Structuring and Resourcing Your Ethics and Compliance Program Effectively: Further Insights into the Practices of the 2019 World’s Most Ethical Companies®

May 16, 2019
Before We Get Started

- Today’s presentation and recording will be provided via email after the webcast

- Please submit questions via the chat or question function on your webcasting screen
Who We Are

Erica Salmon Byrne
Executive Vice President

Jodie Fredericksen
Senior Compliance Counsel

Scott Stevenson
Senior Analyst
Agenda

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

2. Insights
   - Overall Program Structure: Titles, Reporting Lines, and Authorities Granted
   - Informing the Governing Authority: Board Reporting
   - The Resources Needed and Where to Place Them: Staffing, Centralizing Programs, and Evolving Backgrounds for E&C Staff

3. Getting Involved
   - Insights Report Series Schedule
   - World’s Most Ethical Companies 2020
Ethisphere: Advancing Business Integrity for Competitive Advantage

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

Recognize Excellence

Measure Against Standards

Inspire Advancement

- Ethics and Compliance
- Corporate Ethical Culture
- Anti-Corruption in the Value Chain
- Cybersecurity
- Trade Secret & IP Protection
Setting the Stage: Our Data and Why it Matters

128 companies were designated as World’s Most Ethical Companies in 2019. These companies represent 51 industries across 20 countries.
THREE-YEAR ETHICS PREMIUM: 10.5%

Performance of the listed 2019 Honorees as compared to the Large Cap Index from February 2016 to February 2019

- 2019 ETHX
- LARGE CAP INDEX
The DOJ announced updated guidelines on April 30, 2019.

Guidance callouts to follow:

- Seniority and Stature
- Autonomy
- Structure
- Shared Commitment
- Oversight
- Funding and Resources
- Experience and Qualifications
Overall Program Structure:
*Titles, Reporting Lines, and Authorities Granted*
EQ 4A.2 Specify all job titles held by the person assigned overall ownership of the ethics and compliance program. (Multiple select)
EQ 4A.6 To whom does the person with overall responsibility for the ethics and compliance program administratively report?
EQ 4A.11 Identify which of the following authorities, if any, are granted to the ethics and compliance function. (Multiple Select)

<table>
<thead>
<tr>
<th>Authority</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Ability to revise the Code of Conduct (with Board approval if required)</td>
<td>100%</td>
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<tr>
<td>Ability to author and/or recommend new business conduct policies</td>
<td>100%</td>
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<tr>
<td>Primary budget responsibility for all ethics and compliance programs</td>
<td>95%</td>
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<tr>
<td>Primary hiring authority for all positions in the ethics and compliance function</td>
<td>95%</td>
</tr>
<tr>
<td>Significant input/role coordinating with relevant business functions (e.g., procurement) to ensure ethics and compliance risks/interests are included in product/supplier sourcing decisions</td>
<td>97%</td>
</tr>
<tr>
<td>Significant input/role in the process for organizational strategic business development decisions such as mergers and acquisitions, new market entry, expansion, business partnerships/alliances, and joint ventures</td>
<td>99%</td>
</tr>
<tr>
<td>Input on hiring/firing decisions regarding positions of authority which may affect ethics and compliance functions (e.g., Audit, Finance, HR)</td>
<td>99%</td>
</tr>
<tr>
<td>Significant input/role in product or services decisions such as product or services development, launch, or discontinuation</td>
<td>100%</td>
</tr>
</tbody>
</table>
EQ 4A.12 Select the types of interactions the ethics and compliance function has with other functional groups in your company. (Multiple Select)

- Invited/allowed to attend HR training events: 98%
- Invited/allowed to design audits and receive audit results: 97%
- Invited/allowed to add ethics and/or compliance questions to employee surveys: 97%
- Invited/allowed to design technology solutions that support the ethics and compliance program: 94%
- Invited/asked to sit on a steering committee: 93%
- Invited/allowed time in sales/marketing meetings (excluding ethics or compliance training) to educate on the relevance of the ethics and compliance program as a competitive advantage: 91%
- Invited/allowed to provide formal input on corporate business strategy: 89%
Informing the Governing Authority: *Board Reporting*
Board Reporting: Operational Responsibility

Given the person assigned overall responsibility for the ethics and compliance program is also the CEO or General Counsel, and/or dedicates less than 76 percent of their time to the ethics and compliance role, is there a person in addition to the person with overall authority who is assigned day-to-day operational responsibility for the ethics and compliance program?

96% Yes 4% No

When the person with overall responsibility for the ethics and compliance program communicates with the Board, a Board committee, or other governing authority regarding the ethics and compliance program, is the person who is assigned day-to-day operational responsibility for the ethics and compliance program generally present?

76% Yes 24% No
How often does the person with overall responsibility for the ethics and compliance program conduct scheduled presentations regarding that program to the committee of the Board or other governing authority with oversight of the ethics and compliance function?

- Regularly scheduled, more often than quarterly: 32%
- Regularly scheduled, quarterly: 47%
- Regularly scheduled, three times per year: 3%
- Regularly scheduled, twice per year: 9%
- Regularly scheduled, annually: 5%
- Ad hoc only, as needed: 2%
- Never: 2%
Does the person with overall responsibility for the ethics and compliance program have regularly scheduled meetings in person or telephonically with the individual chairing the committee tasked with oversight of the program? Please select all that apply.

- Yes, regularly scheduled prior to the committee meeting: 71%
- Yes, regularly scheduled at least monthly: 12%
- No: 17%
- Our organization does not have an oversight committee: 2%
EQ 4A.19 How often does the person with overall responsibility for the ethics and compliance program normally meet in closed or executive session to discuss the ethics and compliance program with the Board, a Board committee, or other governing authority without management present?
Board Reporting: Communications

How often does the person with overall responsibility for the ethics and compliance program normally communicate with your company’s outside auditors regarding the ethics and compliance program without management present?

- Regularly scheduled, more often than quarterly: 19%
- Regularly scheduled, quarterly: 38%
- Regularly scheduled, three times per year: 1%
- Regularly scheduled, twice per year: 7%
- Regularly scheduled, annually: 13%
- Ad hoc only, as needed: 20%
- Never: 2%
EQ 4A.18 Indicate which information, if any, your company reports to the Board and/or Board committee or other governing authority. (Multiple Select)
The Resources Needed and Where to Place Them: Staffing, Centralizing Programs, and Evolving Backgrounds for E&C Staff
Centralizing Programs

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

- Centralized: 59%
- Combined: 41%
- Decentralized: 0%
EQ 4A.25 What is the approximate number of full-time employee (“FTE”) equivalents dedicated to ethics and compliance function/activities throughout your company?
What is the approximate number of full-time employee ("FTE") equivalents dedicated to ethics and compliance function/activities throughout your company?

Frequency – Highly Regulated Firms

Frequency – Non-Highly Regulated Firms

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<tr>
<th></th>
<th>Highly Reg</th>
<th>Non-Highly Reg</th>
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<tbody>
<tr>
<td>Average</td>
<td>279.4</td>
<td>36.9</td>
</tr>
<tr>
<td>Median</td>
<td>92.0</td>
<td>14.8</td>
</tr>
<tr>
<td>Middle 80%</td>
<td>23.8 to 438.4</td>
<td>3.6 to 70.6</td>
</tr>
<tr>
<td>Range</td>
<td></td>
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What is the approximate number of full-time employee ("FTE") equivalents dedicated to ethics and compliance function/activities throughout your company?

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<thead>
<tr>
<th></th>
<th>Publicly Traded Firms</th>
<th>All Others</th>
</tr>
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<tbody>
<tr>
<td>Average</td>
<td>104.0</td>
<td>67.6</td>
</tr>
<tr>
<td>Median</td>
<td>26</td>
<td>15</td>
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<tr>
<td>Middle 80% Range</td>
<td>7 - 149</td>
<td>2.6 - 174</td>
</tr>
<tr>
<td>Range</td>
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EQ 4A.26 Please indicate the type of background(s) individuals in the ethics and compliance function possess. Please select all that apply. (Multiple Select)
Ways to Access the Data
Ways to Access the EQ Data Set

Compliance Program Assessment
Comprehensive review, evaluation, and validation of your program

Ethics Quotient Benchmarking & Road Map
View into practices vs. leading and peer companies with report

Ethics & Compliance Program Index
Self-driven assessment for identifying strengths and gaps

Focused Facts Report
Bespoke report addressing your topical questions and concerns

For more information, contact Jonathan Whitacre at +1 (615) 210-2876 or jonathan.whitacre@ethisphere.com
Thank you.
Ethisphere is the Global Leader in Advancing the Standards of Ethical Business Practices

**MEASURE AGAINST STANDARDS**

Our corporate ethics standards, vetted by leading experts and used for 10 years, provide an independent, objective measurement tool critical to drive business decisions and stakeholder interaction.

**RECOGNIZE EXCELLENCE**

We recognize programs and companies who've proven that their programs and practices are extraordinary and provide mechanisms to help communicate those recognitions.

**INSPIRE ADVANCEMENT**

Ethisphere’s global summits, roundtables, and publications capture the leading voices in the field. And our corporate membership group provides unparalleled networking opportunities.