metrics to peer group companies? In cases where peer group benchmarks are not available, do you think general benchmarks based on industry or company size are useful?

EW While benchmarking against peers is important, one's goal should always be to be the best company possible around ethics and compliance. Being the best of a "non-ethical" industry is not necessarily something of which to be proud!

It is also important to benchmark oneself against prior years, to see if there are any trends. Continuous improvement is something we should all strive for.

How can Chief Ethics and Compliance Officers (CECOs) present measurement and metric information in a meaningful way to the Board? Should a CECO present the information against a framework such as the U.S. Sentencing Guidelines?

EW Information presented to the Board should be similar in nature to that presented to and discussed by senior management. For example, with respect to cases, the information should look at categories such as fraud, human resources, ethics, etc. That information should be compared to benchmarks, history and other relevant categories. Often the format is graphical by nature allowing one to look at trends, results or areas of concern. It is important that the Board or Audit Committee be made aware of not only the nature of the complaints, but how they were resolved and the timeliness of that resolution. Further, details of the complaints should be made available to the Board Audit & Compliance Committee, or upon request to the Chief Ethics and Compliance Officer. Any complaints involving senior leadership should be brought to the immediate attention of the Audit Committee Chair.

With respect to the U.S. Sentencing Guidelines or compliance related mandates, the Board, of course, needs to know that the program is responsive and meets necessary requirements. However, gearing the Board report to such criteria may set a tone that is too legalistic, and frankly, this shouldn't be the driver of ethics and compliance efforts. Compliance and ethics should be pursued because of the value they bring to all aspects of the organization.

Is there a risk that CECOs rely too heavily on metrics and measurements

when reporting to the board, and that as a result, it becomes difficult to see the forest for the trees? Do you prefer to see the metrics and data presented in context and with explanatory narrative, or do you prefer "just the facts?"

EW While it is tempting to rely on just the data, data needs to be put in the appropriate context. Data, like anything, can often be used to tell a story a certain way. Therefore, it is important that the data be coupled with the color commentary. The explanatory narrative often relays more information about a situation than basic facts. It is important that both the facts and narrative be presented to the board and senior management.

While the narrative can help one understand the context of the situation, one also needs to be careful to not use the context as a means to "explain away" possible issues or disappointing data. Likewise, narrative should not be used to justify inaction in a particular situation. Policies should apply to all employees. It is very tempting to forgive someone we know in senior leadership, and to "punish" someone we do not know.

Thank you for sharing your perspectives with us, Ellen. I think your comments will certainly help shape the dialogue around ethics and compliance metrics and the role of the Board.

Expert Biographies

Alan C. Sauber serves as Premier Inc.'s Chief Ethics & Compliance Officer with over 30 years of healthcare leadership experience. He oversees the company's compliance, privacy and security programs along with governance responsibilities to the Audit & Compliance Committee of Premier's Board of Directors. Prior to Premier, Alan was Senior Vice President of Government Affairs and Chief Compliance Officer at RehabCare Group.

Ellen C. Wolf has served as a member of the Board of Directors of Premier, Inc. since October 2013. She served as Senior Vice President and Chief Financial Officer of American Water Works Company, Inc., the largest investor-owned US water and wastewater company, from 2006 until 2013. Previously, she served as Senior Vice President and CFO of USEC, Inc. and as Vice President and CFO of American Water Works. Ellen serves as a Director of Airgas, Inc., and also serves on the Board of Directors of the Philadelphia Zoo.

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CORPORATE CULTURE

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DOING WHAT IS RIGHT

Cleveland Clinic's Culture of Integrity

Written by Don Sinko

As a physician-led organization, Cleveland Clinic has always focused on doing what is right for the patient. This ethical approach toward patient care helped create a culture of integrity that has influenced virtually all of Cleveland Clinic's business practices since its doors first opened in 1921.

For instance, Cleveland Clinic has always operated under an employed salaried physician model. This removes the personal financial incentive for a physician to provide unnecessary tests or treatments. Cleveland Clinic is also a leader in conflict of interest disclosures, being the first major medical center to publish a physicians' corporate and industry relationships as part of their professional profile on the organization's public website. Integrity is more than just a philosophy at Cleveland Clinic; it is one of six core values (along with Quality, Compassion, Service, Innovation, and Teamwork).

It was eleven years ago that Cleveland Clinic developed the Integrity Office model for Corporate Compliance and Internal Audit. Senior management and the Board of Directors wanted to further promote Cleveland Clinic's culture of integrity by raising the visibility of those two functions. They determined that Compliance and Internal Audit, with similar missions, should be organized under one umbrella, led by a senior executive, and independent of the General Counsel, CFO and operations. This resulted in the creation of a new C-Suite position, Chief Integrity Officer. With direct reporting to the Audit Committee of the Board of Directors and a dotted line relationship to the CEO, the Chief Integrity Officer position demonstrates Cleveland Clinic's genuine commitment to compliance and ethics. This reporting relationship is consistent with recent guidance from the Office of Inspector General (OIG).

Cleveland Clinic is a complex, highly regulated, \$8 billion international academic medical center and health system, with 50,000 employees and 2,500 research protocols. Patients come from all 50 states and

over 100 countries. The nation's healthcare landscape continues to evolve at a rapid pace, adding to the complexities of the industry. A strong compliance program that is embraced by all levels of employees is integral to achieving success in this environment. And the Integrity Office is the driver of the compliance program.

A culture of integrity requires more than senior management to set the tone. It requires all levels of employees to participate and to live it. By now, most organizations have a compliance program that incorporates the seven elements of an effective compliance program. Unfortunately, many have a paper or checklist program. It may be the responsibility of a few people to document and carry out certain steps to "prove" a program exists or just focus on resolving issues. This is not a living and breathing program throughout the organization. Cleveland Clinic's compliance program is also modeled around the seven elements, but it's the Clinic's institutes, hospitals and divisions that are responsible for implementing and executing the seven elements within their respective operations.

The Compliance department provides day-to-day administration of the program and works closely with each area to ensure that the program elements remain focused on the appropriate risks. Local accountability is further reinforced by the Corporate Compliance Committee through the program's annual reporting requirement, providing reasonable assurance that the operations in these areas and facilities comply with applicable federal and state laws, regulations, policies and standards relating to healthcare compliance.

As recommended by the OIG, an effective compliance program should be separate from the General Counsel's office. A medical analogy I like to use is that Corporate Compliance is preventative medicine and the Law Department is surgery. The Law Department is about interpreting the law and protecting the organization, whereas the Compliance Department is about understanding the law and how it impacts the operations. Knowledge of both is essential for ensuring the organization's compliance program remains effective at preventing and detecting noncompliance. Cleveland Clinic's Corporate Compliance department is comprised of professionals with diverse backgrounds, such as law, nursing, coding, revenue cycle management, risk management, HIPAA privacy & security, pharmacy, and research. We know the processes and understand the terminology. Diversity of experience in all operational areas is crucial for developing appropriate compliance-related policies and procedures, as well as for monitoring and compliance investigations. It also provides an environment where employees



A culture of integrity requires more than senior management to set the tone. It requires all levels of employees to participate and to live it.

have someone in Corporate Compliance they can call who will understand their operations and who will objectively address their concerns. Compliance also works collaboratively with the Law Department to ensure their involvement with contractual matters, potential litigation, and other legal matters as appropriate.

Another benefit of our Integrity Office model is the leverage from having Internal Audit and Corporate Compliance under one umbrella. While they are separate departments with unique roles and responsibilities, having the resources of both departments available to address issues and concerns provides significant benefits. Compliance and Internal Audit risk assessments and programs can be coordinated to eliminate overlap. Internal Audit expertise in financial processes, forensic auditing, research and information technology can add value to proactive monitoring or compliance investigations. Having them under one umbrella eliminates any political resource issues and adds speed to any resource need. It also supports the tone at the top that issues raised by employees will be timely addressed with appropriate resources.

A culture of integrity involves more than just an effective compliance program. Cleveland Clinic provides significant benefits to its community in the forms of

charity care to patients, patient and physician education, and medical research. As a signatory of the U.N. Global Compact, Cleveland Clinic also focuses on social responsibility and has received national recognition for its efforts on improving the environment, diversity, and ethics. Focusing on doing what is right for the patient, employees, the community and the environment all result in strengthening Cleveland Clinic's culture of integrity.

Author Biography

Don Sinko is the Chief Integrity Officer for Cleveland Clinic, with responsibility for the Offices of Internal Audit, and Corporate Compliance and Business Ethics. In this capacity, Don oversees the audit and compliance programs that focus on risk management, regulatory compliance, business ethics and internal controls for the health system. Prior to joining the Cleveland Clinic, Don was the Director of Internal Audit at Eaton Corporation, and an Audit Senior Manager with Ernst & Young in Cleveland, serving primarily healthcare and SEC manufacturing clients.



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As chair of the board of directors for Thrivent Financial, I've had the privilege of helping guide the organization as it takes its corporate culture to the next level and builds trust among members, employees and management through the ethical treatment of one another. As a financial services organization, establishing trust is the key to maintaining and serving our members. I can tell you firsthand that when the board, executives, leaders and employees all work together, an ethical corporate culture can create a thriving organization.

So, how can you create a culture based on ethics? Here's how we've approached it at Thrivent Financial.

Build a foundation with your mission, vision and values

At Thrivent, we have the benefit of our history on our side. Our organization is a fraternal benefit society that began as a way for Lutherans to pool their resources to help one another in the event a family experienced the untimely death of a breadwinner. Today, that vision has grown to a Fortune 500 financial services membership organization that serves more than 2.3 million members nationwide – at our core, our mission remains unchanged. We help families be wise with money and live generously.

About four years ago, we decided to refine our mission, vision and values. During this process, the board of directors worked closely with Thrivent senior management to develop what we call *The Thrivent Way*. *The Thrivent Way* is incorporated into all we do as we serve our members and society. It states:

We are a membership organization of Christians, and our members are our owners. Our purpose is to serve our members and society by guiding both to be wise with money and live generously. We believe that all we have is a gift from God and that generosity is an expression of faith. We succeed when our members, their families and their communities thrive. We value our relationships, so we will: Be trustworthy in character and competence, Act like owners and treat each other as owners, and Live balanced and generous lives.

A WORTHY INVESTMENT

Taking Corporate Culture to the Next Level

Written by Dick Moeller

No one can deny that ethical behavior is integral to the success of an organization; without it, poor decisions can ruin an organization's reputation and severely impact financial results. When an organization creates a baseline expectation for ethical behavior, it can begin to realize business results and protect its reputation. However, when an organization goes further and builds a foundation that extols ethical behavior, the organization's corporate culture will flourish. Employees and leaders alike will feel empowered to make ethical business decisions, report unethical conduct, and identify, promote and reward ethical behavior.

When an organization creates a baseline expectation for ethical behavior, it can begin to realize business results and protect its reputation.

You may have noticed that nowhere in *The Thrivent Way* do we specifically call out ethics. Rather than use the word “ethics”, we instead defined its essence. The Thrivent Way provides parameters for our employees to make ethical decisions and is visible throughout our offices. It truly is in our DNA, and it guides all of our decisions.

Set an example

If leaders live *The Thrivent Way* and champion ethical culture, employees will feel empowered to always do the right thing. Thrivent’s CEO was our voice for creating *The Thrivent Way*. Executives had and continue to have conversations with their teams about the importance of ethical behavior. It’s not uncommon to participate in an employee meeting and hear messages about the importance of ethical behavior from our senior leaders on stage.

The board of directors has taken an active role in ethics at the organization. Thrivent has a Code of Conduct Office with dedicated staff, and the board of directors has oversight. The board believes ethical behavior is foundational to building trust with our members. To demonstrate our

commitment to ethics, the board takes the same Code of Conduct training required for all Thrivent employees.

As part of the Code of Conduct Office, our workforce can use the resources at thriventcodeofconduct.com. This includes an external hotline that can take concerns at any time via web form or phone. We also have internal communication channels where individuals can raise questions or concerns. The Code of Conduct Office has made Thrivent’s Code of Conduct and other resources available publicly because we want to further the conversation with others and share how we are continuing to build our culture through the resources we provide.

These examples of leadership add up – we find that our culture promotes a greater service to our members, propelled by *The Thrivent Way*.

Create a stage for conversation

We are committed to offering training resources, manager toolkits, and opportunities to report unethical behavior and ask questions in a variety of ways for our workforce.

Our research at Thrivent tells us when employees are faced with dilemmas, they usually have a conversation with their direct manager. Recognizing that managers are an important part of creating and reinforcing an ethical culture, we created a manager toolkit with resources to help guide them when employees present questions. We also provide training for all managers so they are equipped to recognize when questions or concerns need to be elevated or reported. Ultimately, if managers are equipped and confident in handling ethical concerns and questions, our culture will be stronger.

Our Code of Conduct office is active in communicating about our ethical culture. Thrivent’s Code of Conduct manager writes periodic blogs and articles for our employee communications channels. Thrivent hosts events with internal and external guest speakers to ensure that we’re providing new and interesting ways to think about and promote ethical behavior. When we communicate about ethical behavior, we are sure to lift up real life examples – and not just negative ones. We want to highlight positive ethical deci-

sions and avoid creating an environment that is perceived only as punitive.

Celebrations are another great way to create conversation around ethical behavior. Our internal employee recognition program offers a way for employees to be rewarded for ethical behavior. If someone witnesses an employee demonstrating significant ethical behavior, he or she can nominate that person to receive a monetary award. And of course, we always experience a sense of pride and celebration when Thrivent is named a World’s Most Ethical Company.

Start building now

At Thrivent, we know that we must be diligent as we continue to build and maintain a corporate culture that exemplifies ethical behavior. Perhaps your organization is already well on the path to embodying ethical behavior, or maybe you are just beginning the journey of cultural level-setting. Of one thing I am certain: building an ethical culture requires intentionality and persistence, but will bring a ten-fold return on your investment.

Facts & Figures

45

45 percent of the board directors surveyed reportedly indicate that they lack confidence employees are complying with corporate social media policies.

Source: *What Directors Think 2016 Survey, conducted by Spencer Stuart and NYSE Governance Services.*

Author Biography

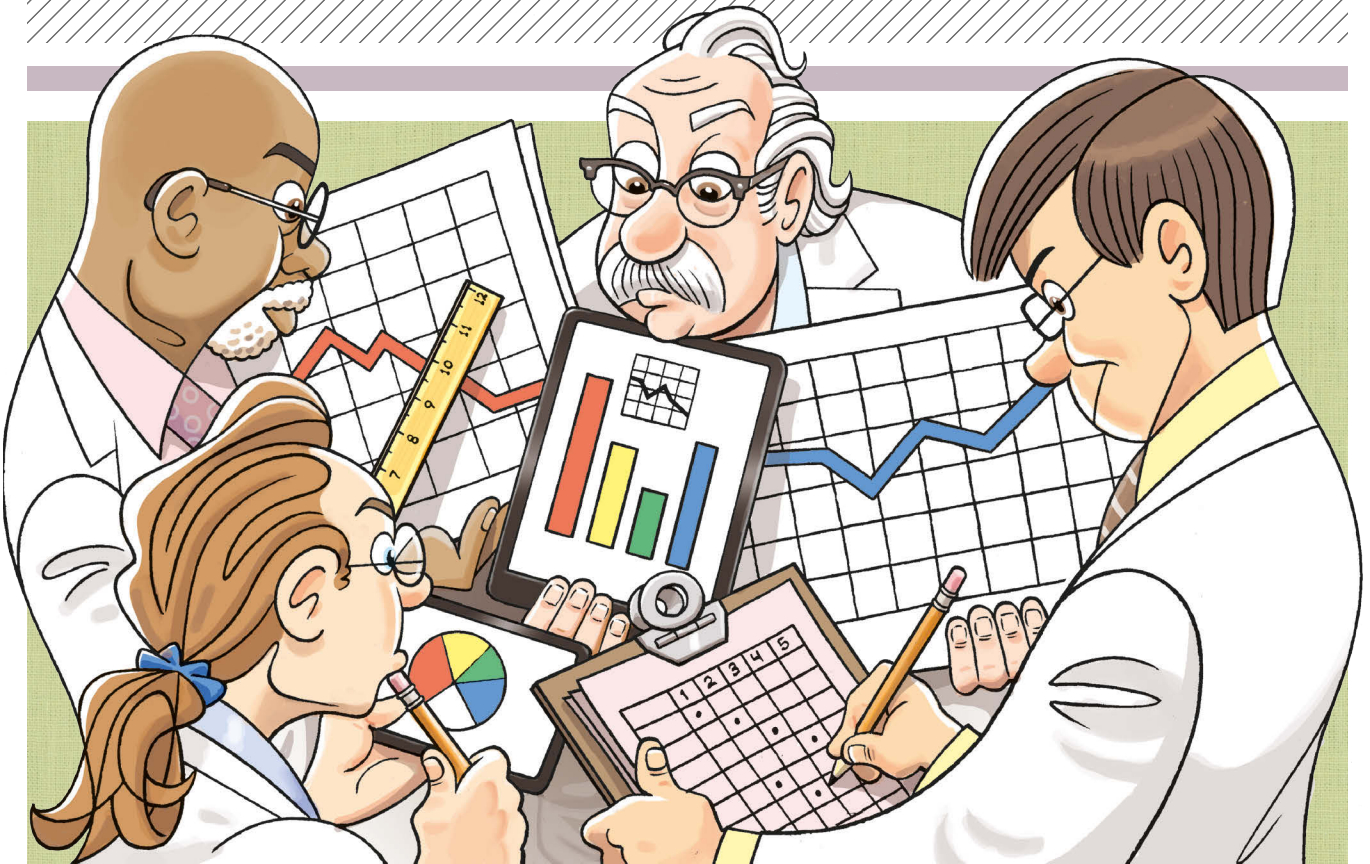
Frank H. (Dick) Moeller, Austin, Texas, has served on the board of directors for Thrivent Financial since May 2005. Moeller is currently Chair of the board and a member of the Executive Committee of the board.

Moeller serves as founding principal of *Enovate Enterprises*, a consulting firm focused on assisting entrepreneurs, founders, companies and organizations to achieve their full potential. In addition, Moeller is the founder and president of *Water to Thrive*, a faith-based nonprofit organization that works to bring fresh water to rural Africa.

Moeller has served on the boards of two public companies, seven private companies, two foundations, eight not-for-profit corporations and his church. He attends *Triumphant Love Lutheran Church* in Austin.

THE MEASUREMENT EDITION

DATA & INSIGHTS



Each issue of Ethisphere Magazine features data and insights from our research and data sets. Keeping within the theme of measurement, in this issue we highlight ways in which compliance managers measure various elements of their companies' programs – and what they do with the findings. Regulators and compliance professionals alike understand that program decisions are most effective when grounded in data. The data presented herein originates from Ethisphere's 2016 Ethics Quotient® questionnaire and 131 companies featured on Ethisphere's 2016 World's Most Ethical Companies® list. For a complete list of the companies included, visit us online at <http://worldsmoethicalcompanies.ethisphere.com/honorees/>.

Data & Insights by Douglas Allen

COMPLIANCE TRAINING

Going Beyond Outcome Metrics

Regulators and compliance professionals alike understand that program decisions are most effective when grounded in data.

When it comes to training, companies struggle to evaluate whether their training is working. The easiest and most commonly tracked compliance training metrics is the rate of training completed by employees. But while **92 percent** of companies reportedly track completion rates, such tracking does not measure whether the training is effective. Slightly more than half of respondents (**53 percent**) utilize metrics to measure compliance and ethics training effectiveness.

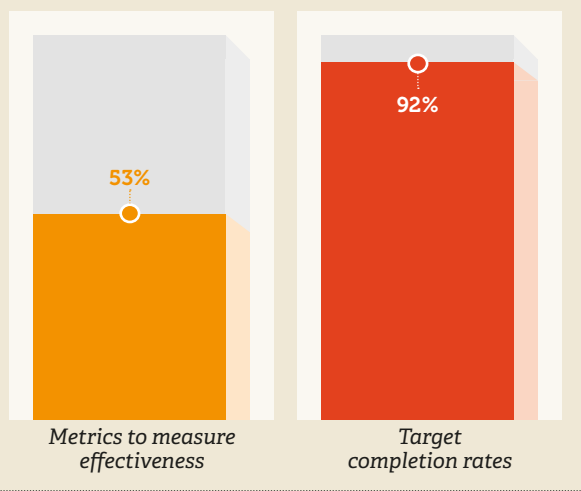
The most commonly measured metrics examining what effect, or lack thereof, of training is tracking reports of misconduct – with **86 percent** of companies doing so. Beyond this metric and target completion metrics, companies' practices are less clear. For example, while more than two-thirds of companies conduct post-training exams to gauge comprehension, less than a quarter track intranet resource downloads associated with training. Lastly, only **22 percent** of companies measure the effectiveness of their compliance training via annual knowledge assessments or surveys performed separately from training.

It's essential that managers create an open-door reporting atmosphere and dispel the fear of retaliation that may exist. This is a critical aspect of creating the right mood in the middle and part of an organization's overall effort to ensure a healthy tone at the top cascades downward throughout all levels of the company.

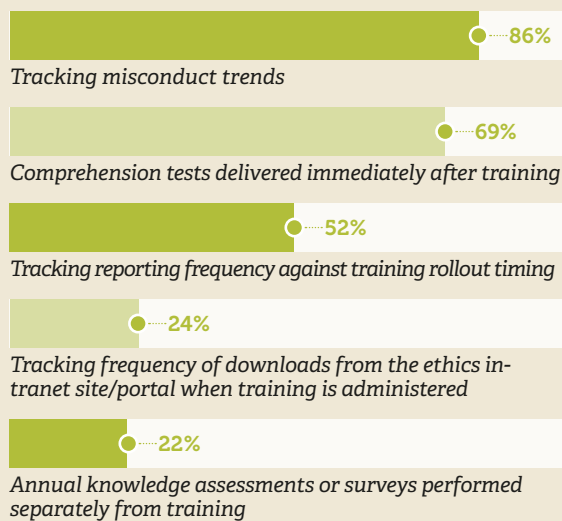
Management plays a vital role in a successful ethics and compliance program. As mentioned in the global feature on pages 50-56, management receive the majority of employee reports. Consequently, it's essential that managers create an open-door reporting atmosphere and dispel the fear of retaliation that may exist. This is a critical aspect of creating the right mood in the middle and part of an organization's overall effort to ensure a healthy tone at the top cascades downward throughout all levels of the company.

As was the case above, the most common characteristic of manager training is that it is most often tracked for completion rates (**81 percent**). Approximately half of respondents (**49 percent**) test managers on training knowledge comprehension while less than one-third (**31 percent**) track and maintain testing results.

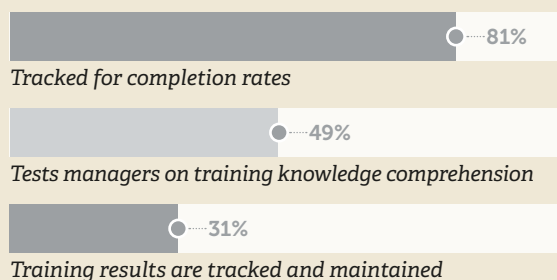
What is included in your compliance and ethics training plan? (Multiple select)



How do you measure the effectiveness of your compliance training? (Multiple select)



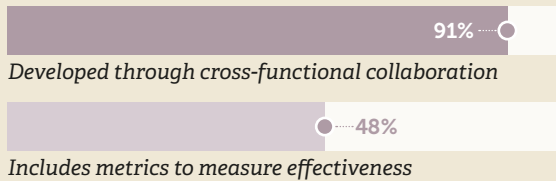
What applies to the manager training on compliance and ethics? (Multiple select)



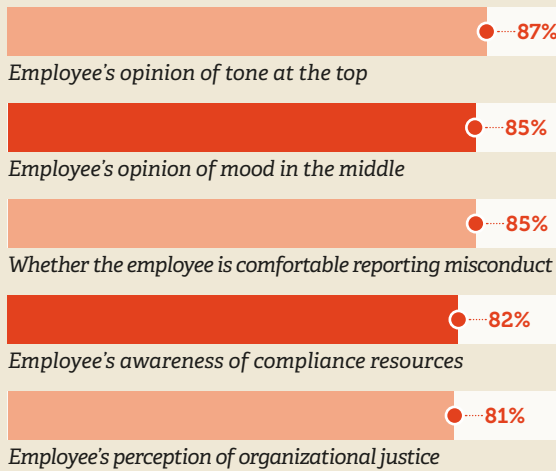
Does your compliance and ethics function maintain a documented compliance and ethics communication plan?



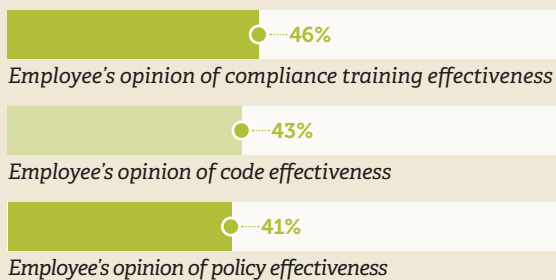
Aspects that apply to your company's compliance and ethics communications plan. (Multiple select)



What are the top five most prevalent topics included in your culture of ethics assessments? (Multiple select)



What's included in your culture of ethics assessments (to assess effectiveness)? (Multiple select)



DETERMINING YOUR COMPLIANCE COMMUNICATION IMPACT

Are Employees Getting the Message?

Compliance professionals are not unfamiliar with the benefits associated with developing and implementing a strategic compliance communications program to compliment training. While these benefits are intuitive, they are infrequently documented. Ethisphere data from the 2016 World's Most Ethical Companies indicates that nearly every honoree develops a compliance and ethics communication strategy and corresponding plan and does so via cross-functional collaboration, yet less than half incorporate processes and procedures to measure the effectiveness of these communication efforts.

When it comes to assessing corporate culture assessments, the top five most common aspects assessed include tone at the top (**87 percent**), mood in the middle and comfort in reporting at **85 percent** alike, awareness of compliance resources (**82 percent**), and perception of organizational justice (**81 percent**).

How companies elect to track communication effectiveness varies wildly depending upon the complexity of communications, resource constraints, and maturity of the underlying program. In our experience, it is not uncommon for companies to include questions on employee surveys that assess employee awareness of available compliance resources as a proxy for measuring communication effectiveness. Questions such as "Do you know where to locate the Code and relevant policies?" and "Are you aware of how to report ethical concerns or observed misconduct?" are but two examples of how engaging with employees on their awareness of the program can provide a foundation for which to begin tracking communication efficacy.

Sample Employee Questions for Measuring Compliance Communication Effectiveness

- Do you know where to locate the Code?
- Do you know where to locate our company's policies and procedures?
- Are you aware of how to report ethical concerns or observed misconduct?
- Have the disciplinary guidelines for misconduct been presented to you?
- Do you believe the communication efforts we use to educate and inform employees about our company's commitment to ethical responsibilities and conduct are effective?

We observed compliance programs higher on the maturity curve that compare the frequency and type of hotline activity and ethics and compliance intranet portal traffic relative to communication (and oftentimes training) rollout timing to see which messages are resonating and which messages are falling flat. Are intranet downloads of

Facts & Figures

ACTIVITY METRICS vs. PERFORMANCE METRICS

Activity metrics measure frequency and while they show you “how much,” they don’t actually tell you “how well” your program is functioning. Many organizations are going one step further and relying on performance metrics to assess program effectiveness. Let’s examine some examples of each:

Activity Metrics

Key Initiatives • Hotline Reports
Investigations • Training Statistics
COI Reports • Code Updates

Measuring Program Effectiveness

Performance Metrics

Culture Surveys
Risk Assessments
Peer Benchmarking
Substantial Investigations
3rd Party Audit Results
Employee Proficiency

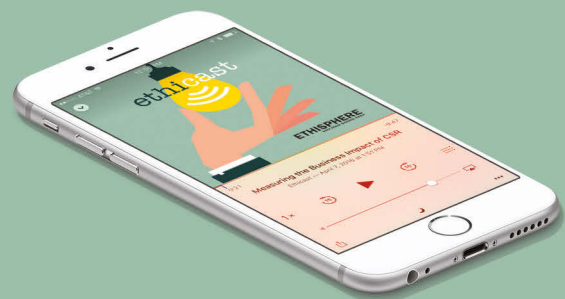
your company’s anti-corruption policy changing significantly after training or communication on anti-corruption is administered? Researching traffic to corresponding resources – intranet pages, policy downloads – may provide insights into what is working and what is not.

Moving from Activity to Performance: Using the Best of Both Worlds

While it is relatively easy to measure training and communications outcomes – such as completion numbers, hotline statistics, knowledge, and subsequent instances of misconduct – employee perceptions of these initiatives are often overlooked. What better way to assess employee engagement and satisfaction with training than to ask them directly? However, among 2016 honorees, less than half of those that conduct periodic employee surveys on ethics actually ask employees if they believe the training is effective. Fewer still ask if other elements of the compliance program are perceived as effective.

Results from Ethisphere’s most recent survey suggest companies are continuing to rely heavily on outcome- or activity-specific data to approximate the effectiveness of their programs. However, leading companies are moving away from relying on activity data and instead turning to performance- and perceptions-data to measure program efficacy. If your organization is only utilizing activity metrics, look to incorporate performance metrics into your annual compliance and ethics plan.

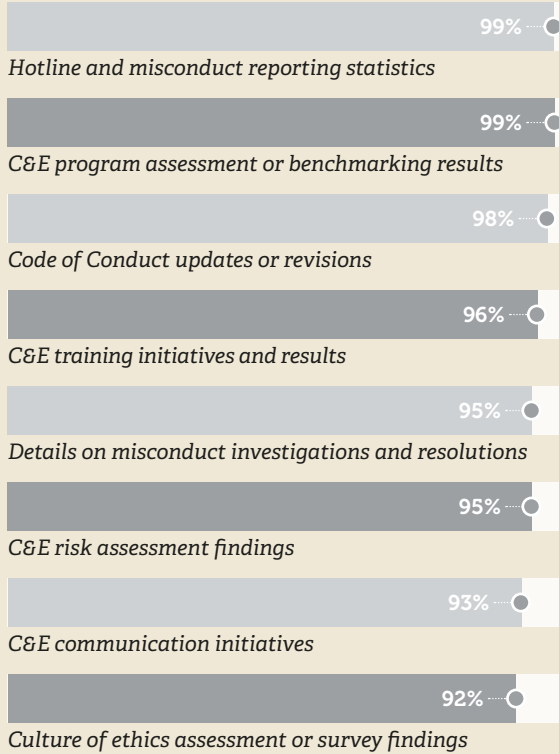
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**What information is reported to the Board?
(Multiple select)**



What is regularly discussed during internal C&E committee meetings? (Multiple select)



HOW METRICS DRIVE DISCUSSION

Is Your Organization Communicating Effectively?

It's a close race in terms of the information being reported to the Board. The overwhelming majority of organizations (99 percent) share hotline and misconduct reporting statistics and compliance and ethics program assessment/benchmarking results with the Board. Not far behind are code updates (98 percent), compliance and ethics training initiatives (96 percent), details regarding misconduct investigations and resolutions and compliance and ethics risk assessment findings, at 95 percent alike, communication initiatives (93 percent) and culture of ethics assessment findings (92 percent).

Look to examine your agendas to ensure you are presenting the Board and steering committee with the information they need to provide effective oversight. On a similar note, ensure meeting materials are distributed in advance so meeting participants have the opportunity to digest the content and come prepared with questions and recommendations.

When it comes to regularly discussed ethics and compliance steering committee meetings, no topic was more prevalent than training and communication initiatives and overall program performance and key initiatives, at 98 percent alike. Other noteworthy topics, in order of prevalence, included hotline and reporting statistics (95 percent), compliance and ethics program assessment and benchmarking, risk management, and culture of ethics, at 94 percent alike, and misconduct investigations and resolutions (91 percent).

Establishing effective priorities for both Board and internal compliance and ethics steering committees is critical as these meetings are jam-packed with important matters and meeting frequencies are often limited to one per quarter. Look to examine your agendas to ensure you are presenting the Board and steering committee with the information they need to provide effective oversight. On a similar note, ensure meeting materials are distributed in advance so meeting participants have the opportunity to digest the content and come prepared with questions and recommendations.



INNOVATION

MATTERS



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BELA OF THE BALL

»»» BELA GOES TO TEXAS WHERE EVERYTHING IS BIGGER «««



Pictured above: Dell's Social Media Listening Command Center. Launched in 2010, this impressive and innovative command center offers Dell the opportunity to listen to thousands of conversations about its brand, products and services on a global scale. Value to customers is paramount.

In our latest BELA Executive Ethics and Compliance Forum, cohosted by Dell, we gathered more than a dozen compliance executives from top-performing companies to talk about why culture, training and risk management should be part of an organization's long-term sustainable business strategies.

Ethisphere's Business Ethics Leadership Alliance (BELA) was created to capture, codify and communicate leading practices throughout the community. Originally brought together by leading compliance executives, Al Rosa, General Electric (GE); Brian Beeghly, Johnson Controls; Alan Yuspeh, Hospital Corporation of America and Diana Sands, The Boeing Company, Ethisphere's BELA roundtable met in June for an exclusive two-day event at the Dell headquarters in Austin, Texas. In addition, the event welcomed senior executives from Eli Lilly, CH2M, United Parcel Service, Noble Energy, Eaton Corporation, Jones Lang LaSalle, Microsoft and Vizient, Inc.

"The BELA roundtable showcased some of the most advanced ethics and compliance programs and initiatives," said John Sardar, Chief Compliance Officer, Noble Energy. "It was an outstanding forum to 'listen and learn' from some of the creative thought leaders in this space."

The goal of these roundtables is to provide a platform for candid exchanges to help executive leaders and their companies openly address strategic challenges and collaborate together around actionable solutions. "What's especially impactful for us is the quality of companies in BELA and the willingness of leaders to share best practices and collaborate across industries," added Diana Sands, Senior Vice President, Office of Internal Governance and Administration, The Boeing Company.

Part of BELA's mission is to help companies measure, improve and simplify their programs. Through unlimited access to a full-service culture assessment or to the BELA community's library of questions, a company can gain insights into its most critical asset—employees.

"The BELA community is made up of companies who are intent on ethics and compliance as a differentiator – and they aren't afraid to share what has worked for them and to challenge Ethisphere to help – like with the culture survey" said Erica Salmon Byrne, Executive Director of BELA. "The openness in the room in Austin on what has worked and what hasn't was remarkable. I'm excited to take on the next research challenge this group has provided: a taxonomy of root cause analysis to provide some consistency across the community."

Visit www.insights.ethisphere.com for the full article.

For more information or to become a BELA member, contact Sarah Neumann at sarah.neumann@ethisphere.com.

Connecting Leaders Locally Around the World



New York, NY – March 15-16, 2017

Register Early and Save: <http://globoethicssummit2017.com>

Why Attend?

Network and exchange ideas with industry peers and thought leaders on corporate integrity, ethics and compliance.

Gain a deep understanding of the latest trends and challenges impacting company behavior and performance.

Discover how to better cultivate a strong company culture of ethics.

Identify key risks in both mature and emerging markets and their impact to the business.

Take away actionable insights from the most reputable, multinational company leaders across industries.

Explore practical tools and solutions to incorporate into your own compliance and integrity programs.

Who Participates?



UPCOMING EVENTS AROUND THE WORLD

London Ethics & Compliance Forum

Tuesday, October 11, 2016

Tokyo Forum

Moving Beyond Compliance to Create an Ethical Corporate Culture
Monday, November 14, 2016
Complimentary for In-House Practitioners

Paris Ethics & Compliance Forum

Thursday, October 13, 2016

Complimentary for In-House Practitioners

Asia Ethics Summit

Singapore

Tuesday, December 6, 2016

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EVENTS

»» SOMEWHERE ELSE YOU HAVE TO BE? ««

The following list highlights a few of the many events that Ethisphere and its partners host around the globe each year. Some are in-person forums, while others are virtual, but all provide unparalleled insight into the leading ethics, compliance and governance issues of today.

The following icons represent different characteristics of each event:
Live events take place in a physical location, while online events are broadcast virtually. BELA events are complimentary for BELA members and CLE Events are eligible for CLE (or local CLE equivalent) credit to attendees.



Live
Event



Online
Event



BELA
Event



CLE
Event

OCTOBER



OCTOBER 7TH

New York City Regional Compliance & Ethics Conference

SCCE Regional Conferences provide a forum to interact with local compliance professionals, share information about your compliance successes and challenges, and create educational opportunities for compliance professionals to strengthen the industry. Main topics include status of your ethics and compliance program, FCPA updates in 2016, cyber security and the C-suite, privacy updates, antitrust compliance and investigations. Visit corporatecompliance.org/Events/AllEvents.aspx for information.

Hosted by [SCCE](#)



OCTOBER 11TH

London Ethics & Compliance Forum

The London Ethics & Compliance forum is a one-day event focusing on key corporate integrity issues. Join leading company business executives, GCs, Chief Compliance Officers and other top experts as they assemble to take action, share cutting edge practices and share insights. Visit londoncomplianceforum.com for information.

Hosted by [Ethisphere](#)

NOVEMBER



NOVEMBER 1ST

New York Compliance Tech Talk: How Better Reporting Changes the Game for Compliance

In this interactive Compliance Tech Talk hosted by Convercent and Ethisphere, we're bringing together a group of New York area compliance executives for a closed-door roundtable event to discuss how reporting and analytics help you better align compliance with business operations and strategic objectives, ways to increase the relevance of compliance metrics and reports, and how to quantify and measure the compliance program's business impact. Visit compliancechattalks.com/new-york-city/ for information.

Hosted by [Convercent](#) and [Ethisphere](#)



NOVEMBER 4TH

Dallas Regional Compliance & Ethics Conference

SCCE Regional Conferences provide a forum to interact with local compliance professionals, share information about your compliance successes and challenges, and create educational opportunities for compliance professionals to strengthen the industry. Main topics include cybersecurity, international data privacy, ethics & compliance in mergers

and acquisitions, investigations, best practices in training and communications, and building an ethics and compliance program on a budget. Visit corporatecompliance.org/Events/AllEvents.aspx for information.

Hosted by [SCCE](#)

DECEMBER



DECEMBER 6TH

Asia Ethics Summit

Now in its fourth year, the Asia Ethics Summit offers leading executives from the APAC business community a unique opportunity to connect in the interest of inspiring corporate integrity, ethical culture, and honored compliance practices. This pivotal event will introduce conversations across seasoned C-suite leaders, General Counsels, Chief Compliance Officers, global professional service firms, and more reputable professionals. Topics include anti-bribery and AML, data privacy, M&A pitfalls, corporate governance and board engagement, company values and more. Visit asiaethicssummit.com for information.

Hosted by [Ethisphere](#)

ONLINE INSIGHTS

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Brexit Vote Rocks the Governance Boat in Europe

When the UK voted strongly to leave the European Union, it marked a significant turning point for many of its member states and countries around the world. The shocking developments of Brexit affected the British pound, which hit its lowest level in over 30 years. In light of the turbulence and uncertainties, investors scaled back and turned to safer investments such as the American dollar and Japanese yen. Meanwhile, companies are starting to think about the profound implications of Britain's divorce from the EU on their business. While impact to organizations may be limited in the near future, there will be far greater implications as we look further ahead.

➔ PwC Survey: Investors Are More Cautious About Growth

CEOs make many decisions as heads of their companies, all while trying to steer their companies toward long-term growth. The issues CEOs face factor into investors' decisions about where to put their money. Some issues may affect and impact investors differently. So where do investors and CEOs align, and where do their opinions differ?

➔ Creating a Training and Communication Plan

The words "training rollout" have been known to send shivers up the spine of many compliance managers. It's a legitimate challenge. This article offers some practical guidance on developing an integrated and comprehensive training and communication plan.

➔ Istanbul Airport Attack—A New Era of Threats and Issues

The terror attacks at Istanbul's Ataturk Airport claimed the lives of 44 people and injured more than 240. In June, UK-based G4S PLC was thrust into the limelight when it emerged that the Florida nightclub killer had been employed by the global security firm. Now, G4S is under scrutiny over the vetting of its security employees.

➔ The Data Behind the Impact of Executive Involvement

Initially featured in the Society of Corporate Compliance and Ethics' magazine, Compliance & Ethics Professional, May 2016 edition, this piece assesses data from a recent Ethisphere and Kroll report and examines leadership's commitment to a strong tone at the top.



Featured Expert this Month on Insights

Ethisphere's Expert column features a regular series of expert interviews with corporate leaders. Pictured above is Richard Watts, Senior Vice President, General Counsel, Compliance Officer and Secretary, Granite Construction who talks about how safety is a critical element of the company's Compliance and Ethics program. "Every employee is trained on our Speak Up/Listen Up program."

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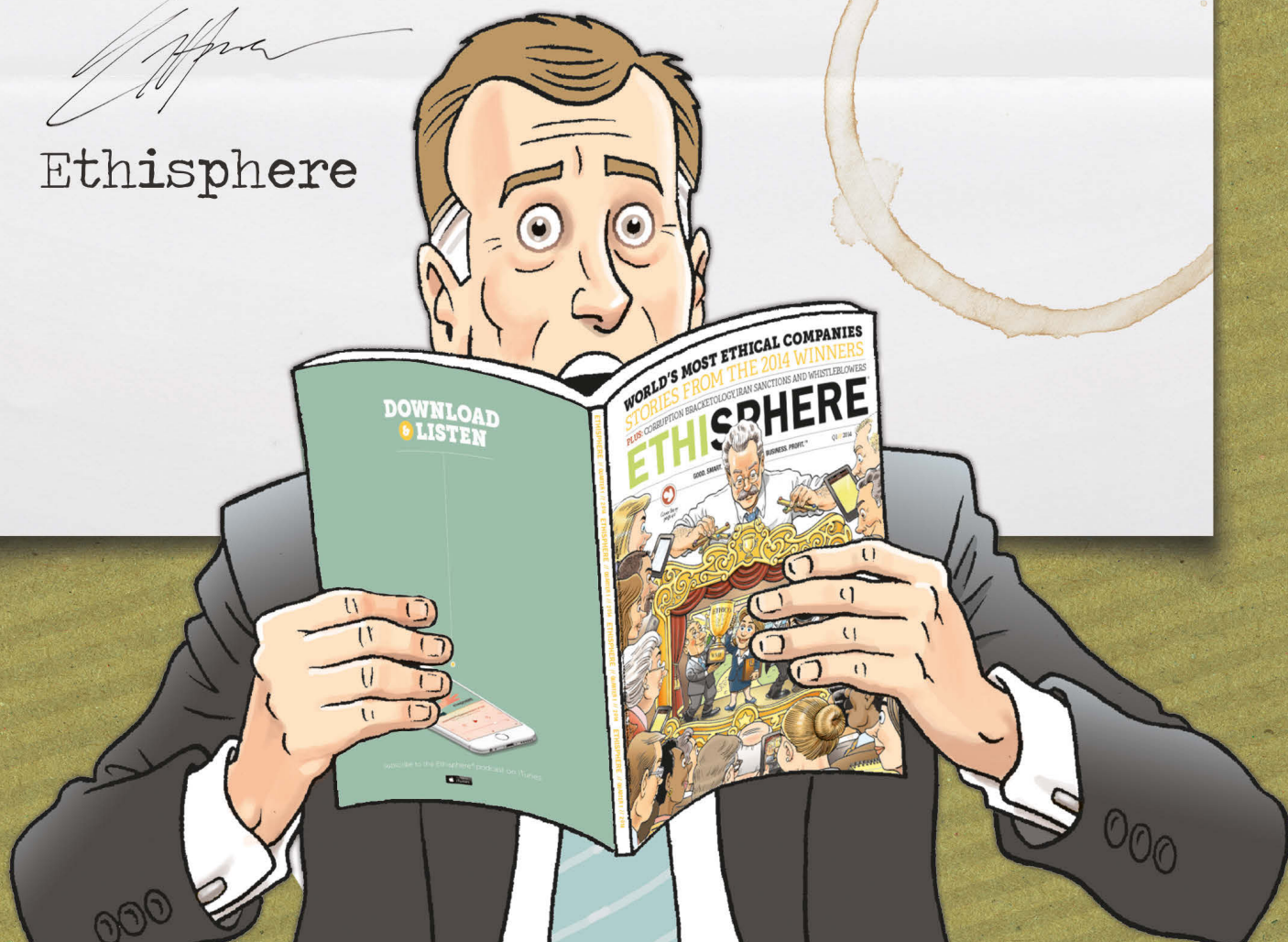
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THE FINAL WORD

RAISING THE BAR THROUGH MEASUREMENT



Measurement is about accountability. It is a tool to evaluate the success and/or failure of a pre-established goal. For some, this can create anxiety. But, a company should seize it as an opportunity to raise the bar on performance and to deliver on a promised goal. At a minimum, it is a tool that keeps a company honest about its progress and identifies challenges to be overcome to reach its stated goals.

When it comes to diversity and inclusion, measurement has been unclear for some organizations. Those companies may set vague standards of measuring their success based on a number of programs they offer and others may be even more vague about what should be measured to determine if they are going in the right direction. I recall one company refusing to establish a baseline to measure the success of its diversity and inclusion program because the baseline was not as good as they would have liked. Rather than directly addressing the issue, they deflected by referring to the things they were doing as being effective even though they had no real idea if it was or was not.

But, how do you know the effectiveness of your diversity and inclusion goals if you don't know where you are starting from or have a way of measuring what is and is not effective? Better yet, how can you improve when you are not sure what to improve?

We have heard over and over that the more diverse and inclusive a company's workforce, the better the business outcome. Yet companies struggle with establishing goals and measuring progress. If we want better measurements for improving diversity and inclusion, we need to collaborate and encourage one another to share what they are and/or may not be doing. We need to support each other without judgment if we are going to improve and surpass our collective goals. By sharing and collaborating on best practices, we learn from and motivate each other; and develop infrastructures and commitment to specific targets that allow for more diversity in the profession beyond the individual company. Collectively, we can impact the profession for the better.

Remember, a company's bottom line — running an efficient and profitable enterprise — is protected when it honestly measures success and makes corrections along the way. The business that can effectively use measurement to improve itself will be the one on top.

A handwritten signature in black ink that reads "Jean Lee". The signature is fluid and cursive.

Jean Lee
President and CEO
Minority Corporate Counsel Association

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