

**2015** | **WORLD'S MOST**  
**ETHICAL**  
**COMPANIES**™  
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# Actionable Insights

from the 2015 World's  
Most Ethical Companies®



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- Learn your scores - your Ethics Quotient™ (EQ)
- Compare your practices to those of the World's Most Ethical Companies
- Understand the gaps in your program, activities and practices vs. leading companies
- Use this knowledge to guide and shape program investment and resources
- Engage the entire organization and ecosystem

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## Introduction

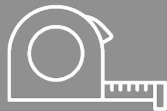
It's clear that just as regulatory oversight has never been more complex, public expectations about transparency, corporate culture and business behavior are part of everyday conversation. These factors, among others, have led to an expansion in the field of ethics and compliance. Leading practices of prior years have become today's standards and new best practices continually redefine the profession.



Since 2007, we've been measuring companies using our Ethics Quotient Survey and honoring organizations with the World's Most Ethical Companies recognition. Our Ethics Quotient survey, the foundation of all that we do, has evolved into a tool that global organizations depend upon as an independent, objective third-party assessment of their programs, policies and procedures, and as a critical element of resource planning. The data we collect is included in our proprietary database from which all resulting comparisons, benchmarking reports, consultations and recognitions are based.



The Ethics Quotient framework is designed to capture information that leads to practical decision-making. Where others may gather basic, academic, or theoretical data that grabs headlines, Ethisphere's questions compel organizations to dig deep, uncover what's really going on across the enterprise, then submit that information for independent review.



Those who complete the survey are often surprised by not only what they learn just by gathering the information to respond, but also by how their practices compare to those of organizations recognized as the World's Most Ethical. This benchmarking exercise leads to serious, fact-based conversation that informs resource planning, professional development and executive interaction with the compliance and ethics professional team.

This whitepaper is based upon responses to the 2015 Ethics Quotient survey, and compares results of those honored as 2015 World's Most Ethical Companies to the other companies in the data set. To help identify developing trends, we've also compared data from World's Most Ethical Company honorees over the past several years. These two approaches offer a robust analysis far different from other surveys and permits readers to gain a clearer understanding of how leading companies are moving their programs and practices forward.

**This whitepaper is divided into four areas:**



**Next Practices - The Evolution of Compliance & Ethics Programs** - How maturing and leading companies are codifying practices to establish formal processes in areas like training and communication methods and programs, supporting an effective mood at the middle where most employees commonly turn for questions or guidance, and ensuring that those who have responsibility for oversight and implementation of the ethics and compliance program have appropriate authority and adequate autonomy from management to effectively do their jobs.



**Data the Board and Executive Managers Should See** - How leading companies, in the face of rising public expectations and regulation, are increasing the level and type of information shared with executives, directors and other leaders to ensure that they have a clear view of company risks, compliance program components, and employee perceptions of corporate culture.



**Governance and Transparency Driving Trust Among Employees, Owners and the Public** - How governance practices and policies can influence the perception of trust among multiple stakeholder groups, including how Boards are elected, the composition of Boards, opportunities for Boards to more openly interact with a wide variety of constituents; how companies communicate with global employee populations; and how non-retaliatory policies and procedures affect those who report as well as middle managers on the front lines.



**Measuring Up? Understanding Your Company's Culture and the Effectiveness of Your Compliance Program** - How different elements of program effectiveness and company culture are measured, departments involved in formal program evaluations, program areas included in these evaluations, and whether the documentation sparks action and remediation.

# Executive Summary

World's Most Ethical Companies (WMECs) have taken a leading role in coming up with strategies and actions to better address evolving expectations about behavior in the workplace:

1. WMECs are more likely to collaborate across functions in developing more targeted and efficient training, and communicating across the global enterprise.
2. WMECs more frequently incent employees who engage in ethical conduct and/or actively support compliance initiatives.
3. WMECs codify aspects of their programs and processes more frequently and, thus, are more likely to stay abreast of changing norms and practices.
4. Although all companies are increasing the amount of compliance- and ethics-specific training to middle managers, WMECs are more likely to allocate resources, and a wider range of resources, to middle managers in order to encourage and assist them in more effectively communicating on the importance of acting ethically and addressing staff questions and behavior.

Although the basic purpose of a governance structure is the same for all – to protect and further the interests of the owners – different types of organizations address this goal in varying ways. However, just as we found in earlier years, it's clear that WMECs operate distinctly.

1. WMECs are more likely to include the person with day-to-day operational authority for the compliance and ethics program in Board communications.
2. WMECs are more likely to formally assess compliance and ethics risks, to do so more frequently and to incorporate a wider variety of inputs and methodologies into their assessments.
3. The same is true for compliance program evaluations – WMECs tend to evaluate their programs very broadly, including myriad facets of their program in their reviews; and they are twice as likely vs. non-honorees to conduct reviews annually.
4. WMECs are more likely to include perceptions of the compliance program in their culture assessments, but also report more positive results from these assessments.

## How To Use This Information

- Share findings with senior leadership
- More tightly integrate the Ethics & Compliance role with other business roles
- Compare your company to other leading companies
- Help focus your investment in program and resources
- Elevate compliance and integrity to a business imperative

Building and maintaining trust with stakeholders and the public offers many marketing and business advantages and efficiencies, but it also establishes a reservoir of goodwill to draw upon if challenges arise in the future. Although all companies seem to be aware of this, the practices of WMECs are different and have the result of increasing trust.

More companies are recognizing that understanding culture and the effectiveness of a compliance program depends in part on measurement and not just anecdotes or subjective analysis. A large majority of respondents deliver comprehension tests to learners immediately following training but there are big differences when other metrics come into play.

1. The Boards of WMECs tend to more diverse, have more directors identified as 'independent', and rotate their Board meetings to business locations other than their companies headquarters.
2. Communications with employees at WMECs tend to be more frequent, targeted and robust. Communication methods are also rapidly becoming more sophisticated.
3. The elements and management of non-retaliation policies and procedures at WMECs are quite different and seem to better set the tone for ensuring that retaliation against reporters will not occur.

1. WMECs assess their culture more frequently, and are twice as likely to conduct annual, documented evaluations or benchmarking of their compliance and ethics programs.
2. WMECs are far more likely to collaborate with other departments or third parties on program evaluations.
3. WMECs include a wider variety of topics in culture assessments, including items relating to employee awareness of resources, employee comfort about reporting misconduct, and whether misconduct has been observed.

## EMERGING TRENDS AND ETHISPHERE INSIGHTS

- The process and rigor supporting the targeting and delivery of training as well as the associated training and communications plans will continue to increase
- Incentivizing employees who engage in ethical conduct or actively support ethical conduct will continue to increase
- Leading programs will increasingly codify practices to establish formal process
- The compliance function will continue to become more visible and independent, and more involved in business decisions
- More companies will provide resource kits to middle managers to promote compliance and ethics within their own departments
- The level and type of compliance and ethics information shared with Boards will increase
- Formal training of Board members will increase
- More organizations will utilize metrics to analyze and benchmark their programs, and follow evolving best practices



## Next Practices – The Evolution of Compliance & Ethics Programs

### Training & Communication

Numerous industry studies confirm that compliance and ethics professionals name Training and Communication, more than other elements of a compliance program, as the most challenging due to the constraints of budgets, available employee time, and ability to measure effectiveness.

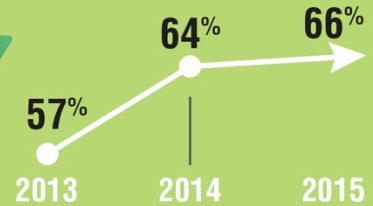
World's Most Ethical Companies, in the three years from 2013 to 2015, have **increased the process and rigor** that support strategic training and communications plans in order to provide targeted and efficient contact points to the right audiences at the right times. Ninety-nine percent (99%) of 2015 honorees maintain a formally documented training curriculum. And there are some clear trends that have developed in the three-year time frame; compare the numbers for 2015 honorees vs. 2013 honorees:

- 78% vs. 65% develop a multiple-year training curriculum
- 95% vs. 84% collaborate across functions in developing their curriculum
- 94% vs. 72% develop a communications plan to organize and articulate their compliance and ethics messages across the enterprise
- 63% vs. 51% use company-wide initiatives or programs to communicate with personnel, and 81% vs. 69% use video and/or DVDs as part of those communication programs



A developing trend among World's Most Ethical Companies is in the use of performance reviews and awards to **incentivize employees** who engage in ethical conduct or who actively support compliance initiatives. The growth in 2015 vs. 2013 has been steadily increasing as value in the 'carrot' approach gains credibility:

Companies are increasingly leveraging performance reviews and awards to incentivize employees who engage in ethical conduct or who actively support compliance initiatives.

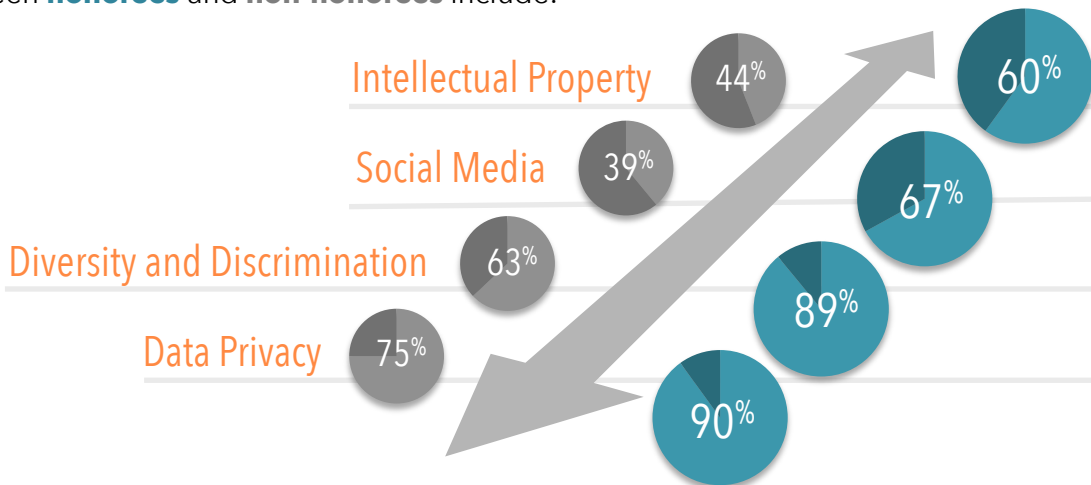


Employee evaluations or annual performance reviews



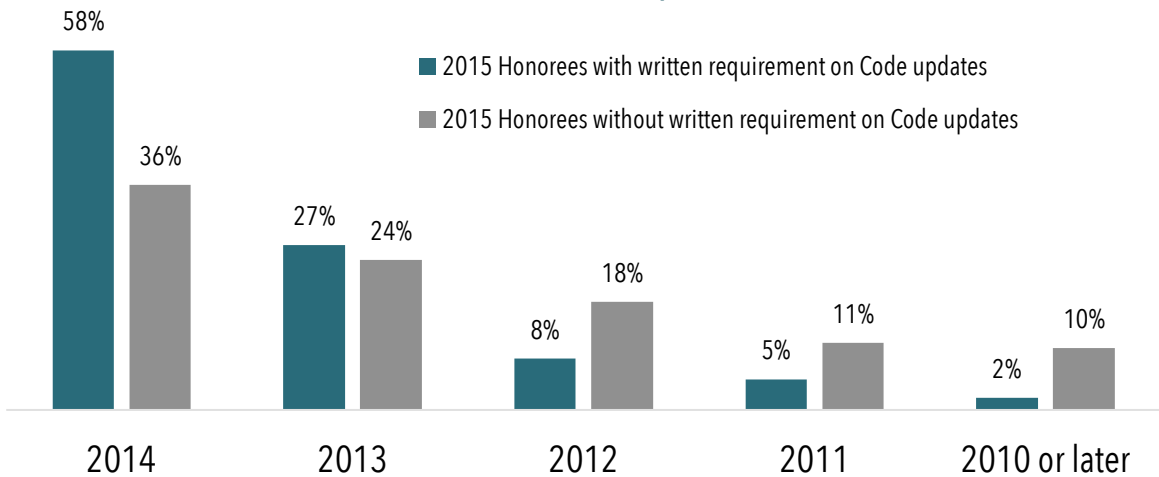
Awards & recognitions showcasing ethical business conduct

The 2015 World's Most Ethical Companies understand the increased demand on employees' time and are developing **more efficient approaches to compliance training**. Compared to non-honorees, honorees leverage a wider range of targeted training in addition to or in lieu of code training; areas with the greatest differences between **honorees** and **non-honorees** include:

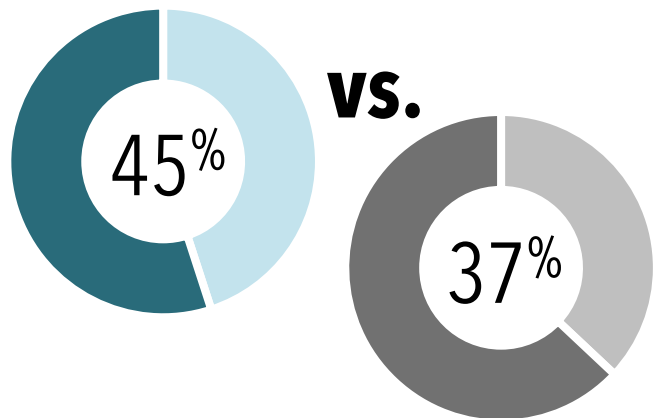


Industry studies have for some time indicated that, on average, a company updates its Code every two years. Our data sheds more light on this statistic. Companies that specify, in writing, how frequently their Code should be updated, do so more frequently, a sign that **maturing and leading compliance programs codify practices to establish formal processes.**

## When Was Your Code Last Updated?



In addition, **forty-five percent (45%)** of the 2015 World's Most Ethical Companies have a written requirement stating how often the Code should be updated vs. only **37% of non-honorees.**

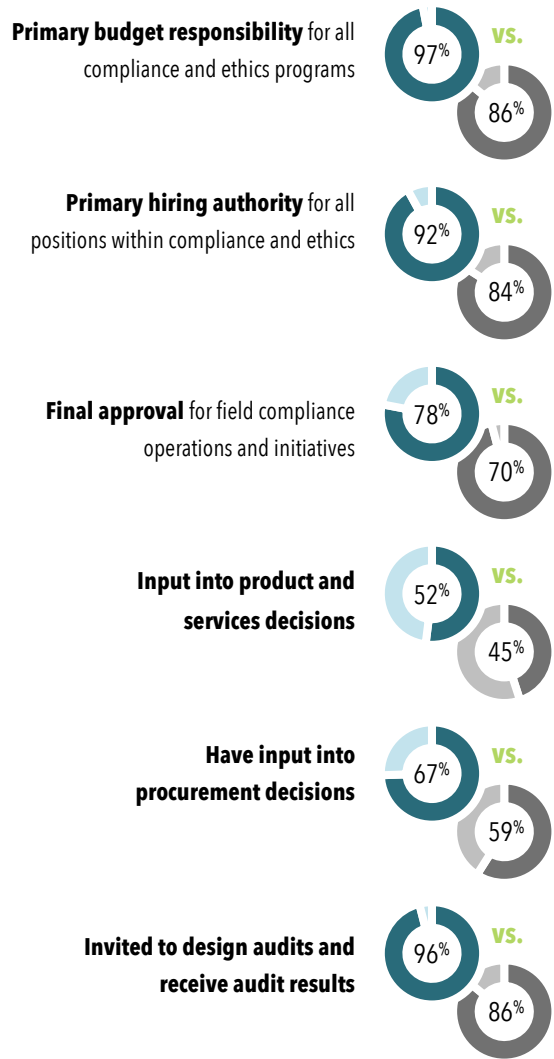


## Elevating the Compliance Role and Function

For some time, compliance professionals have been discussing how to “get a seat at the table”, i.e. how to become better integrated into business decision-making separate from compliance issues. The 2015 survey continued to provide detail about this issue.

By creating a dedicated position, granting authority to the position, and integrating the position into the broader business, companies are increasing **the focus and visibility of the compliance function**. The dedicated professional at a 2015 World’s Most Ethical Company spends a higher percentage of time on compliance and ethics activities vs. one at a non-honoree, e.g. 58% vs. 47% spend at least three-fourths of their time on these activities. And it should come as no surprise that when comparing those with a General Counsel (GC) title to those with a Chief Compliance Officer (CCO) title, CCOs are far more likely (77% vs. 15%) to spend at least three-fourths of their time on compliance and ethics activities.

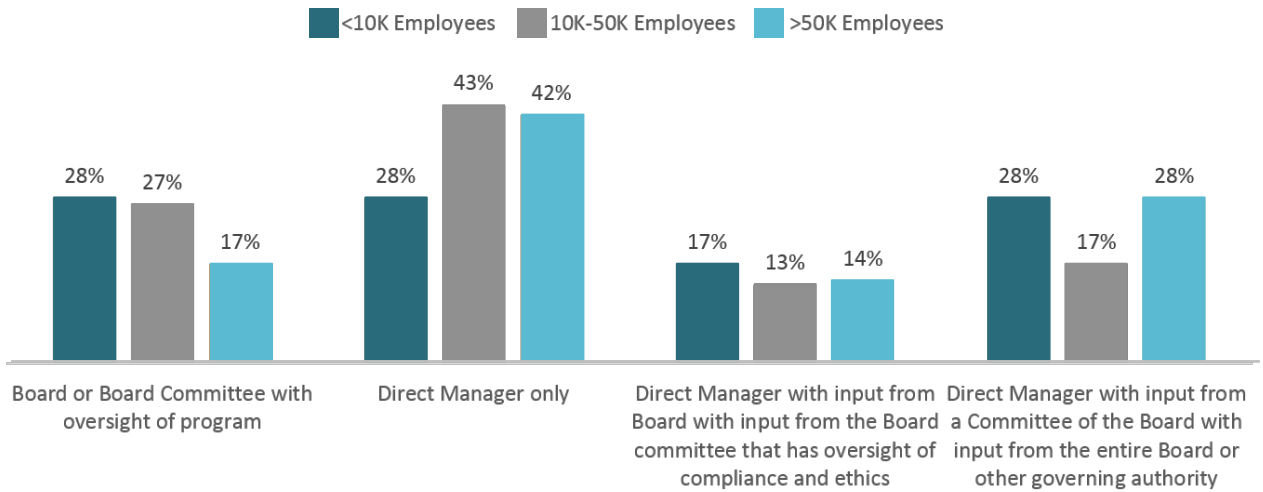
We have identified areas that demonstrate measurable increases in both authority and reach – both indicative of a function that is more autonomous and integrated within the business. Review these comparisons for **2015 honorees vs. 2012 honorees**:



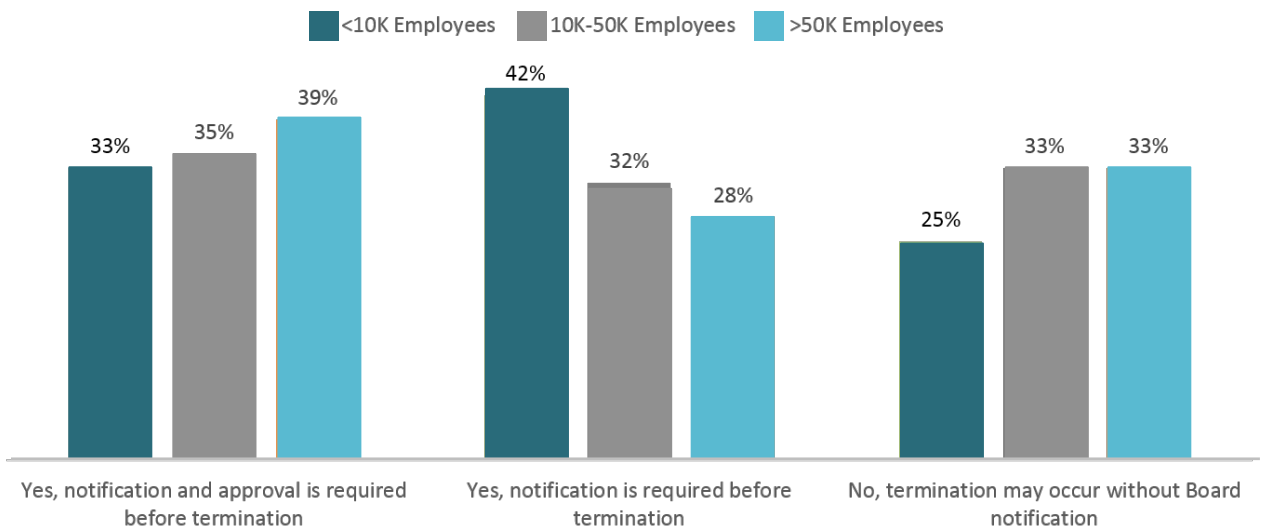


When aggregating the data for all who completed the 2015 Ethics Quotient survey, we see that larger companies (as determined by the number of employees) are more likely to codify procedures involved with **decisions about performance and termination** for the person with overall responsibility for the C&E program. We consider this to be an important practical factor that ensures the independence of the C&E program lead, i.e. that this person is comfortable in reporting any concern, such as about the CEO, to the board.

### Who is the individual or group responsible for conducting performance reviews and compensation decisions for the person assigned with overall C&E program responsibility?



### How do companies involve the Board in termination decisions for the person with overall program responsibility?



## Building an Effective Mood at the Middle

Companies have realized that managers must understand the importance of their ethical culture and comply with laws. This has become increasingly important since employees commonly turn to their direct manager for questions or concerns related to ethics and compliance. We see a clear trend that more companies are offering specific training to their managers on C&E issues.

$\frac{2015}{2013}$  +11 pts

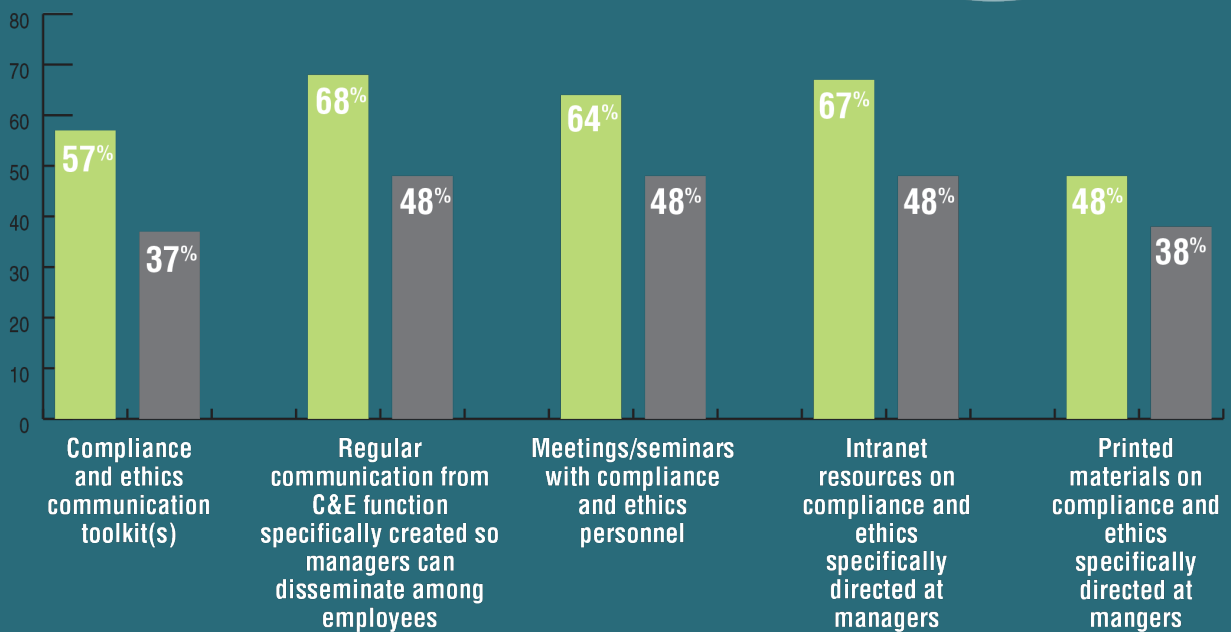
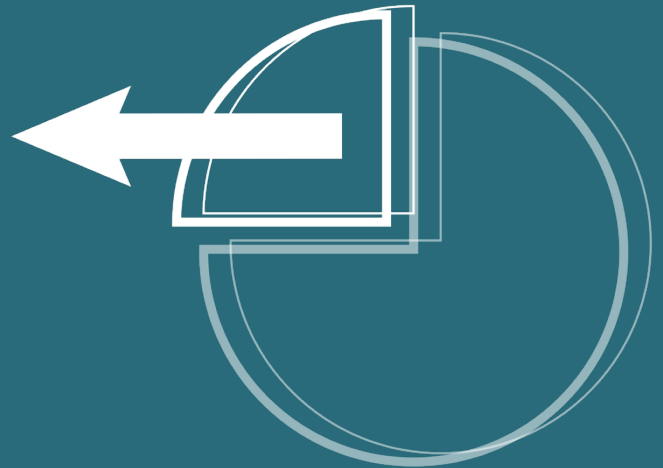
Middle managers receive more training specific to compliance and ethics responsibilities **86% vs. 75% (2015 vs. 2013)**.



In addition to the increasing prevalence of training, about 1/3 of managers must complete training as part of a performance evaluation, and almost ¾ receive training at least every two years, on average.

There is a striking difference in how 2015 honorees vs. non-honorees **allocate resources to managers to promote compliance and ethics** within their respective departments. We believe that this area is one that all companies can address relatively easily and more completely going forward.

WMECs understand that middle managers require resources to effectively promote C&E





## Data the Board and Executive Managers Should See

A very high percentage (84%) of WMECs have the person with overall program responsibility communicate with the Board at least quarterly. And the vast majority of honorees (86% vs. 78% of non-honorees) include the person with day-to-day operational authority for the compliance and ethics program in these communications. This is relevant, of course, in cases where overall program responsibility sits with a higher level person like a vice president or general counsel.

In the three-year period 2013-2015, there's been **an increase in both the level and type of information that WMECs share with their Board**. For example, more share compliance and industry trends and best practices (up 11% to 89%); and compliance and ethics communication initiatives, and audit and benchmark findings (both up 8% to 95%). The 2015 vs. 2013 data also shows increases in communicating both culture of ethics assessment or survey findings (up to 86%) and compliance and ethics risk assessment findings (up to 93%).

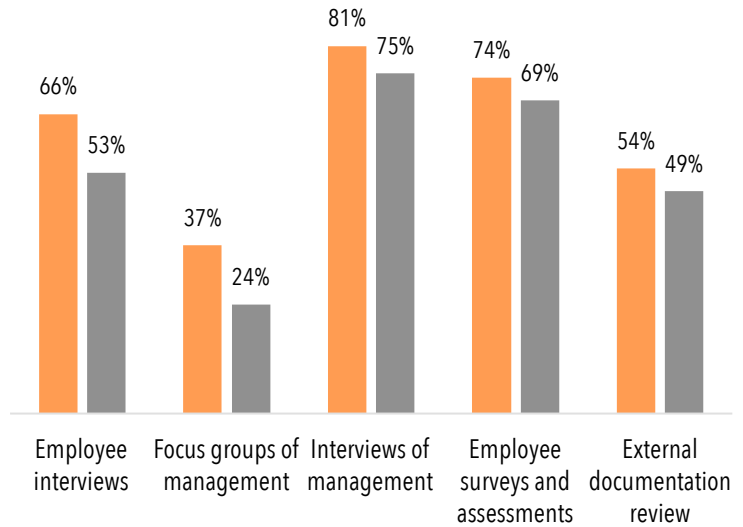


## Compliance and Ethics Risk Assessments

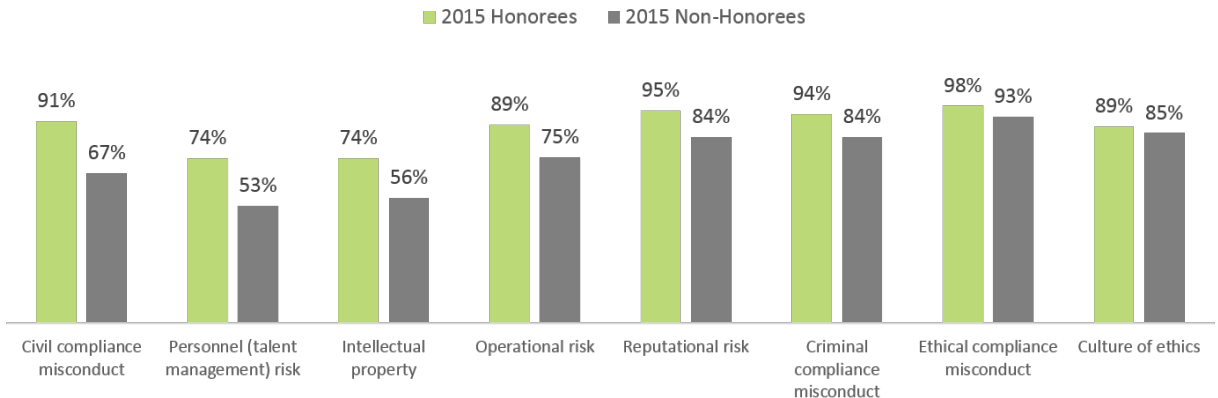
In 2015, WMECs were more likely to formally assess compliance and ethics risk (99% vs. 92% for non-honorees) and to do so more frequently (88% vs. 71% conduct assessments annually). Importantly, risk assessments of honorees are more robust as they incorporate a wider variety of inputs.

The data further suggests that **honorees utilize more risk-based programs and evaluate more elements** as part of their overall program assessments.

### WMECs vs. Non-Honorees



### Risks Evaluated as Part of the C&E Risk Assessment Process



It's one thing to gather information and another to use what's learned. The likelihood that WMECs will use the information collected in risk assessments to review and/or update procedures, policies, and training, exceeds that of non-honorees, with percentages at nearly 90% or above in every category asked.

Boards are increasingly interested in measuring and cultivating an ethical corporate culture; 86% of WMECs update the Board on such efforts. In addition, WMECs place focus on training and empowering managers to understand and participate in improving the culture, reporting:

- A higher likelihood that **managers will receive C&E specific training** (80% vs. 61% for non-honorees)
- An **appreciation that manager-specific training is an increasingly important vehicle** for disseminating culture throughout an organization (86% for 2015 honorees vs. 75% for 2013 honorees)

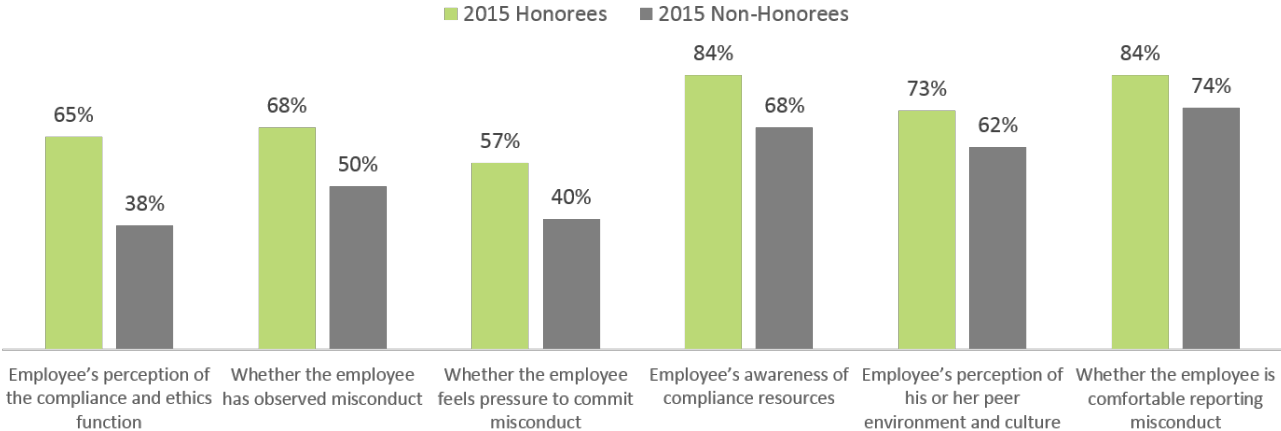
## Compliance Program Evaluations

Not only do WMECs more frequently evaluate their programs (61% of honorees conduct annual reviews vs. 27% of non-honorees who annually review), but **honorees tend to evaluate their program very broadly**. As described below, 2015 honorees evaluate myriad facets of their program:



Additionally, honorees more frequently include employee perceptions of the ethical culture and the compliance programs of the organization in their program evaluations.

### Elements Measured as Part of a Culture of Ethics Assessment



It is not surprising that WMECs report more **positive results from their culture assessments** than others – 80% vs. 58% reportedly hold all employees accountable for unethical behavior or conduct; 74% vs. 58% of senior executives demonstrate strong support for the compliance and ethics function; 77% vs. 62% strongly support compliance and ethics initiatives; and 64% vs. 56% report a strong tone at the middle.

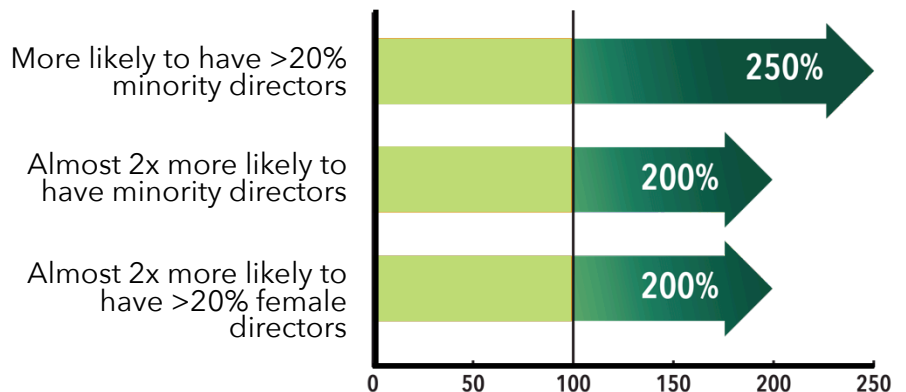


Governance and  
Transparency  
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the Public

### Companies Governing Transparently to Increase Trust

How Boards elect members and the composition of those members may influence stakeholder perception, and thereby affect to what degree a company is trusted. For example, there's a growing body of evidence that suggests that companies with diverse Boards are higher performing, have higher levels of profitability and have higher levels of client satisfaction. In 2015, 43% of WMECs have a Board that's composed of at least 90% of directors classified as 'independent', and 65% of WMECs have annual elections for all Board members (vs. 35% for non-honorees).

### World's Most Ethical Company Honorees have more diverse Boards



Most companies that completed the 2015 survey provide training or onboarding programs for their directors (89% of WMECs vs. 78% for non-honorees), and most of the training focuses on topics like regulatory changes/updates, industry and economic trends or risks, etc. What's really interesting, however, is a developing trend to more *formally* train Boards on the Code of Conduct. In the most recent three-year period, there's been a substantial increase - from 53% in 2013 to 64% in 2014 and, most recently, in 2015, to 70% - in the percentage of honored companies that have formally trained Board members within a two year period.

Crucial in a training or onboarding programs is ensuring directors have a true understanding of the company's operations. Without really understanding the company's business and operations, a director cannot effectively perform his or her oversight role. Many honorees rotate the locations of their formal Board meetings to business locations other than their company's headquarters. This allows directors a hands-on view of various operations. It also helps to build trust to have the Board visible at company locations other than at headquarters. The simple fact of being present enables a greater opportunity to engage with local executives and employees, and positively impacts director knowledge and transparency. In 2015, 81% of WMEC Boards met at locations other than their headquarters vs. 69% for non-honorees. This 81% was a substantial increase from the 70% reported in 2013.

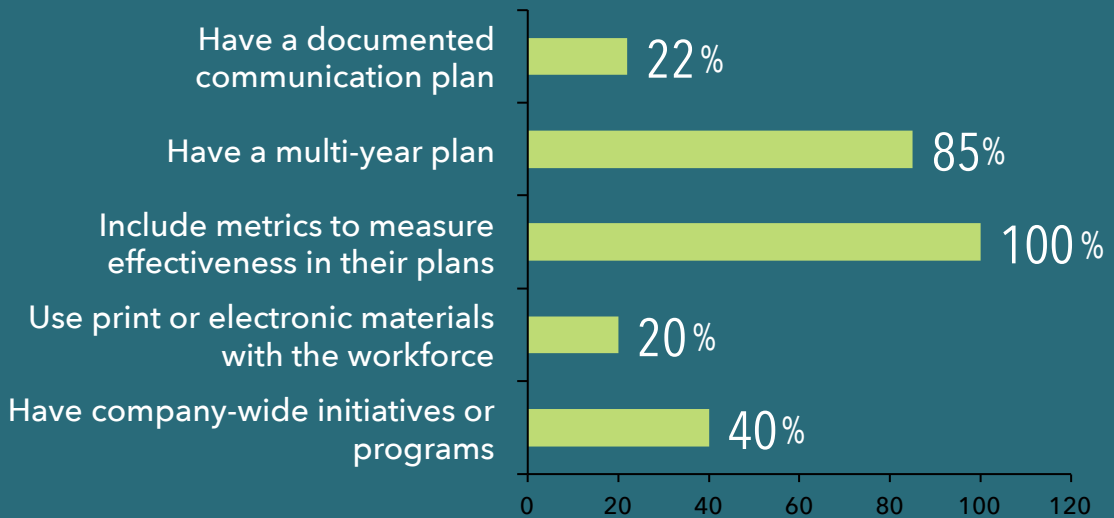
Further, by understanding shareholder concerns, we believe that the board can do its job more effectively - which is to represent the owners interest. The data show that **honorees more frequently (86% vs. 77%) inform their Boards** on the priorities and concerns of a wide range of stakeholders relative to non-honorees.

As interest in sustainability and social responsibility issues grows, all companies regardless of honoree status are **increasing the frequency with which they communicate about these issues to the Board** (~50% do so at least quarterly) and to senior management (~80% do so at least quarterly).

## Companies Communicating More Completely to Increase Trust

Although all companies are improving their compliance and ethics communications with employees, we categorize honoree communication as more frequent, robust and targeted.

For example: **Compared to non-honorees, the World's Most Ethical Companies are more likely to:**



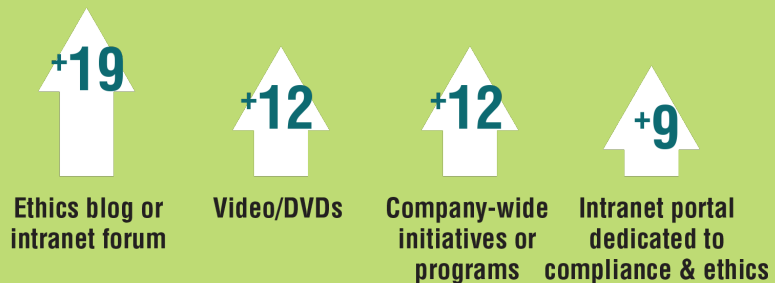
In addition, companies are connecting with their global employee populations using a variety of communication modalities with dramatic increases since 2013.

### Huge changes in communication methods

**2015**  
**2013**

Percentage Points Increase

The types of formats used vary widely by industry and operational environment.

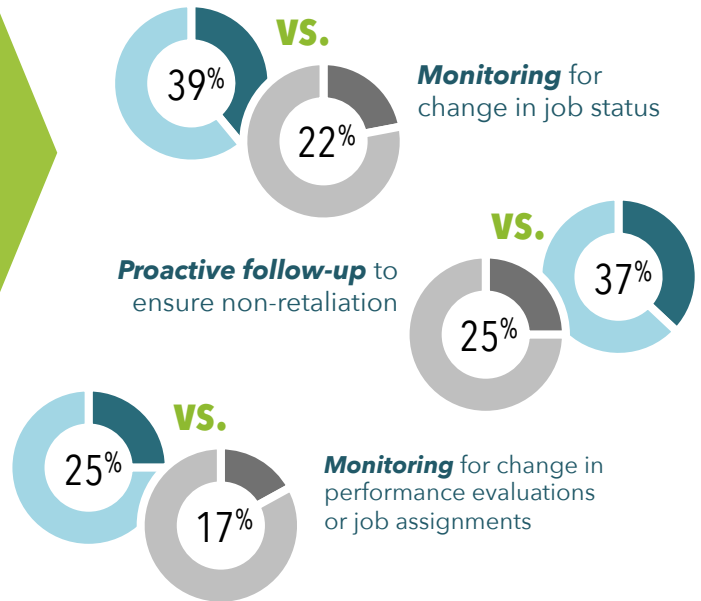


## Companies Managing Non-Retaliation Policies to Increase Trust

Essential to any ethical culture and compliance program is the ability to protect those reporting alleged misconduct – and employees’ correct understanding that they will not be retaliated against if they raise a concern. Retaliation can be overt or subtle. Companies need to look for it to make sure they prevent it.

Leading companies implement affirmative procedures to protect employees who report suspected misconduct. In addition to maintaining a non-retaliatory environment, this effectively helps middle managers develop a better understanding of acceptable managerial behavior and positively impacts the trust employees are asked to place “in the system”. Here are a few examples of steps 2015 WMECs take in comparison to non-honorees:

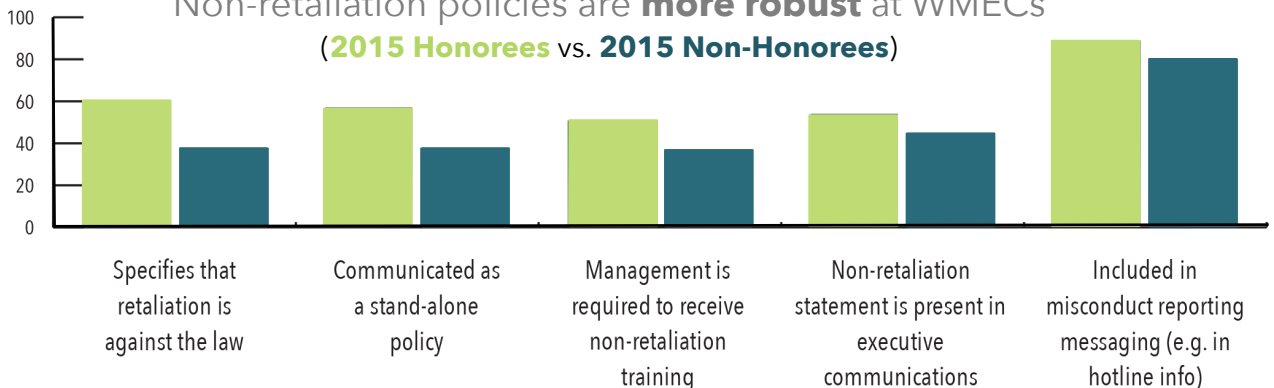
### Those who report misconduct at honoree companies have more procedures in place to protect them

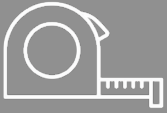


Additionally, WMECs define and manage the elements of their non-retaliation policy quite differently from others. This likely helps a reporter understand his or her company’s policy, thereby encouraging essential communication from the operational level of a company to management, as well as to set the tone for ensuring the reporter won’t be retaliated against for doing what the company asked him or her to do.

### Non-retaliation policies are **more robust** at WMECs

(2015 Honorees vs. 2015 Non-Honorees)





## Measuring Up? Understanding Your Company's Culture and the Effectiveness of Your Compliance Program

### Judging Training Effectiveness

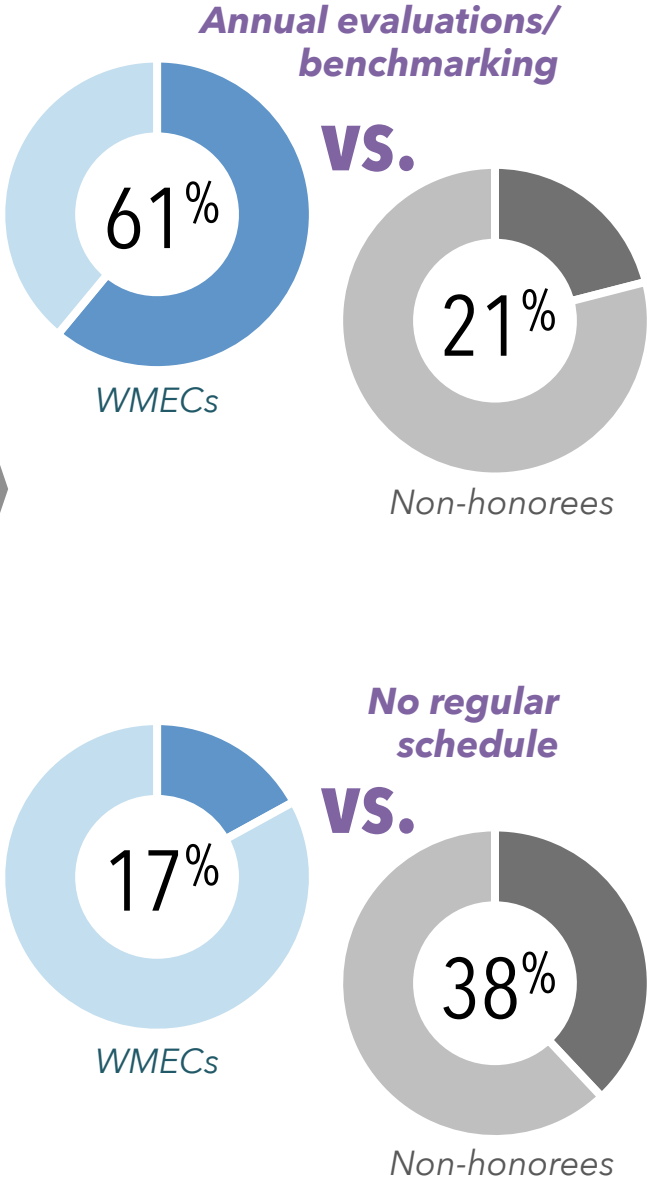
Training employees without measuring their comprehension of the material is clearly not a best practice. A majority of survey participants (68%) deliver comprehension tests immediately following training and a small number (~13%) perform some type of knowledge assessment separate from training at some point annually. However, that's where the similarity between honorees and non-honorees ends. One way of measuring effectiveness is looking for its impact on misconduct. Eighty-six percent (86%) of WMECs track this metric compared to only 63% of non-honorees.



## Formally Evaluating/ Benchmarking a Program

There is a marked difference in the approach taken by World's Most Ethical Companies when it comes to formally evaluating or benchmarking their overall compliance and ethics programs. A 'formal' evaluation isn't defined as a third-party review, but rather as a structured and formal process that results in documentation.

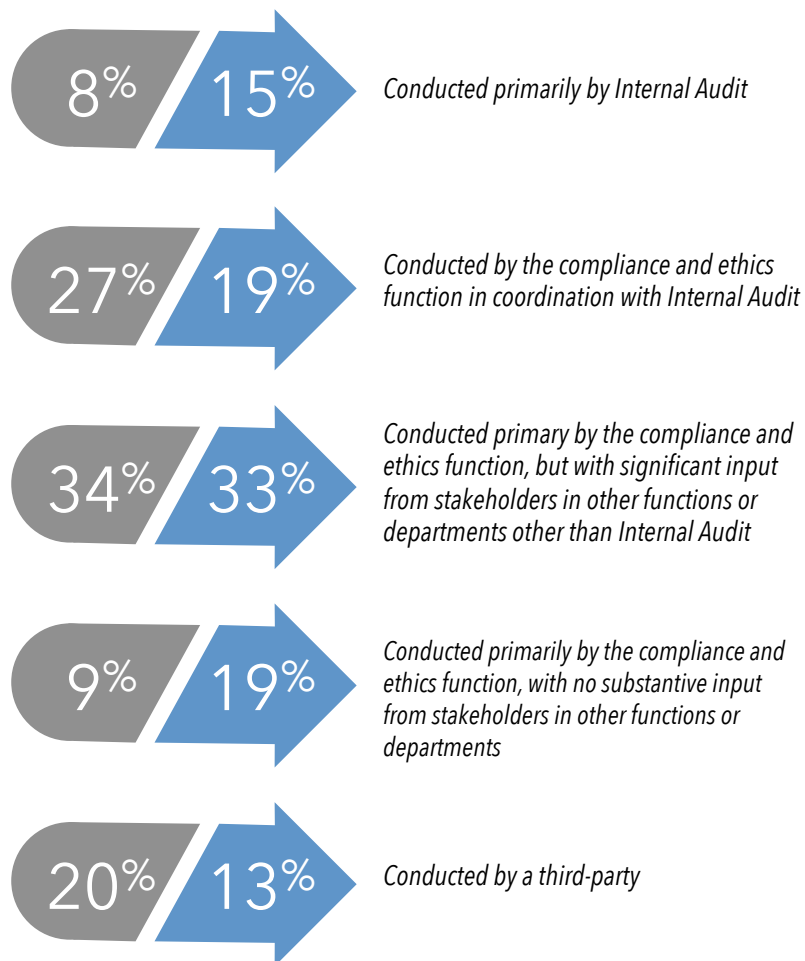
Regular benchmarking has multiple advantages (aiding resource planning, setting a program roadmap, learning what's trending, improving communications with employees, etc.) and is a vital component of program strength for leading companies.



The data illustrates that, for companies honored as World’s Most Ethical, Compliance is a truly collaborative area of the business, and that relationships with Internal Audit as well as other key business areas must be strong to maximize effectiveness. This is illustrated by who conducts the evaluation or benchmarking of compliance and ethics programs, and how frequently these are conducted by independent third parties.

# Who Conducts Formal Program Evaluations?

## Non-Honorees vs. WMECs

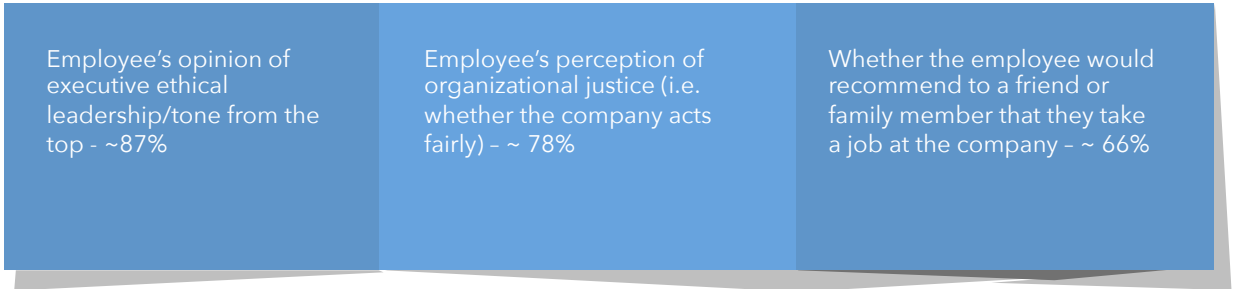


It's not surprising that 90+% of companies include certain components of their compliance and ethics program in their formal evaluations; these components include Code of Conduct, compliance and ethics policies, training program or curriculum, and the misconduct reporting system. Other components are less frequently included in formal evaluations, and there is not much difference between honorees and non-honorees.

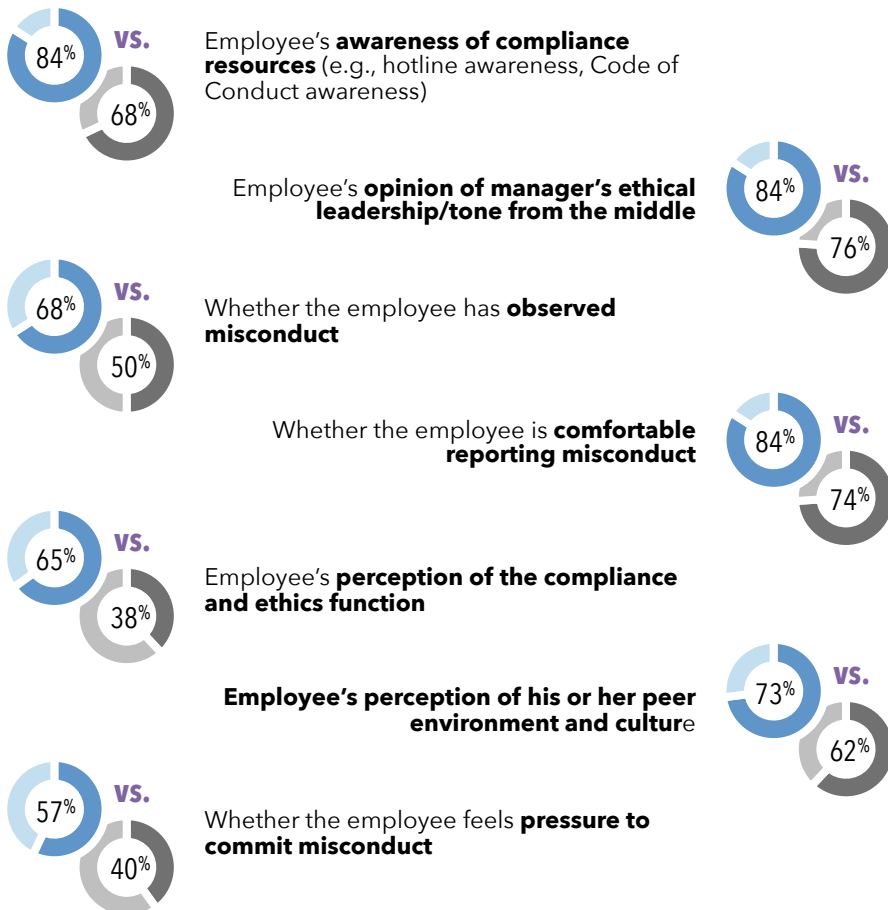


(Note: multiple answers permitted)

There was similarity between WMECs and non-honorees in whether the following topics were included in culture assessments:



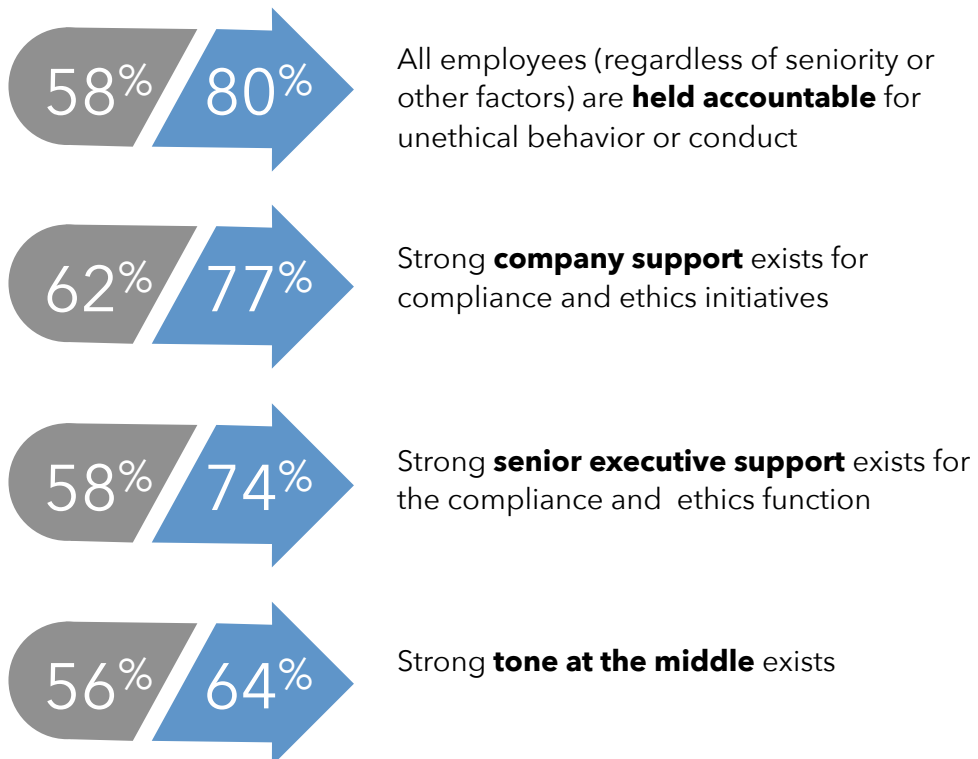
However, differences between **WMECs** and **others** were clear in other areas:



Just about 50% of all respondents indicate that in the resulting culture assessment findings there is no pressure to meet business objectives at all costs; 60% that ethics and integrity play an important role in business decisions, 70% that employees say that they'd be likely to report concerns and suspected misconduct, 70% that there's a broad company perception that compliance and ethics is an important strategic function, and 80% that strong tone from the top exists.

However, there is - again - a wide gulf between the ways that employees at WMECs vs. non-honorees view the organization, and there's some inconsistencies between items like the type of "support" that exists vs. perceived "tone".

## Non-Honorees vs. WMECs



## Conducting Exit Interviews

Exit interviews afford a rare opportunity to obtain a brutally honest view of an employee's perception of the company and culture.

Surprisingly, 15% of respondents do not routinely conduct exit interviews. Contrast that to ~55% of respondents who routinely conduct exit interviews that include questions that are designed to assess whether the departing employee was aware or concerned about potentially unethical events taking place at the company.

What's interesting is the middle ground, i.e. the percentage of respondents who routinely conduct exit interviews but don't ask about potentially unethical events. Only 24% of 2015 World's Most Ethical Companies fall into this category, while 38% of non-honorees do.

# GET A **TEMPERATURE CHECK** FOR YOUR **ETHICS PROGRAMS, POLICIES AND PROCEDURES** WITH THE *ETHICS QUOTIENT SURVEY*

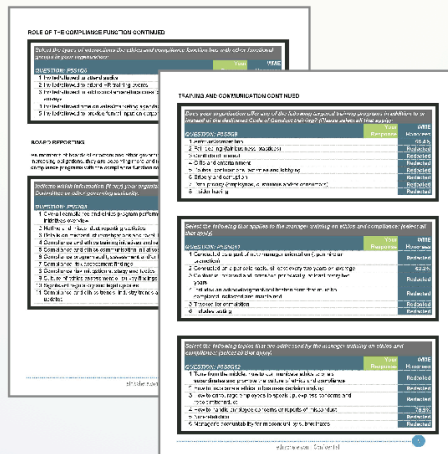


- Learn your scores - your Ethics Quotient (EQ)<sup>TM</sup>
- Compare your practices to those of the World's Most Ethical Companies<sup>®</sup>
- Collaborate across departments for a more comprehensive look at your program
- Understand the gaps in your program, activities and practices vs. leading companies and utilize this knowledge to move forward
- Gain an understanding of not only what's trending, but why

## Request Your Custom Survey Link:

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The Ethics Quotient is the foundation of the **WORLD'S MOST ETHICAL COMPANIES** process.



## About Ethisphere

**ETHISPHERE**<sup>®</sup>  
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The Ethisphere<sup>®</sup> 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.com](http://ethisphere.com)



[info@ethisphere.com](mailto:info@ethisphere.com)



888 229 3207



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6263 N. Scottsdale Rd. Ste. 205  
Scottsdale, AZ 85250