



Data Highlights of the World's Most Ethical Companies

Insights into the Practices of Companies Recognized for Exceptional Ethics and Compliance Programs

PRESENTED BY:

DATE:



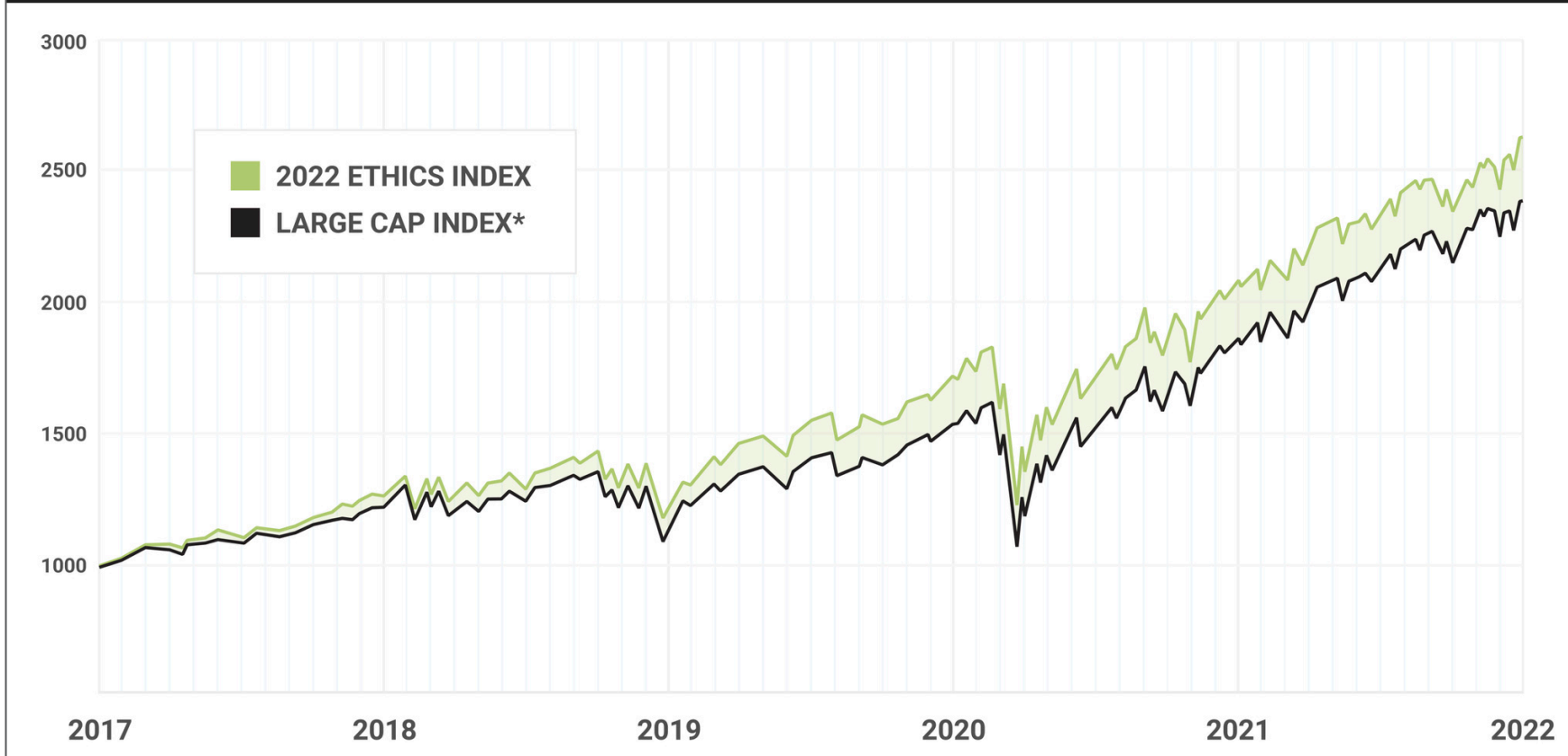
INTEGRITY OUTPERFORMS

FIVE-YEAR ETHICS PREMIUM: 24.6%

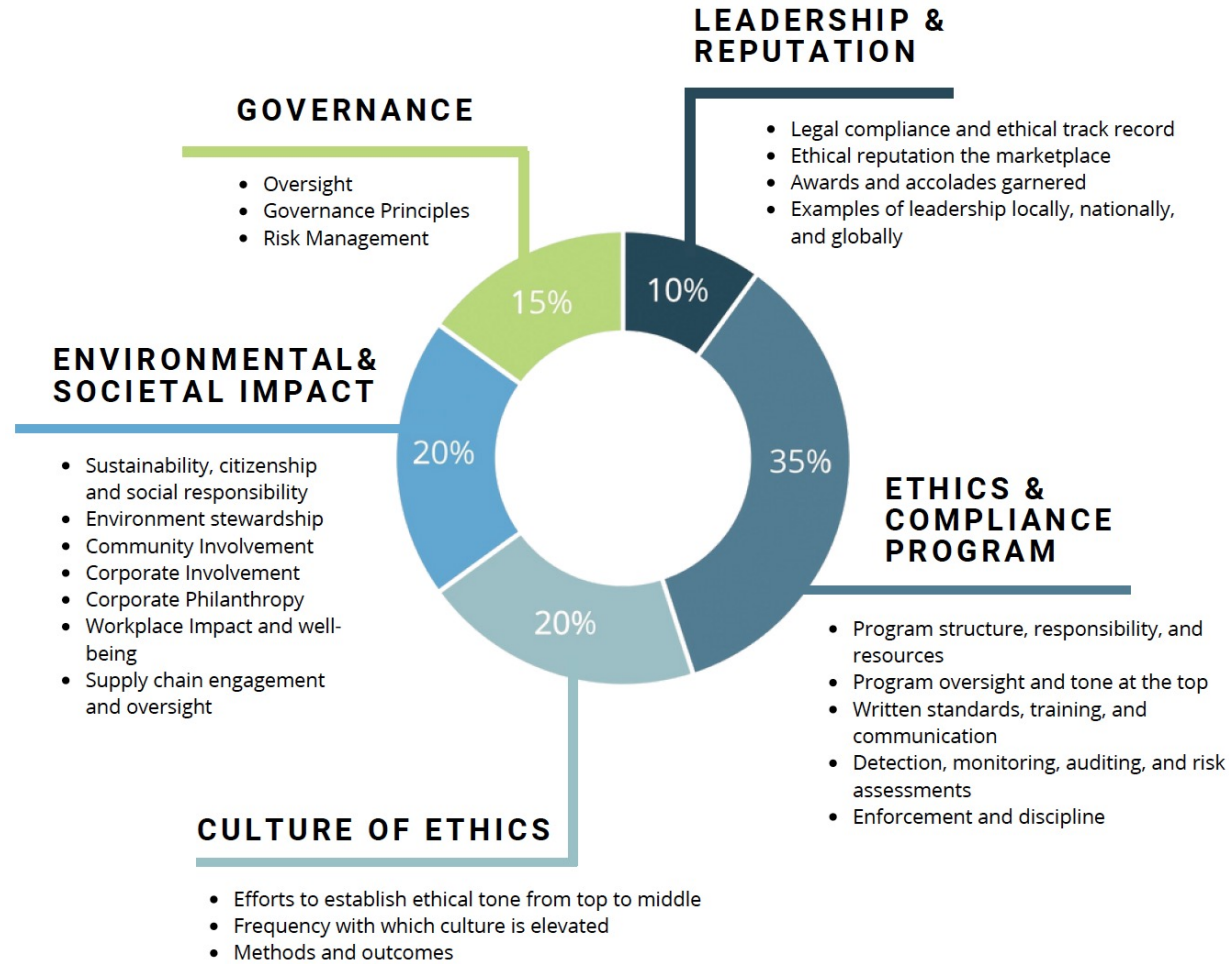
According to Ethisphere's Ethics Index, the listed 2022 World's Most Ethical Companies honorees outperformed a comparable index of large cap companies by 24.6 percentage points from January 2017 to January 2022.

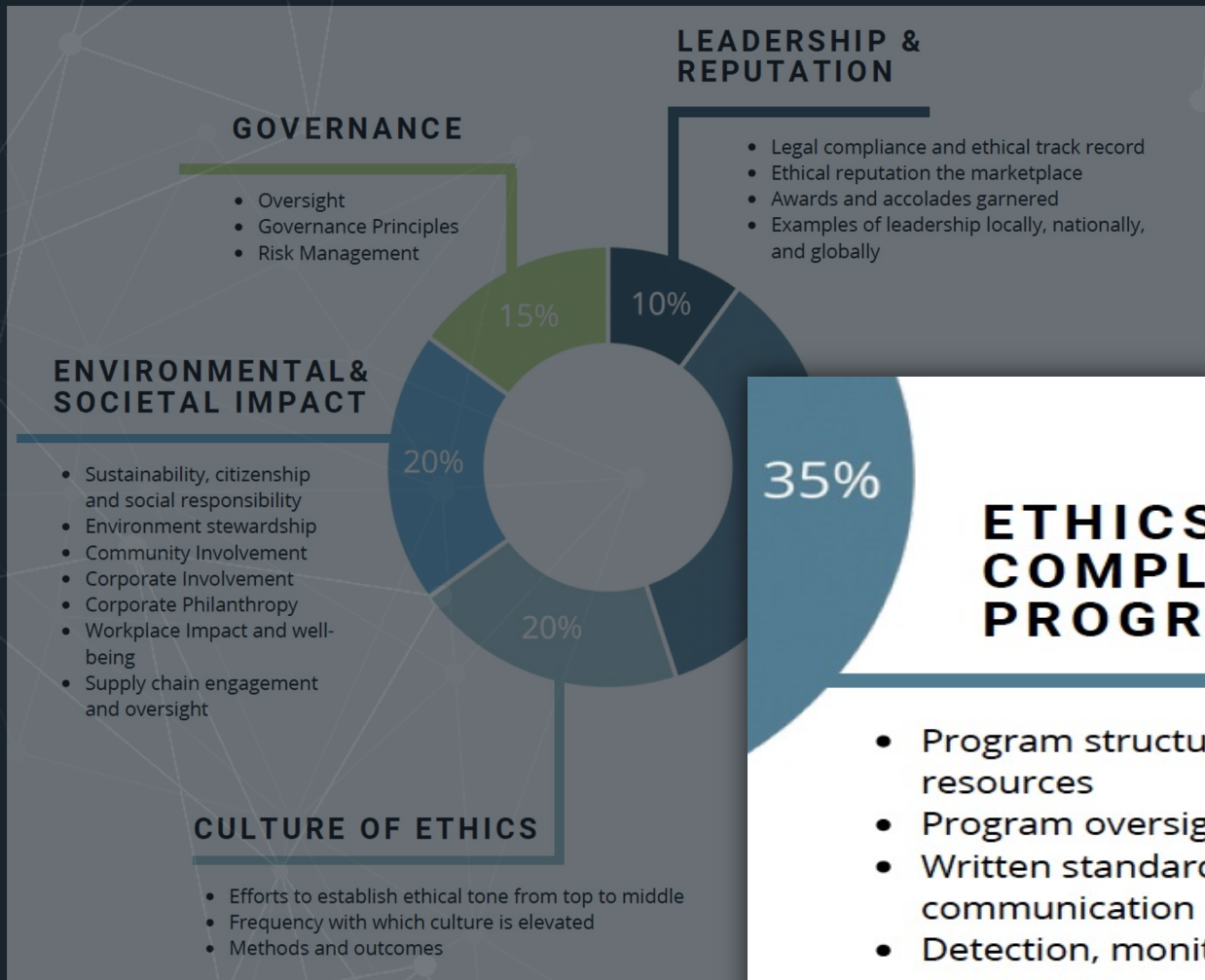
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*Solactive US Large Cap Index (GTR)



The Ethics Quotient

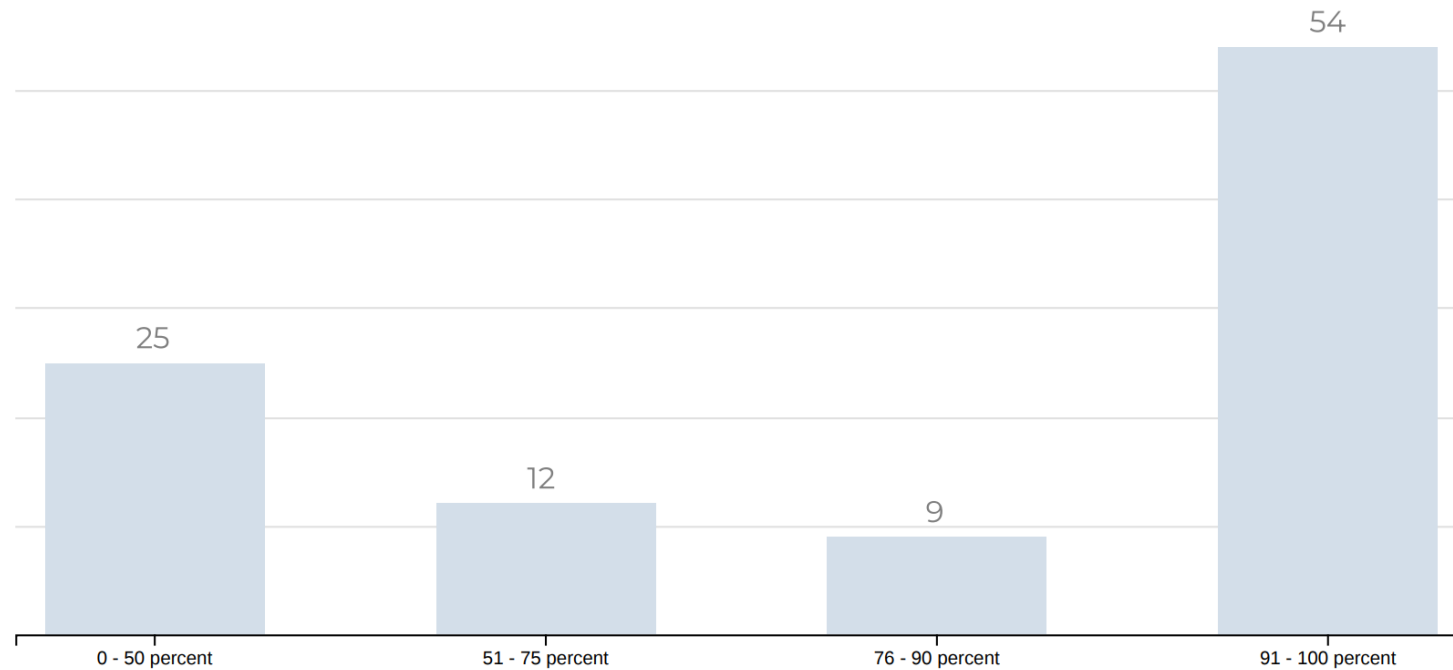




Leading Companies Resource E&C

2.11 What percentage of time does the person assigned responsibility for oversight of the ethics and compliance program dedicate to that role?

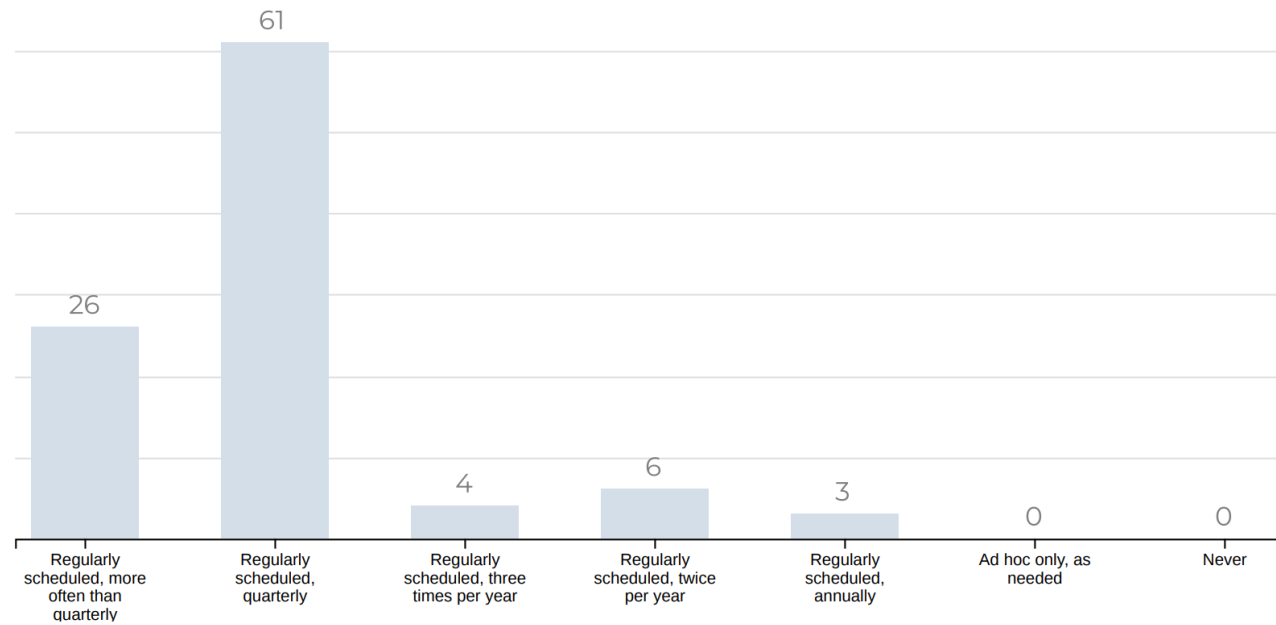
■ All Honorees (*n* = 137)



Board Engagement with E&C

2.20 How often does the ethics and compliance function conduct scheduled update presentations regarding the implementation and effectiveness of the ethics and compliance program to the Board, committee of the Board or other governing authority that oversees the ethics and compliance program?

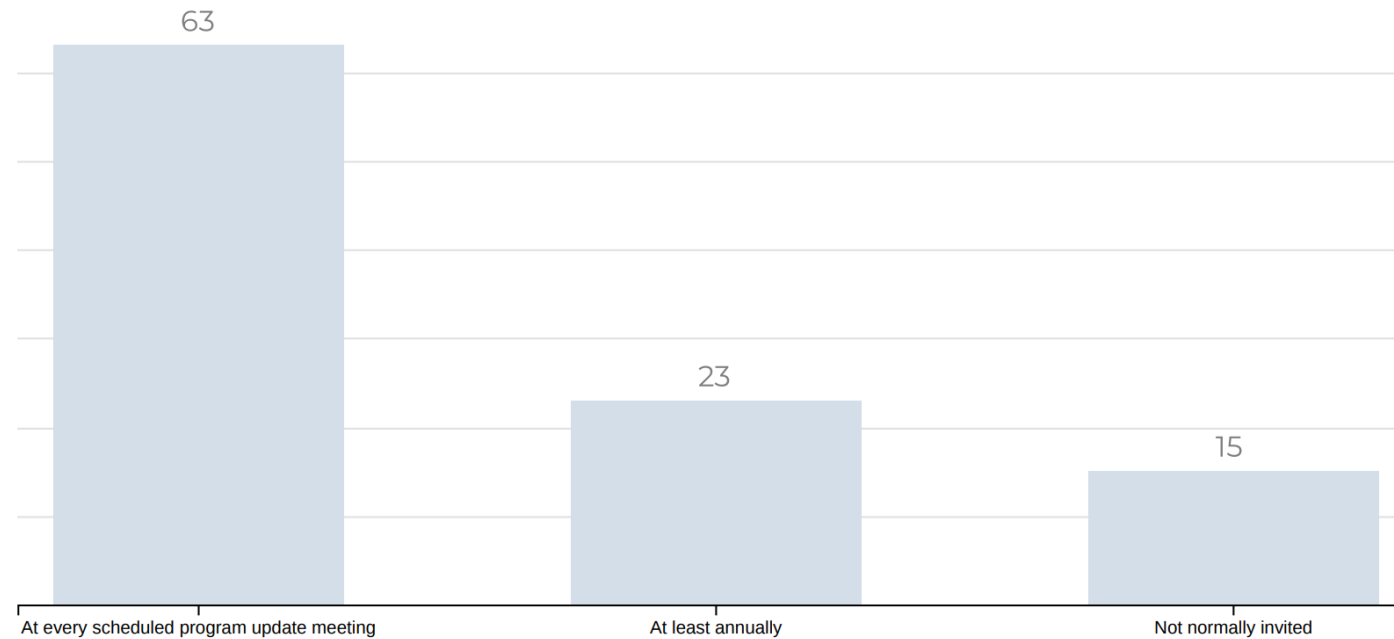
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Board Engagement with E&C

2.21 How often is the person assigned responsibility for the implementation of the ethics and compliance program present when scheduled updates regarding the implementation and effectiveness of the ethics and compliance program are made to the Board, committee of the Board, or other governing authority with oversight responsibility for the ethics and compliance program?

■ All Honorees (n = 48)



E&C Program – Training

Honorees target training based on:

Employees function

95%

Job level

88%

Business unit

87%

Targeting ensures training feels applicable and is more likely retained

E&C Program – Training

A trending best practice:

Honorees increasingly
assign training based on
risk-based triggers

59%



9-point
increase over last year

GOVERNANCE

- Oversight
- Governance Principles
- Risk Management

LEADERSHIP & REPUTATION

- Legal compliance and ethical track record
- Ethical reputation the marketplace
- Awards and accolades garnered
- Examples of leadership locally, nationally, and globally

ENVIRONMENTAL & SOCIETAL IMPACT

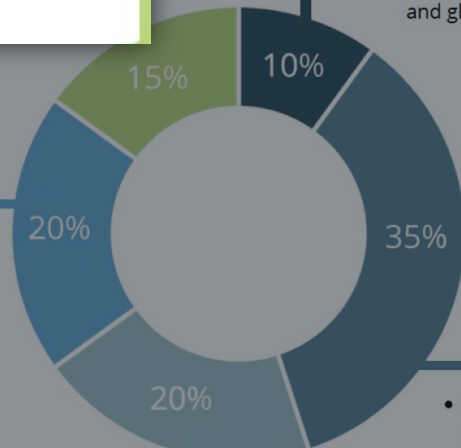
- Sustainability, citizenship and social responsibility
- Environment stewardship
- Community Involvement
- Corporate Involvement
- Corporate Philanthropy
- Workplace Impact and well-being
- Supply chain engagement and oversight

CULTURE OF ETHICS

- Efforts to establish ethical tone from top to middle
- Frequency with which culture is elevated
- Methods and outcomes

ETHICS & COMPLIANCE PROGRAM

- Program structure, responsibility, and resources
- Program oversight and tone at the top
- Written standards, training, and communication
- Detection, monitoring, auditing, and risk assessments
- Enforcement and discipline



Governance – Established Practices

95%

Cover key issues in the
context of program updates

90%

Take deep dives on specific risk
areas outside of program
updates

Governance – Validating Practices

83%

Share **written materials** from
outside sources

xx%

Bring in **outside experts** to
brief the Board on ethics and
compliance risks

Governance – Diversity and Boards

32%

VS

24%

Board Seats are Held
by Women or Gender-Diverse
Individuals

Board Seats held by
Russell 5000 Directors

18% of honoree organizations have
boards **at or above gender parity**

Board Oversight & ESG

60%

Have Designated a
Specific Committee With
ESG Oversight

Governance - Trending

43%

Use interactive sessions

- case studies, table-top exercises –
- to engage board members in ethics and compliance matters

Governance

- [Effective governance and oversight require directors to be informed about the ethics and compliance program, including its efforts and outcomes. Regulators have also come to expect greater director expertise, through either prior experience or education. Our survey this year focused specifically on how companies cultivate that expertise in their directors. We were looking for a holistic approach to director education and found most organizations take a multi-faceted approach: 97 percent have provided their code to the board in the last two years, 90 percent reported they take deep dives on specific risk areas outside of program updates, and 95 percent also cover key issues in the context of program updates.](#) 83 percent share written materials from outside sources, and a majority bring in outside experts to brief the Board on ethics and compliance risks. One practice we will be keeping an eye on is the use of interactive sessions (case studies or table-top exercises) which allow board members to participate in discussions around ethics and compliance matters, which is currently used by 43 percent of honorees.
- In addition, we continued our focus on how new directors get oriented to the business. 93 percent of Honoree companies reported that a new director would spend time with Ethics and Compliance specifically as part of their onboarding process, either to discuss their role relating to oversight of the program and/or the ethics and compliance risks relevant to the organization; 95 percent said the same of Legal (separate from the session with ethics and compliance, a distinction we made this year). Most organizations continued to make sure their directors were exposed to multiple stakeholder groups and parts of the business. In addition, we continue to see a trend of companies seeking out specific directors with relevant ethics and compliance expertise, with multiple Honorees appointing directors who had served as compliance officers to Board seats.
- Much attention has been spent on the issue of divided attention by independent directors, a concept referred to as “overboarding” in governance literature. This year, we again asked applicant companies how many other Boards their directors sit on (not including charitable and community organizations). Seventy-eight percent of Honorees said less than two, just like last year—the median ticked down to 1.25 from 1.5 last year. Given that many companies publicly forbid their directors from sitting on more than four other Boards, we were pleased to see this level of commitment to oversight from Honoree company directors. Average tenures for directors continue to drop as well. Recognizing the critical role that committees play in oversight responsibilities, we asked again this year about the average tenure of committee chairs and saw a drop to 4.63 years from last year’s 5.5. A majority of companies indicated they have some process to rotate committee chairs, with 40 percent indicating they rely on specific criteria from their performance evaluation processes, and 17 percent indicating they set tenure limits in their committee charters.
- With the rise in ESG disclosure regimes, we were heartened to see the number of Honorees who are addressing roles and responsibilities for ESG oversight at the board level. 60 percent of Honorees indicated they have designated a specific committee (either standalone or an existing committee) to oversee these matters *and* defined those responsibilities in the charter of that committee, and 12 percent indicated they’ve split the responsibilities up but defined them in the charter of each relevant committee. The remainder have not yet delegated responsibilities to a committee or committees; again, this is an issue we will be watching closely over the course of the year.
- [Finally, Ethisphere continues to believe that diversity at the level of the Board or other governing authority is an important aspect of effective governance, and the events of this past year have only strengthened our focus on diversity initiatives. For the first time, over thirty percent of Honoree board seats \(32 percent\) are held by women or gender non-conforming directors. Indeed, 53 percent of Honorees have between 30-45 percent of board seats held by gender-diverse directors, and 18 percent are at or past parity, significantly higher than the Russell 5000, which as of the end of Q1 of 2021 had just 24.3 percent of board seats held by non-male directors.](#) We also found that 87 percent of Honorees are tracking racial/ethnic diversity among directors, though there remains work to do in this area as well, in terms of representation.
- [Code of Business Conduct Non-Employee Directors.](#)
- [Training for Board of Directors and Officers.](#)
- [2021 ESG Forum: Engaging with the Board of ESG: Education, Oversight, and Reporting.](#)
- <https://www.equilar.com/reports/81-q1-2021-equilar-gender-diversity-index>

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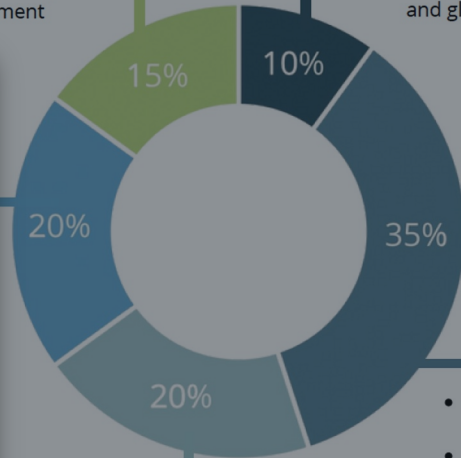
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Impact

82% Formally Engage
with Stakeholder Groups

82% Actively Solicit Feedback
from Stakeholder Groups

Impact

81% Report Impacts
Annually

88% Set
Public Goals

81% Use
KPIs to Track Progress

ESG Oversight

60% Have Designated
a Specific Committee
with ESG Oversight

33% Use an Existing non-
CSR/ESG Focused Committee

31% Have a Dedicated CSR
Committee

21% Allocate Oversight to
the Full Board

E&C Teams are Evolving

What backgrounds do those on your team possess? Select all that apply.

Attorney – 92%

Paralegal – 66%

Auditor/CFP – 75%

Information Technology – 56%

Data Analytics – 61%

Communications – 57%

Finance – 64%

Human Resources – 64%

Operations – 66%

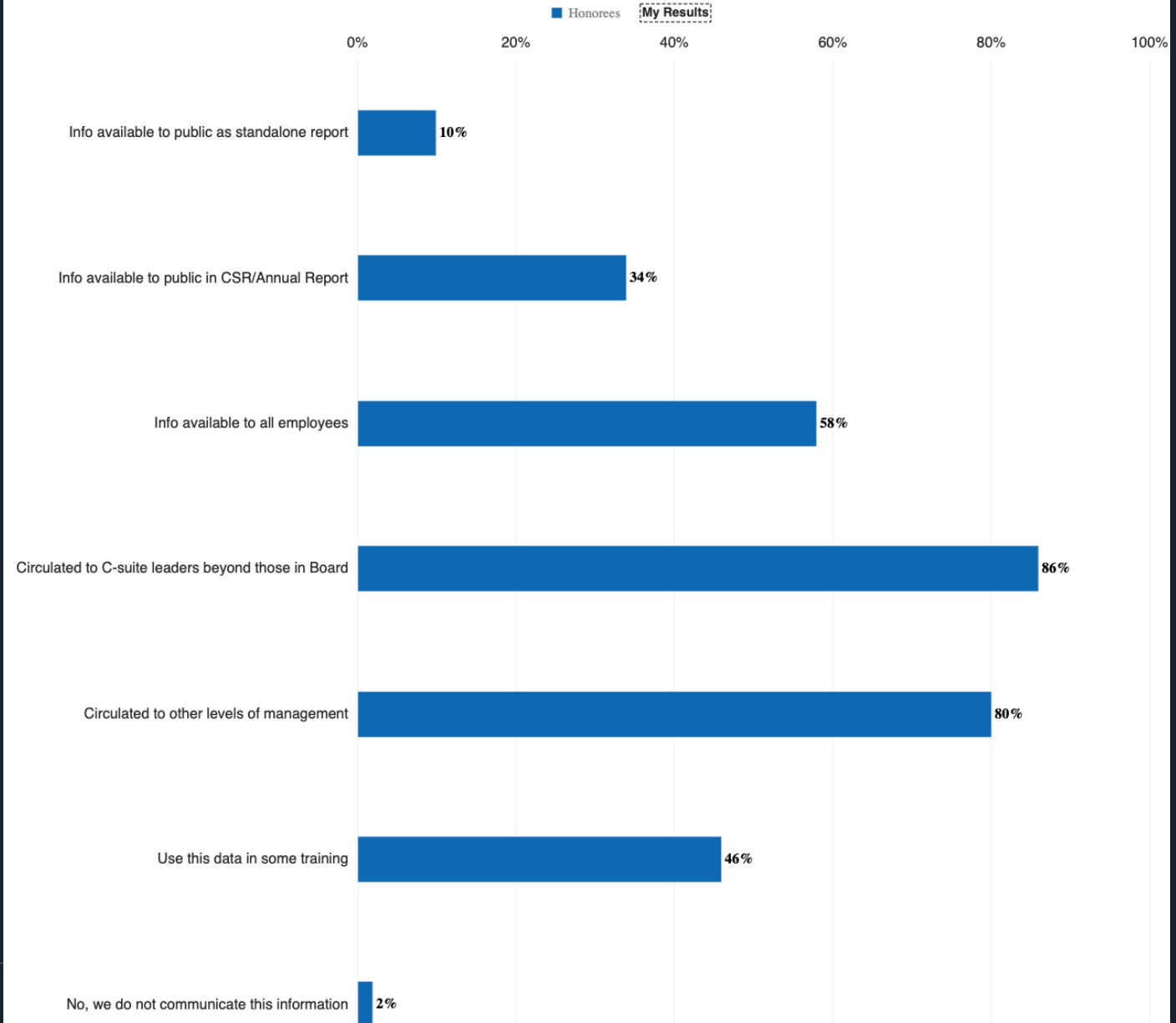
Investigations – 86%

Commercial – 44%

ESG Reporting

“A small but growing number of companies are even citing their statistics in their ESG reports to give a view of their process to internal and external stakeholders alike. In a world where ESG is king, transparency is the coin of the realm.”

Separate from reports to the Board or other governing authority, does your organization communicate how many ethics concerns were reported, the types of concerns reported, and the results of reports and investigations? - 5.7



ESG Approach

Frameworks

72% Utilize the GRI

46% Use the TCFD

52% Use the SASB standards

Identifying Risks

60% tie ESG risks and opportunities into risk management processes



Culture

99%

Conduct Surveys with
Ethics-Specifics
Questions

Culture:

91%

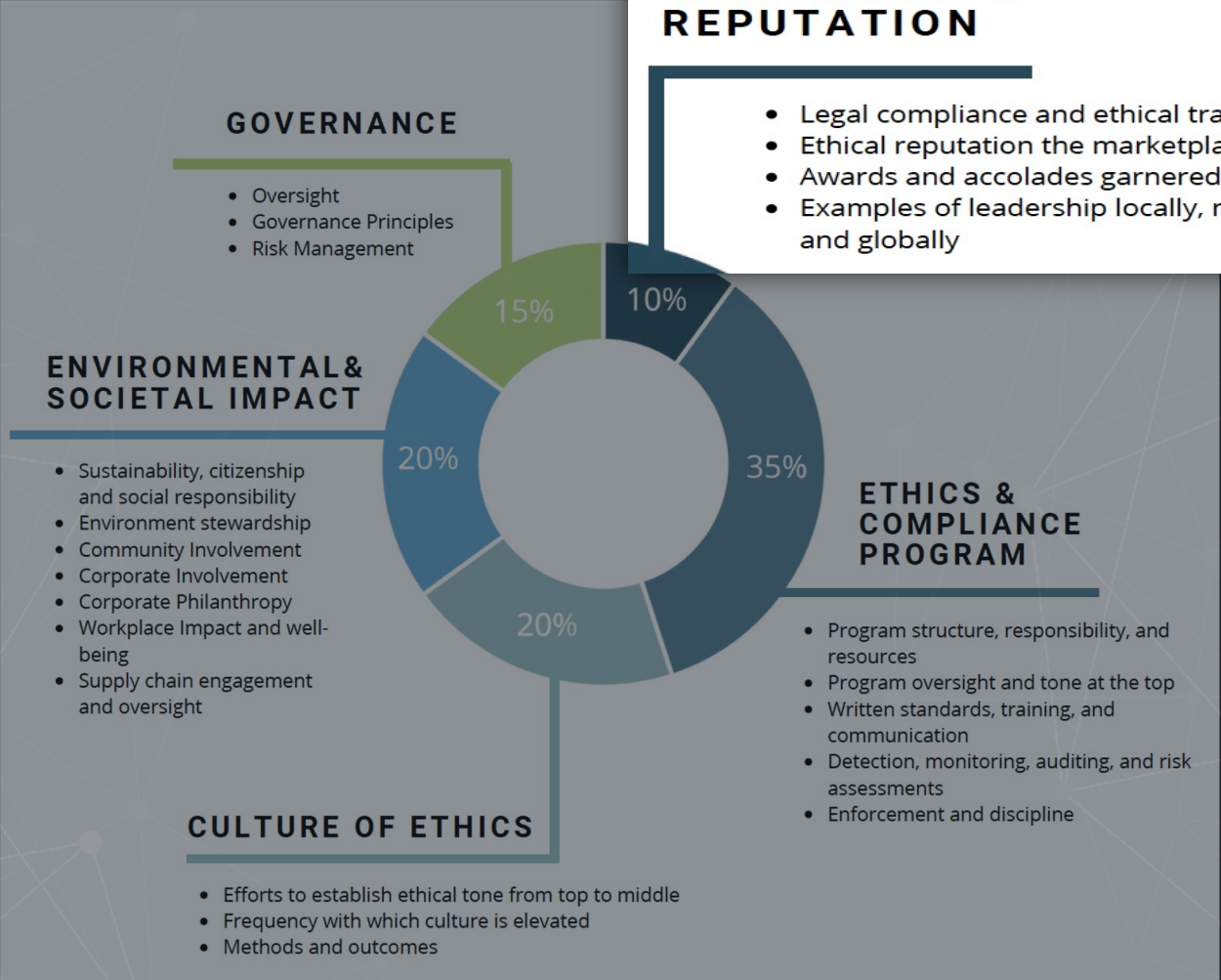
Include **social media**
review for comments or
feedback about the
company's culture

Culture - Trending

Among survey types, the largest rise was exit questionnaires including questions about ethics, which rose from 53% to 68% in the last year

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