THE ACCOUNTABILITY ISSUE

SUPPORTING EMPLOYEES, CONSUMERS, & COMMUNITIES

FEATURING: THE WORLD BANK, DEUTSCHE TELEKOM, AND MORE

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FALL // 2021

SPECIAL FEATURE:

PHARMA FIGHTS THE VIRUS PG. 10

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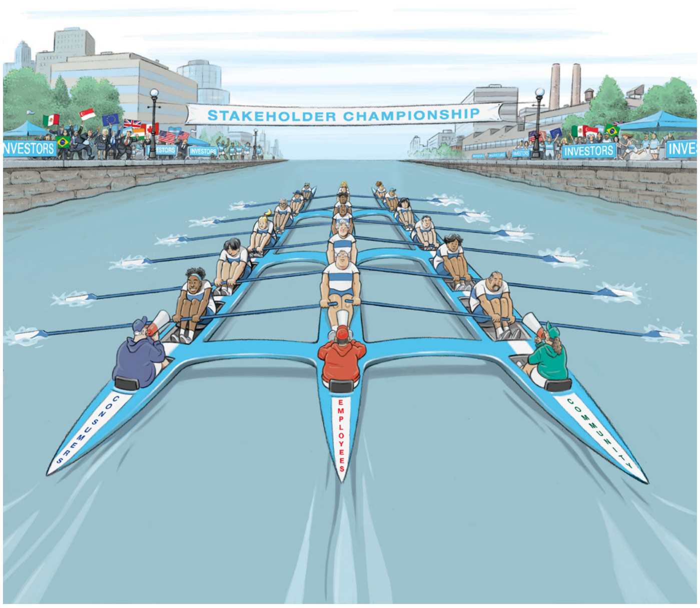

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Our Mission Statement

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 *Ethisphere Magazine* and hosts ethics summits worldwide.

The opinions expressed in this magazine are those of the authors, not the printer, sponsoring organizations or the Ethisphere Institute.

SPEAKING UP

MEETING THE MOMENT AND LOOKING FORWARD

Dear Readers,

I took over the reins of this magazine in February 2017, four and a half years ago. In that time, the corporate world has responded to a wave of changes.

The #MeToo movement forced a hard look at the pervasive sexism and harassment companies still tolerated. The coronavirus prompted unprecedented attention to employees' needs, with responsible companies enabling as much remote work as possible while striving to provide safe conditions for frontline workers. The public outcry after the murder of George Floyd compelled companies to reexamine their policies and operations in relationship to systemic racism and social justice. The Engine No. 1 push onto the Exxon Mobil board marks the beginning of a new era for the relationship between companies, governance, and sustainability.

One way of making collective sense of these movements and the changes they have compelled is through the lens of *accountability*. Capitalism has spent decades perfecting the notion that companies must be responsive to the needs of their shareholders. That has not changed. But in the last few years, other stakeholders have risen to claim that companies should be accountable to their needs, too. **"The Accountability Issue"** ties all of these conversations together.

We open with a feature piece about three of the companies whose remarkable commitment to speed, efficiency, and transparency has helped to reduce the severity of the coronavirus pandemic—vaccine makers **Moderna** and **Pfizer**, as well as **Regeneron**, makers of an antibody cocktail treatment for the disease. Their ethics executives discuss exactly how the companies managed to build on decades of science to quickly combat this new threat through collaboration and unprecedented transparency.

Whether or not employees were essential workers, the pandemic made it clear that companies owe their most vital asset more than just a paycheck. **The World Bank** outlines how a renewed commitment to transparency helped the organization boost employee trust in investigations. Judy Samuelson of the **Aspen Institute** talks about her book, *Six New Rules of Business*, and how companies should see employees as barometers of risk and competitive advantage. Experts from our partner **EY** outline the various ways to ensure your company's culture and whistleblower program support and protect employees who speak up. Finally, the CEOs of **JUST Capital** and **The Harris Poll** discuss the state of public opinion about the employee relationship.

Consumers have also been empowered to expect more in exchange for their business and loyalty. The CEO of **Gender Fair** lays out her organization's plan to empower consumers to shop from brands that lead on gender equity. The use of artificial intelligence has also become a major source of anxiety for consumers. **Deutsche Telekom**'s Manuela Mackert discusses her efforts to enable AI innovation with a robust ethics framework around the company's products. Jim DeMarco of **Microsoft** lays out four criteria for responsible AI, with an emphasis on a company's responsibility for what happens after it becomes active in the "real world."

Finally, companies are increasingly contending with the needs of the communities and society in which they operate. Leaders from **HCA Healthcare** discussed how the company's community engagement and diversity strategies respond to outside need and input. **Bain Capital's** Asia general counsel describes her collaboration with Ethisphere on an initiative to empower anticorruption in the region. The new board chair for **Disability:IN** argues that companies must consider disability inclusion as part of their D&I efforts. We highlight the **Coalition for Integrity**'s leadership awards with a focus on last year's recipients at **Procter & Gamble**. Finally, we read about how members of the **BELA South Asia** chapter have stepped up to help India weather the pandemic's waves.

We hope the articles in this edition help bring some clarity to conversations within your own organizations about how best to hold yourselves accountable to the needs of stakeholders.

This will also be my last issue as Executive Editor of *Ethisphere Magazine*, although I will still be sticking around the organization. It's been a pleasure getting to bring our readers the latest developments in the world of business ethics, from technical conversations about whistleblowing and anti-corruption to far-ranging articles about the evolution of capitalism. I can only hope you've found our work as enlightening to read as I have to bring it to you all.

Tyler Lawrence
Executive Editor
Ethisphere Magazine

MOUTHING OFF

THIS MONTH'S LETTERS TO THE EDITOR

Have something to say? Write the editor at tyler.lawrence@ethisphere.com or at Ethisphere Magazine, 110 Wall Street, Suite 5013, New York, NY 10025.

RESPONSES TO *ETHISPHERE MAGAZINE'S* REIMAGINING CAPITALISM ISSUE

"A Plan for Permanent Change"

Like every company, my organization spent the second half of last year trying to devise an action plan to make good on our well-intentioned diversity and inclusion commitments. As I think we all have seen by now, that's easier said than done. I tremendously appreciated Alan Nevel and MetroHealth's willingness to show their work and provide a blueprint for others **– Robyn F.**

"ESG for Compliance Leaders"

The conversation between Nancy Reynolds and Roxane Marenberg was interesting on several levels. All of us are learning as we go about how to integrate these new metrics and ways of approaching ESG into our programs, and it was refreshing to hear from two companies who clearly aren't pretending to have all of the answers yet. Their willingness to "think out loud" in your pages helped inspire some conversations at our next team meeting. **– Stefani G.**

"Ratings Agency or 'Free Consulting?'"

I found Newmont's attitude towards ratings agencies really transformative to my thinking about how we should interact with them. Giving ourselves permission to pick the "best" partners and really see their input as a value-add rather than a burden has helped to reframe many of our choices around ESG and this new space. Thank you! **– Cherilyn S.**

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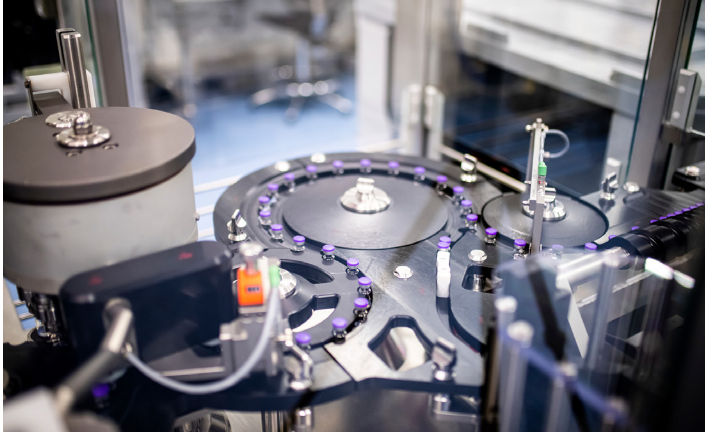
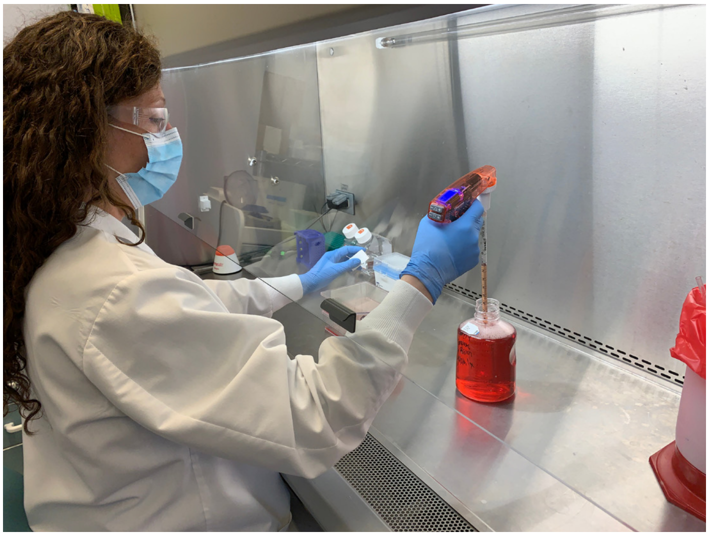






Pfizer

Feature

PHARMA FIGHTS THE VIRUS

How Culture, Collaboration, and Transparency Turned Decades of Science into a Year of Life-Saving Innovation

On April 7 of this year, it was finally my turn to become one of the millions of Americans to receive their COVID-19 vaccine. After becoming eligible, I scoured websites for appointments, watching several disappear from my digital grasp before finally securing a Pfizer jab at a county drive-through site. When the vaccine was administered through the window of my car, I felt flooded with relief.

As has now become clear, my enthusiasm was not universal. Although epidemiologists agree that universal vaccination is the surest way out of the pandemic, millions of people around the world are "vaccine hesitant" to some degree. Some question vaccines in general, believing (based on no peer-reviewed science) that their harms or side effects are underreported. Others doubt that "new" technologies, deployed this quickly, could be fully safe, or believe that companies or regulators must have "cut corners." These feelings were sharply amplified by the anxiety of the pandemic and a chaotic political and media environment.

In recent months, the emergence of the highly transmissible Delta variant of the virus has caused cases to surge once again, largely among the unvaccinated. Even with lower mortality thanks to new treatments, every new infection risks more than just immediate sickness—the disease's long-term impacts will only become clear with time.

By now, hundreds of millions of people have received vaccinations, and no evidence has been published of widespread long-term side effects, which typically become apparent within months of receiving a vaccine. The Delta wave has prompted a spike in hospitalizations, but antibody treatments combined with other drugs appear to be reducing mortality compared to past waves before treatments existed. After months of declines, vaccination rates have been ticking up again in response, and Pfizer's vaccine received full FDA approval for adults on August 23. Moderna has just submitted its own final application.

Even so, should we be more cautious before rolling up our sleeves? In a field known for decades-long development timelines, all of the new pharmaceuticals deployed to battle the pandemic—whether the groundbreaking mRNA vaccines, more conventional jabs, or even the antibody cocktails that help combat active COVID-19 infections—went from first trials to public rollout in record time. The US government's response was aptly codenamed: progress seemingly came at warp speed.

China released the first sequenced SARS-CoV-2 genome on January 11, 2020, sounding the starter pistol for a worldwide research, development, and logistics effort. Seemingly the entire planet, eager for hope, closely followed the twists and turns of the global pharma industry's work. Most early-stage research trials are low-pressure, low-attention affairs; now, any tentative result became international breaking news.

To get from a spike protein structure on a researcher's blackboard to a shot going into my arm at a refurbished dockyard was no easy feat. How did the companies involved navigate the gauntlet of scientific, regulatory, and communications hurdles? How, in an industry more tightly regulated than almost any in the world, did they manage to move so quickly without "cutting corners?" What new collaborations were necessary, both within and across organizations? How did they adapt to the pressure of public scrutiny, maintain unprecedented transparency, and ensure that the public would have every reason to trust the final product? And how will the pandemic change their companies and the industry going forward?

The answer to many of these questions can be found in the cultures at the companies behind these breakthroughs. To find out more, Ethisphere Magazine got in touch with some of the leaders most responsible for stewarding these cultures, the chief ethics and compliance executives at Pfizer, Moderna, and Regeneron. Even considering the knowledge advantages and lucky breaks these companies may have had, talking with these executives made it clear that success wouldn't have been possible if these organizations hadn't prioritized ethics, collaboration, and transparency before and throughout the pandemic.

The Calm Before

In retrospect, it's difficult to think about December 2019 without some unease, knowing that the coronavirus was already spreading in China. "I was actually in China on business in December of 2019, and there was no discussion at all of COVID-19 going on," says Rady Johnson, Chief Compliance, Quality, and Risk Officer for Pfizer. The first reports of an "unexplained pneumonia" in Wuhan wouldn't appear until December 30. Even a few weeks later at the Pfizer's annual Executive Committee meeting, the virus wasn't yet a topic of major discussion.

But by early spring, with the virus now circulating in Europe, the United States, and elsewhere, it became clear that COVID-19 was going to become a global problem and not burn out the way that previous near-miss pandemics such as SARS or MERS had. The World Health Organization officially declared COVID-19 a pandemic on March 11. At that point, every company in the industry looked at their own catalog of drugs already approved or in development, and tried to decide how best to help.

Many turned to drugs that were already on the market to treat other conditions, hoping that some might also prove effective at combatting this new threat. But three companies were uniquely positioned to harness years of biotechnical innovation against viruses: Regeneron had developed antiviral monoclonal antibody cocktails, and both Moderna and a Pfizer-BioNTech partnership had the groundwork for mRNA vaccines.

'Miracles' Built on Decades of Investment

Some health professionals have lamented the way that the reporting on the scientific response to the virus focused too much on the apparent "miracle" of the new technologies. On the one hand, this crisis was the first time that mRNA vaccines have been deployed, and antiviral monoclonal antibodies are relatively new as well. On the other hand, the widespread impression that these therapies were developed rapidly has contributed to some people's concerns that that they are either untested or poorly understood. Neither is the case.

While new to the general public, the research underpinning both antiviral antibodies and mRNA vaccines has been going on for decades. In both cases, the innovations that allowed for such seemingly rapid progress were built on years, and sometimes decades, of investment in research in both public and the private sectors.

In the case of REGEN-COV, the monoclonal antibody cocktail produced by Regeneron, the basic science is almost fifty years old, earning key researchers several Nobel Prizes along the way. Monoclonal antibodies are proteins designed to bind to a single virus, cancer cell, or other threat, mimicking those produced by white blood cells. Individual antibodies or antibody cocktails have been used to combat everything from cancers to autoimmune diseases and organ transplant rejection. Regeneron has been perfecting the technology it uses to produce its antibodies over decades against many illnesses. The first antiviral antibodies to receive full FDA approval, which significantly reduced mortality risk from Ebola in patients in the Democratic Republic of the Congo, were also developed by Regeneron. Given that history, the success of antibody cocktails against COVID was no surprise to those who had followed the science.

Nevertheless, in normal times most patients aren't aware of exactly what kind of technology or therapeutic they're being treated with. As Beth Holly, SVP, Associate General Counsel and Chief Compliance Officer at Regeneron notes, "People have been taking monoclonal antibodies for quite some time, for example for rheumatoid arthritis. The idea isn't new, but patients have never distinguished it that way."

While mRNA vaccines have not been in use by the public before, their history also goes back decades. The technology faced years of skepticism from the research establishment before breakthroughs funded by private sector-led innovation. The *New York Times* podcast "The Daily" recently exposed millions of listeners to Dr. Katalin Karikó's valiant struggle to get her research into mRNA taken seriously, going back to the 1980s. Eventually, her work with collaborator Dr. Drew Weissman received just enough funding to reach publication in 2005. Even so, it received a tepid response from the academic community. But the private sector took notice: Karikó and Weissman's discoveries were patented, bought, licensed, and eventually became the basis of the work done by two new companies specializing in the promise of mRNA treatments—Moderna and BioNTech, where Karikó is now Senior Vice President.

While both Moderna and BioNTech had been pursuing a viable way to bring mRNA to market for years, their efforts had only recently picked up steam; as *Nature* memorably reported, "five years ago, the RNA technology would not have been ready." BioNTech's partnership with Pfizer began in 2018 with an experimental influenza vaccine that was likely still years from market. Similarly, Moderna's pipeline products were far enough from wide release that they hadn't yet needed to scale up their risk and compliance controls.

It's worth noting that in each of these cases, many other companies also had access to the same technology. Monoclonal antibodies are produced by many of Regeneron's competitors, only a handful of whom also produced COVID treatments. Several other companies designed mRNA vaccines that have either are not showing comparable efficacy, or took much longer to clear the many phases of development. The technology alone didn't and couldn't ensure that Regeneron, Pfizer, and Moderna would succeed—and that's where culture came into play.

Luck, Bold Moves, and a Flurry of Questions

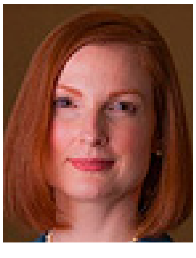
Each company needed an appetite for a certain amount of risk to push these potentially game-changing technologies. They also had to accommodate the need for collaboration and transparency that followed from these choices.

According to Rady Johnson, Pfizer's decision to throw its weight behind developing an mRNA vaccine with BioNTech rather than using a more tried-and-true vaccine vector wasn't actually too complicated. Given the existing partnership, "there was a little bit of luck involved," says Johnson. Even so, "the scientists who understood its potential felt confident. It was an incredibly bold move. We weren't sure what would happen, but it was definitely something that we felt confident about."

Regardless of which technology went into the vaccine development, Johnson says, everyone involved knew that a proactive stance towards transparency and integrity would be vital to reassuring the public. The scientists simply advocated what they felt was the most promising technology, and the rest of the organization mobilized around them to clear the necessary barriers.

For the team at Moderna, there hadn't been a "more conventional" option, since the entire company was built around the promise of mRNA technology. But that also meant they had another hurdle: the company was still essentially a large start-up, and while it had an open and innovative culture dedicated to transparency, they had not yet needed to build control functions.

"Before COVID, Moderna wasn't anticipating having a commercial product for two or three years," says Kristin Rand, the company's first Head of Corporate Compliance and Global Risk Officer, hired at the outset of the pandemic once the company decided to pursue its own vaccine trials and prepare for possible commercial rollout. "There was a need to quickly grow a focused, dedicated risk and compliance program. In addition, it was crucial that the company's commitment to transparency be maintained."



For the team at Regeneron, there was never a doubt that they could develop a product with a good chance of effectively combatting a viral infection. Having been in the field developing antibodies to combat Ebola since 2014, including a very successful trial during the 2018-2019 Ebola outbreak, Regeneron was culturally and institutionally equipped to rapidly develop and test drugs in a pandemic scenario. "Our scientific leadership has been practicing for this for years. They've honed their research tools to be ready to handle an emerging crisis and generate a solution in record time," says Holly.

Transparency Follows the Science

To understand the way this transparency has paid off, look at the journey of a different drug produced by Regeneron: Kevzara, an antibody treatment that they and Sanofi had jointly developed several years ago for rheumatoid arthritis. Early scientific literature suggested the drug might be helpful for hospitalized COVID patients.

Having seen other companies elevate their own treatments with little evidence before later being undercut by poor clinical data, Regeneron's leaders keenly understood the importance of making sure that doctors and patients around the world had accurate information, and wouldn't be tempted to experiment on their own with off-label uses of drugs that were already on the market.

"We felt it was critically important to publish our data when we had it, whether it was good or bad," says Holly. "We quickly undertook a clinical study. Our preliminary results did not support the hypothesis, and we were as quick to announce that as we were the positive indicators on our cocktail, because it's just important for people to have the information in real time." For a time, that seemed like the end of the story.

Scientists outside the company continued to study the drug, however, and with more data in July 2021 the WHO eventually recommended Kevzara in conjunction with steroids for reducing COVID mortality. The company's transparent research process, and open communication during initial uncertainty, now ensures that doctors and the public trust that recommendation's integrity.

Holly remembers the flurry of questions that emerged once it became clear they would develop a therapeutic against COVID-19. "What's an EUA [emergency use authorization]? Can we get one? *How* do we get it? How do you market under it?" Although EUAs were explicitly designed to help the U.S. Food and Drug Administration (FDA) provide expedited review of treatments during public health emergencies, the first one had only been issued in 2009 against swine flu, and none had ever been issued for either vaccines or new drug treatments. Navigating the EUA process at the FDA would be just one of several new kinds of scrutiny.

Transparency Combats Perceptions of 'Cutting Corners'

In the summer and fall of 2020, as the "second wave" of the virus crested in the United States and much of Europe, it was impossible to miss the chatter about whether or not the companies and their regulators would undercut safety or scientific guardrails to get treatments to a desperate public.

"As we and other companies started outlining our development timelines, the phrase repeated in the media and across a number of constituencies was, 'There's no way they could possibly do any of this stuff without *'cutting corners*,'" remembers Johnson.

The team at Pfizer was tremendously aware of the public scrutiny, and knew that no matter how the vaccine development race panned out, that scrutiny would continue for a long time. "We knew that there would never be any program of ours that ever would have as much visibility as this would," says Johnson. "We were going to be called upon often to assure stakeholders that we were not cutting corners, and we would probably be answering these questions for years to come."

"In some respects, it made it easier. Just remain fully transparent, act with integrity and assume there's going to be a spotlight on it every step of the way. That was almost liberating." Even at a company that already had a robust culture of compliance, ethics, and quality control, the public conversation dramatically underscored the importance of doing the work the right way, the first time, with the most transparent communication possible.

Moderna's Kristin Rand agreed. "There has definitely been a feeling that we have a duty to communicate information," she said. The company found itself issuing press releases about developments that, for less high-profile products, would simply have gone to the FDA. "There is a feeling of responsibility to a whole world that is watching and waiting for some sort of hope. And if you've got some hope to give them, even a little bit, some new data, *something*, there is a responsibility to get it out there to the public at large."

Rand also acknowledged that the demands for transparency in the pandemic forced her legal team to override many instincts about the risks of disclosure. "It's a standard reaction from many in legal to ask, 'Should we really be putting this out there?' There is a need to take a step back to recognize that the obligation to transparency supersedes any potential risks down the road."

Trials and Manufacturing: 'Everything in Parallel'

So, how did these companies actually do it all so quickly?

These particular organizations possessed certain advantages that must be acknowledged up front. Pfizer had its enormous size and experience with the regulatory process as the second-largest U.S.-based pharmaceutical. Moderna had funding from Project Warp Speed and a robust partnership with the U.S. National Institute of Allergy and Infectious Diseases. Regeneron already had a relationship with the Biomedical Advanced Research and Development Authority (BARDA) from its work against Ebola and other infectious diseases. It's difficult to quantify exactly how much these institutional linkages helped accelerate their work.

But all three executives said that the major factor in expediting the trials and approval processes from years into months had nothing to do with extra access, skipped steps, or pressure on or from regulators. They simply had an unprecedented amount of focus on the pandemic-related work, which took both internal and regulatory priority. They also proceeded simultaneously with many processes that normally only happen in a predictable sequence.

For Beth Holly, cutting down the normal timelines meant a new level of closeness with many colleagues and functions across the organization. "There's so much going on simultaneously that I think anchoring ourselves in that collaborative spirit enabled us to move as quickly as we did," she says.

In particular, the companies began to aggressively scale their manufacturing operations months before approval was assured, ensuring that *if* they got the green light of an EUA, they could immediately reach patients with as much product as possible.

While all three companies eventually received advance purchase orders from the U.S. and other governments—agreements by the government to buy a certain amount of product, if safety and effectiveness were proven—all three executives said that these contracts mostly came too late to impact decision making or truly defray risk. By the time that advance purchase orders were received in late summer, Pfizer had already been scaling up production for months, and Regeneron was shifting capacity in its factories. The companies had felt it was the only appropriate way to proceed given the clear and present public need.

"The purchase commitments that we started entering into, they didn't really influence everything we were doing, because we did everything in parallel. The second we had identified the formulation we were going to be testing, we started scaling up our manufacturing," says Johnson. "We—and the world—couldn't afford the lost time."

This order of operations is precisely what the emergency use authorization process in the United States was designed to enable: with an EUA, research and manufacturing can happen in parallel without lowering any of the medical and safety standards. Companies can begin production without guarantees that these investments will pan out, since both vaccines and treatments still cannot get final approval without convincing regulators that their benefits far outweigh any risks. For vaccines in particular, several months of post-shot safety follow-up data were still required. As is common with trials for new drugs, safety data is still being collected and reported, and any new side effects or complications can be studied.

Holly attributes Regeneron's success in navigating the approval process with integrity, speed, and precision to the company's collaborative culture, and to her own approach to compliance. "I've always viewed my role in compliance as being something of a navigator," says Holly. "You tell us where you want to go, we'll help you figure out how to get there. We'll clear obstacles out of the way, reroute if we have to in order to find a solution. I think that helped achieve the kind of timelines that we saw."

Educating the Regulators, the Doctors, and the Public—All at Once

One of the challenges facing any pharmaceutical company rolling out a new kind of treatment is that they typically have to spend years communicating the science behind a treatment to regulators, then providers, and finally to the public in order to generate trust and understanding. Under the compressed timeline of emergency development, all of that activity had to happen in tandem, and restrictions against normal marketing activity under an EUA presented additional hurdles.

"There was such a different information flow than normal," says Holly. "You really had to be agile enough to address this on multiple fronts at the same time."

"Normally, no one would have cared about early development stages or early data, or at least it wouldn't have been nightly news. This time, for obvious reasons people *did* care," says Johnson. "That gave us a chance to have an educational moment. All of a sudden, people were much more interested in science, in how pharmaceutical companies worked." For example, Johnson says that the structure of phased drug trials was new information to most people with whom he spoke, and to the public at large.

At Pfizer, while ethics and quality teams have always worked closely with communications, Johnson says that the pandemic brought that collaboration to the level of daily interaction. "We brought our communications people right to the table. There couldn't be any gap between what we said, either proactively or reactively, and the machinery of the organization. Everything that we said had to be accurate and complete." That alliance enabled the communications team to funnel concerns from the public and the media quickly to Johnson's team.

Another aspect of the communications balance for the vaccine makers was that they knew that they had to present a united front to the public. "The best vaccine is the one you can get" has been a common refrain from public health officials. "We sought to not make it about our product versus another," says Moderna's Kristen Rand. "Our belief has always been that we need all the effective vaccines we can get. We were always rooting for the other companies. It's about getting people to want to be vaccinated regardless of what vaccine they're getting."

Combatting vaccine hesitancy was also top-of-mind for the vaccine makers, even before any were fully approved. Any lapses in transparency early in the process could undermine public trust down the road. "It didn't matter if we had a vaccine if no one was going to take it, and that's an issue we had to confront sooner rather than later," says Johnson. "That wasn't going to work without public trust, so full transparency was critical."

Kristen Rand agreed. "There will be people who are concerned or apprehensive," she says. "If it looks like you're hiding anything, that can only increase the anxiety and fear. Therefore, it is essential that we be forward, open, and transparent about everything, including about what we didn't know at any point in time."

When Regeneron released its REGEN-COV cocktail, communication was the key to overcoming the lack of public awareness about the new therapeutic. Even after several high-profile political figures received antibody treatments (President Trump among the most prominent), both physicians and the public had to learn who would benefit most from the cocktail, and that it was soon widely available for free thanks to the government.

'Keeping the Normal Trains on the Tracks'

Of course, despite the worldwide scramble to combat COVID-19, none of these companies were only focused on their work to beat the pandemic. Like everyone else, each still had other projects to keep moving in a socially distanced, capacity-constrained, and rapidly changing world.

As a company already primed for quick responses to infectious outbreaks, Regeneron began to develop a therapy candidate even before lockdowns. "For us, both things were happening simultaneously as soon as our research scientists heard about this emerging coronavirus in Wuhan," said Holly on a panel at the Global Ethics Summit this spring. "We had been preparing for this."

However, being well-equipped for a fast *research* response didn't make the transition to social distancing any simpler. "How do we keep everything else moving as it should? It surprises me in retrospect how many different aspects of my own organization were impacted," remembers Holly. "We have clinical trials running around the world—how do we keep those programs moving? How do you monitor sites when you can't visit them? Every aspect of our business had to adapt.

"From a compliance standpoint, as soon as we pulled our field representatives—how do we enable virtual interactions anchored in our policies, but with nuances that we hadn't anticipated? How do we make sure that physicians were still getting the education that they needed about our products? It was a multidisciplinary, collaborative effort to keep all of our critical business functions operating."

Of the three organizations, Pfizer is by far the largest, and so had the most non-COVID drugs also in development. For that reason, as lockdowns loomed the company's most immediate concern *wasn't* their vaccine, as Johnson discussed on the same Global Ethics Summit panel.

"The focus in the beginning was all about how to keep our normal operations going. The organization was all about keeping the normal trains on the tracks. We were fortunate that our digital systems worked as well as they did, and how remarkably we shifted into running normally."

We need all the effective vaccines we can get. We were always rooting for the other companies. It's about getting people to want to be vaccinated regardless of what vaccine they're getting.

Given Moderna's comparatively smaller size and lack of other mature products, for them the challenges of keeping up with "normal" business during the last year were mostly organizational. Most importantly, the company had to scale headcount at a breakneck pace while also spinning up new control processes—and maintaining the start-up's culture and commitment to integrity along the way.

As Rand described it, "It has been rapid expansion. To ensure a culture of integrity is maintained, we embed the value from the start, conveying our commitment to doing things the right way within the new hire onboarding, explaining those dynamics, and always taking it back to the company's values: being bold, relentless, curious, and collaborative."

Will More Understanding Mean More Goodwill?

Survey data has shown that the pharmaceutical industry's rapid innovations in response to the pandemic prompted a significant surge in public opinion towards the sector as a whole. By April, social media users were identifying as #TeamPfizer, #TeamModerna or #TeamJ&J, facetiously arguing that their group was more intelligent, funny, or attractive. This phenomenon, and the general conversation about how "science won," has placed an extraordinary positive spotlight on the industry.

Johnson, Holly, and Rand all acknowledge the potential upside their companies and the industry could glean from this success. However, they see challenges ahead for pharmaceutical companies to maintain this level of public support and understanding.

About the Expert

Tyler Lawrence *is Director, Data & Services for Ethisphere, and was until recently the Executive Editor of Ethisphere Magazine. He oversees the content of the print and digital magazines, and contributes to Ethisphere special reports and other publications. He is deeply engaged in conversations about ESG, the purpose of a corporation in the 21st century, and how an ethical company should interact with its many stakeholders.*

"We have a clear objective to do just that," says Johnson, "but I think it's going to be difficult. It's going to be important for the entire industry. Unfortunately, it's not good enough for some of us to be trustworthy companies. We have an industry-wide, weakest-link-in-the-chain problem when it comes to reputation."

Reputation-tracking firm Caliber calls the dynamic Johnson is describing the industry's "lack of differentiation" among consumers. By and large, most people don't know what company made—or in the case of generics, originally researched and patented—the drugs or other treatments that they take. That means that the industry's breakthroughs are rarely attached to a specific brand.

On the flip side, when malfeasance such as Purdue Pharma fueling the opioid crisis makes headlines, it has the effect of tarnishing even the most ethical actors in the industry. When they hear about a scandal, "People don't know if that's a big company, if that's a small company, if they've been around for 15 minutes or a hundred years," says Johnson.

Kristin Rand at Moderna echoed his concern. "We can continue to build upon what's been established now, this better perception and appreciation," she says. "But it's up to us as an industry to keep it going." A few scandals involving less scrupulous companies could easily undermine their good work.

However, the pandemic has created brand awareness for companies in the vaccine or treatment race. "People are asking, 'Did you get the Pfizer, the Moderna, or the J&J?' I think that awareness is helping people to understand that this industry is responsible for drug innovation in this country, and really for the world, too," says Holly.

And while Holly expresses chagrin that many people mistakenly believed that "Regeneron" is the name of the REGEN-COV treatment and not the company behind it, that confusion is nonetheless a clear sign of the company's increasing visibility. Hopefully, trust will follow.

"I think we do have an opportunity," says Johnson. "It's one we are beginning to talk a lot about internally. I talk about it extensively with my peers from lots of different companies. How do we take advantage of this opportunity in a very positive way and sustain it?"

To sustain this public goodwill, companies may look to maintaining the new communication and collaboration practices born in the pandemic that earned it in the first place. For example, some new transparency may outlast the crisis. "It's become part of our culture as we've grown into a commercial organization to be so transparent," says Kristin Rand.

Ultimately, Rand believes that operating with such radical openness for Moderna's first product will inevitably leave a strong cultural imprint on all future work—perhaps including the company's just-announced trials for an HIV vaccine. Holly and Johnson agree that their own organizations' habits may also be permanently shifted.

Johnson ultimately hopes that the public realizes that the groundwork for success had been laid long before the pandemic started. "Hopefully, people take that as really substantive proof that this company must have started with a pretty darn good sense of culture and commitment to scientific integrity, quality and safety. If we didn't have it, we weren't going to make it up in the midst of the fray."

Unprecedented Need, Unusual Collaboration

When the pandemic was first officially declared on March 11, Pfizer's CEO Albert Bourla released a statement outlining five principles for Pfizer's pandemic response, and calling on others to support them as well. Together, they were a pledge to support other companies' efforts to help the world meet the challenge presented by the pandemic. The company committed to open-source research and development practices. Many companies followed suit, greatly facilitating knowledge sharing, particularly with pre-trial drugs.

Pfizer also offered its excess manufacturing capacity to any company that needed it. That offer would be taken up by Gilead, when Pfizer began to produce their drug remdesivir, the broad-spectrum antiviral approved to reduce mortality for COVID patients.

BioNTech's pre-existing partnership with Pfizer made their joint development of an mRNA vaccine a natural choice. The smaller company's technical knowledge paired with Pfizer's unmatched scale and ability to navigate the logistics required for trials, manufacturing, government approvals, and public relations. However, the partnership required navigating a nearly hundredfold difference in headcount between the two companies. While their prior flu vaccine research had not been nearly as extensive, expensive, or scrutinized, it meant that both companies' scientific experts were comfortable with each other, and that they had already established a shared commitment to a culture of integrity.

Even so, it was important for Rady Johnson that his team had a chance to reaffirm its due diligence and leverage usual structures and controls like compliance and quality risk management committees to solidify the transparency between the two organizations. Once that work was done, the collaboration could race ahead.

That spirit of collaboration largely took hold across the industry. As a company that had never released a commercial product before, Moderna still had to rapidly scale manufacturing. To meet demand, the company eventually partnered with a number of larger manufacturers, including Catalent and Lonza, even as it scaled up its own factories. Meanwhile, its pre-existing relationship with BARDA helped it to navigate some of the new and challenging regulatory hurdles "It's a situation where it must be recognized that as a rapidly growing new commercial organization, we can't do everything on our own right now," says Kristin Rand. "The big companies have in-house capabilities, but we are still growing and right now need to rely more on third parties. It definitely adds to the risk profile, but on the other hand, we have our diligence screening processes to assess risk on the front end and our auditing and monitoring functions to manage risk throughout the engagement."

Regeneron also found a partner, Roche, to expand manufacturing and support international distribution for its antibodies. As Beth Holly put it, "When there's a greater call, as there is here in a global pandemic, collaborating with people who might be your competitors in another space is the name of the game. It's what we need to do to make sure we're serving public health."

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REFORMS TO BOOST TRANSPARENCY

Building the Trust Necessary for Stakeholder Accountability

Written by Jorge Dajani

Since he joined the World Bank Group three years ago, Jorge Dajani has implemented a variety of changes and reforms to make the global institution more trustworthy to all of its stakeholders. In this piece, Dajani discusses how transparency, both in processes and from people in leadership, help to make the institution more accountable to stakeholders including its own employees.

For corporations and institutions worldwide, achieving a sustainable business model is essential. Ensuring that your business is resilient, adaptable, socially responsible, and profitable in the long term has become the key demand of major stakeholders. Long gone are the days when the profit line determined everything shareholders needed to know to be at ease with their investment. Back then, accountability to shareholders focused on the principal-agent problem, where it was critical to establish remuneration schemes that would align the interests of management and shareholders.

In the last two decades, many shareholders have seen the value of their otherwise profitable companies plunge due to fraud, accounting irregularities, unethical behavior by management, or reputational damage from subpar environmental and social policies. Indeed, recent failures in the field of corporate governance and business ethics have brought to light the need for a more comprehensive approach and the direct involvement of senior management and boards of directors in the ethics of business activities—in other words, corporate responsibility.

Corporate responsibility has become a key factor in the achievement of the United Nations' 17 Sustainable Development Goals as set in the 2030 Agenda for Sustainable Development. Corporate responsibility is also at the core of the environmental, social, and governance (ESG) criteria being used in management and investors to evaluate companies and institutions. Why is corporate responsibility so relevant? Because it can bolster stakeholders' perception of trust—a major driver in the success of any business.

The Business Roundtable agreement of 2019 is a clear move towards a framework in which stakeholders are defined in much broader terms than only shareholders. The "Statement on the Purpose of a Corporation" was signed by nearly 200 chief executive officers of the world's leading companies with the intention to "move away from shareholder primacy," towards a commitment to "all stakeholders," including customers, employees, suppliers and communities: "We commit to deliver value to all of them, for the future success of our companies, our communities and our country."

Why is corporate responsibility so relevant? Because it can bolster stakeholders' perception of trust.

Accountability to all stakeholders is therefore the key for any successful and sustainable business to generate trust and eventually be sustainable. Accountability towards stakeholders can take many forms and be delivered through different mechanisms. As an example, the World Bank Group has recently adopted numerous initiatives to reinforce internal accountability to employees.

Accountability for core values

Being accountable for upholding an organization's values means going beyond final outcomes to evaluating how they were achieved. We must be accountable not only in terms of compliance to rules, but also in terms of acting according to our core values. There are many recent examples of corporate irresponsibility that were not caused by a failure of compliance with rules, but by a lack of observance of core (or any) values.

The World Bank Group recently moved away from a Code of Conduct (which overlapped with some of its internal staff rules) to a Code of Ethics structured around the five core values of impact, innovation, respect, teamwork, and integrity. The new Code of Ethics allows all stakeholders to hold each other accountable according to the values of the institution. This can be done, for instance, by using the values in determining performance evaluation, giving and receiving feedback based on whether the values have been upheld or ensuring that the terms of recruitment for the World Bank Group always incorporate the values as a key requisite for the recruitment panel to consider.

Accountability through monitoring and transparency

For stakeholders to better assess alignment with corporate responsibility principles, it is essential to foster transparency and provide regular reporting and monitoring on these key topics. Why is transparency so important? Because transparency is a necessary condition for trust.

One interesting example is how institutions handle internal misconduct. The lack of feedback and transparency about the process and outcomes of investigations into misconduct leads to mistrust in how the system works, and an apparent lack of accountability to reporters. This, in turn, leads to under-reporting of even serious reputational and operational risks for these institutions.

In 2019, the Ethics and Business Conduct Department of the World Bank Group decided to start publishing an anonymized list of misconduct cases that have been sanctioned each quarter on an intranet page available to all staff. This has generated a dramatic increase in trust in the system, and incidents that had been hidden for many years are now being reported and addressed, furthering a virtuous cycle of trust.

In 2019, the World Bank Group adopted its ambitious Action Plan for Preventing and Addressing Sexual Harassment. There is a large body of literature connecting the prevalence of sexual harassment in corporations with toxic environments that lead to decreased productivity and accountability. Based on an external review by three independent experts, the holistic Action Plan included over 70 initiatives to be implemented over three years, and more than 90% have been achieved within the first two years. Largely as a result of implementing and communicating about these initiatives, the World Bank Group's last engagement survey showed major gains in staff perceptions of the organization's commitment to fighting bullying and sexual harassment.

Accountability as part of ethical leadership

Senior management must be ready to back words with action, and that includes holding accountable those members of the institution that fail to align with the core values and policies. It also includes imposing higher standards on managers and senior leaders.

At the World Bank Group, we do so in essentially four ways: (i) defining in the Code of Ethics additional specific obligations for managers, such as creating a safe environment for staff; (ii) deploying a new senior leadership onboarding program including deep dive ethics training, which fosters a culture of safe speech both to encourage innovation and detect potential ethical risks early; (iii) imposing stricter transparency requirements on senior leaders regarding their financial interests and personal relationships; and (iv) reporting on ethical risks as part of operational risk assessment, thus integrating the review of ethical concerns in the regular activities of managers and senior leaders.

The need to create a different relationship among stakeholders, modeled on trust, is boosting the demand for accountability in institutions and corporations alike. In this context, ethics and compliance departments are poised to play a more proactive role through increased presence in the operations of the business and through more active participation in corporate responsibility committees, as well as reporting to the boards of directors. The ethical dimension of business will have an increased impact on how businesses and institutions are perceived by stakeholders.

About the Expert

__Jorge Dajani__ became the Chief Ethics Officer of the World Bank Group on June 15, 2018. Dajani brings to this role a deep knowledge of multilateral development banks, a proven track record in corporate strategy and development, and a reputation for effective stakeholder engagement. He has been widely recognized for his management skills and stewardship of policies and procedures within international financial institutions with a focus on strategy, ethics and governance.

Prior to this position, Mr. Dajani was Alternate Executive Director at the International Monetary Fund, a position he held since 2016. Previously, he served as Director General for Macroeconomic Analysis and International Finance at the Ministry of Economy of Spain. He has served on the Boards of Governors and Boards of Directors of several multilateral banks, including the World Bank, the Inter-American Development Bank, CAF-Development Bank of Latin America, and the African Development Bank. He was Spain's chief negotiator for the establishment of the Asian Infrastructure Investment Bank and the Green Climate Fund. He has also been a member of the economic policy committees of the European Union and the Organization for Economic Co-operation and Development (OECD).

THE SIX NEW RULES OF BUSINESS

Employees Give Voice to Risk and Competitive Advantage

Interview by: Kevin McCormack

The Aspen Institute's Judy Samuelson has had a career considering the impacts of capitalism from different vantage points—from the halls of the California state legislature to business school, a stint in banking, running impact investment at the Ford Foundation, and now in charge of the Business and Society Program at a leading think tank. In this interview, Ethisphere's Kevin McCormack talks with Samuelson about her new book, *The Six New Rules of Business: Creating Value in a Changing World*.

Kevin McCormack: What can you tell us about your career journey and how all of your experience, which you've shared so elegantly in the book, has set up your ideas?

Judy Samuelson: I started out working in the state legislature in California after college, and went to business school because I was trying to understand the role of the private sector in things that I had an interest in, like economic development. Then I went into banking to go deeper into the business language, and ended up at the Ford Foundation running their impact investing program. Looking at society from these different lenses was part of the journey, to understand the various trade-offs. People talk about a win-win world, but I think there's too much magical thinking in the world of investment about being able to honor your values and still make a lot of money. And I think at some level, these tensions have been playing out for me for a long period of time.

KM: You've compiled so much institutional knowledge over the years, working in the financial markets, the Ford Foundation, at the Aspen Institute. In planning this book, is there anything that ended up on the cutting room floor that you wish you could have included?

JS: I often get the question, "Wow, who's really signing up to these rules?" And I always respond, "Let's talk about the companies who seem to have always lived by these rules." The catalytic event that put me on the course of leaving the Ford Foundation and starting this program was something called the Corporate Involvement Initiative. We started saying, "What do we learn from companies that seem to be ahead of the curve?" They seem to be operating in a more natural way at the intersection of what's healthy for the business and healthy for society.

We emphatically were not looking for acts of charity. What we were talking about and where the greatest leverage is lies in the business model itself. When we saw companies that seemed to have that, but they still maintained a consciousness about the health of society at the same time, we wanted to learn from it. So that really started me on this path.

KM: You were still writing this book when the world spiraled into this pandemic, and then we had the killing of George Floyd. Did any of this influence your thinking?

JS: Yes and no. The pandemic has exposed the humanity of firms in a way that has become more present. Somebody said to me the other day that it's as if we've drained the pool and have seen more of what actually lies at the bottom—it's not always pretty, but it's real. During the pandemic, we were up close and personal with these remarkable stories about essential workers providing critical business services, from healthcare to retail, and bearing the brunt, and were they getting their share? Were the real value creators receiving the real value that they deserve for their services? The other key event unfolding as I turned in my first draft was the Business Roundtable having redefined the corporation in August 2019.

KM: We could spend weeks talking about all six rules. Let's focus on one rule in particular, rule number four: Employees give voice to risk and competitive advantage. Do companies and their leaders, as part of the long-term vision and strategy, need to apply more focus on their own people?

JS: Absolutely. Employees are the best allies. They want the company to flourish. They want it to be financially successful, because in theory, that rebounds to their own financial security and economic opportunity. They're also a lens into both risk and opportunity for the company. They're closest to the action. They're the ones who are managing the complexity of the supply chain, they are the customer interface. They're the ones who have their eye on product quality and service. How can we not rely on them?

What's different now is the power to connect with social media. I think it is true that employees today tend to wear their heart on their sleeve a bit more, but it's the ability to communicate more effectively, to find peers, to build coalitions, and to lean in on a question for a period of time until a path forward becomes clear. Those things are all enabled by collaboration tools that we teach employees to use.

An employee is the bridge between the inside and the outside. Work-life balance, people wanting to be the same person on Monday as they are on Sunday, all of those metaphors—employees have things that are keeping them awake at night, and it is natural for them to want the executives of their enterprises to speak to those questions. That's remarkably complex for a CEO to do well, but we have abundant examples today.

KM: Is it fair to say that those companies that hold themselves out as most accountable for their actions are the ones that are using their employees as a barometer?

JS: I certainly think that we're starting to see a change in the nature of CEOs, with a different generation emerging that is more comfortable with speaking to these questions. We're bringing politics into the workplace like we're bringing politics into everything else in this country at this point. One of the most stunning examples was the speed with which companies hit the pause button on political spending after January 6th. That was a result of employees speaking out. There are still a number of issues that feel like real third rail issues that executives may choose to stay silent on, something that another company will be outspoken about. So, it's part personality, it's part values, it's part the nature of the workforce that you have.

KM: Rule number four is very closely intertwined with number five: Culture is king and talent rules. That's also very much about the employee. What do you see as the necessary step forward for talent creation and retention for companies?

JS: First, let's remember the old rule—capital is king. The new rule is that culture is king. It takes us back again to ask, what actually is critical to our long-term success? The fact is that financial capital is not a scarce resource anymore. One has to ask, "Why is there so much noise from the public capital markets?" And I think there's a real tension here between the natural conversation that's emerging right now around disclosure. What will the SEC require, as it responds to investors clamoring for more information? If we're not careful, we end up leaning into metrics that make it easy to make comparisons on some critical but straightforward issues like climate goals or greater diversity in the boardroom. But we also need metrics that help companies analyze and ascertain where they are vis-a-vis their own desire to make progress. That's what the bigger conversation is about today.

Why do we have corporations? Corporations were not created to maximize returns to shareholders. It's always been a part of the puzzle, but they're created to get things done that you can't do by yourself. That's why we in the public grant corporations with the license to operate. And increasingly, a robust culture is the story that we see in companies that are high performing, that are conscious of stating what they're about and what they exist to do, that connects them back to the public in some way, shape, or form.

Morgan Stanley put out a great piece called "Culture Quant," and they have found that retention is a great window into culture and that it's measurable. There is a very high correlation between high retention rates and alpha. This balancing act of culture and talent versus capital requires us to start getting clear about what we're trying to measure.

KM: How do you think curriculum needs to evolve to prepare future leaders? And how might you design a structure or an executive curriculum around the impact of employee investment?

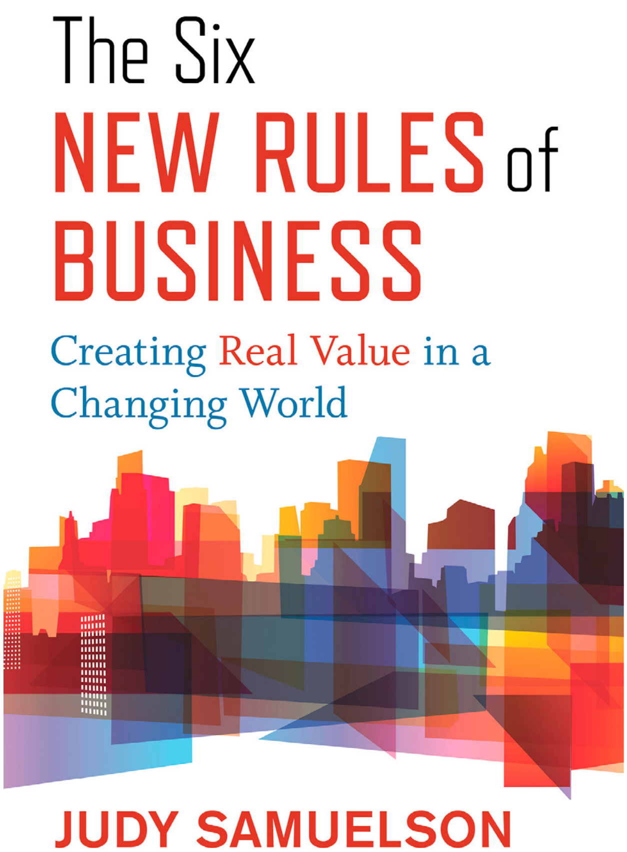
JS: One of the things that's abundantly clear from recent decades, as we've moved from a bricks and mortar world to the technology world, is that you can no longer find the value of the company on the balance sheet. The discounted cash flows tool in the toolbox has lost a lot of usefulness in a stock market that can't figure out what the valuation is, compared to what we're experiencing as a country. Something like 85% of valuation is based on intangibles. It's about reputation, it's about trust. Trust, trust, trust. You can't say that one enough. It's about your ability to defend your intellectual property, your ability to attract and retain that talent. Measuring, understanding, and unpacking those things is where you start to see the outside and the inside of companies merge. In a connected world where we see existential crises where business needs to be at the table, these things start to be fodder for trying to drive change inside the enterprise.

So, business schools need to be able to teach to the limits of growth. It's just been part of the mantra, profits and growth. What does that mean when we're running out of natural resources, or where growth is a recipe for carbon? Those things become real. We have a way to go in finance classrooms. One of the conundrums for business schools is that the financial sector is such a big part of the noise, they loom large in commanding certain kinds of skills that may be useful in the first couple of years on the job. They're not what you need when you move up the food chain. Who are we teaching? For what kinds of jobs and for what point in somebody's career? Not just for the first couple of years.

KM: We talked a little bit about employee activism. I'm curious about activist CEOs. Will this become more commonplace, whether CEOs are self-motivated or because their stakeholders or society at large are now expecting it?

JS: CEOs now, they're really leaders of communities in some respects. The job is dynamic, there are lots of communities of interest that are engaged and at the table and expect to see their imprint on the firm. You add in the ecosystem that business operates in and that it influences by its decisions, it's becoming a much more complex job.

The other big activist shift is in the world of business coalitions, talking about the



Judy Samuelson's new book, The Six New Rules of Business: Creating Real Value in a Changing World, is now available online and at your local bookstore. Read an excerpt from the chapter on the importance of employees as a stakeholder exclusively online at http://magazine.ethisphere.com.

Business Roundtable. In recent years we've seen quite a shift as the Business Roundtable, which of course represents our largest corporations and big brands in the U.S., leans in on questions where there are winners and losers from the business perspective. They've been building coalitions, as opposed to handing the microphone to X company when their biggest asset is the risk. They're talking about workforce development, or they're talking about racism, or they're talking about some of these issues that cut very close to society's ability to operate, such as climate change.

KM: Once you have that chance to get in a room again with the diverse range of business executives, what will be the first page you tell them to turn to?

JS: I'm thinking about the story about Lee Scott at Walmart. Hurricane Katrina hit New Orleans, and they sent the trucks to the center of the city after the National Guard lifted the barriers to provide essential goods to people who were stranded. It wasn't a pretty picture. I think none of us who weren't there have any idea just how horrific that actually was. And Walmart got a lot of positive press because they were at the table, and we all saw it on the front page of the paper.

That was a moment where the company stood back and said, "Wait a minute, how do we get more of this kind of press?" But they didn't go do more charity. Lee Scott understood, or maybe he could finally listen to his employees and heard something that had a huge impact, which was, "We need to be the best we can be all the time, given our massive footprint and our remarkable ability to convene the supply chain. How are we going to deploy this, and to what ends?" And they made remarkable commitments on everything from energy use to dematerializing packaging, to assuring that their products were meeting a higher standard in terms of sustainability, and on and on. And they've stayed at it since.

It's a remarkable testament to how executives take in information and to what actually puts them on the path. This was not data, facts, or the business case. They had been under pressure for a decade. He saw a moment to break through, and he moved the company forward, and it was a real leadership moment. That's the story I'd love all of the CEOs to read.

KM: My last question is, what would you anticipate that the same room of executives might want to rip out of your book?

JS: I'm going to find it…page 67. It's a box, "What Matters Most: The Key Tests of Business Commitment to Purpose." It names what I call blind spots. What are the things that, if I'm sitting outside the firm, I want to better understand? How much is this company really leaning into the question of a license to operate and a purpose that is meaningful to the public at large? It asks questions that are very difficult to answer. How much is our company spending on tax avoidance? That says a lot about how the company is actually conceptualizing the relationship between business and society. What purpose is served by share buybacks? What's the intention? What's the right share for shareholders, and how much should be retained to reinvest in the company and its employees? The wicked truth is that over the last decade, over 90% of profits had been returned to shareholders. That doesn't leave enough to invest in employees, and we can see what the result of that is.

What are the lobbyists, and the lobbyists for trade associations that we're a part of, doing in our name? Is that consistent with what we're saying about our purpose, our intentions? What is the story we want to be able to tell about job creation? What are we missing when we're contracting out employees? Do we have sight lines through to make sure that our values are being honored by those that work in our name, but are not on our payroll? Then ultimately, what is a CEO paid to do? If the stock price is allowed a signal in the pay package, then we're working at cross purposes with the intentions that were laid out by the Business Roundtable.

KM: Tough questions. That's fantastic. We're not going to rip out page 67, although maybe others will disagree. I love the entire book.

Author Biographies

***Judy Samuelson** is vice president at the Aspen Institute and founder and executive director of the Aspen Institute Business and Society Program. She previously worked in legislative affairs in California and banking in New York's garment center and ran the Ford Foundation's office of program-related investments. Samuelson blogs for Quartz at Work and is director of the Financial Health Network*

WHISTLEBLOWERS IN A SPEAK-UP CULTURE

A Roundtable of EY Experts Discuss Reporting and Hotline Best Practices

Interview by Tyler Lawrence

One of the most essential and vexing aspects of any compliance program is the challenge of establishing and maintaining a whistleblower program that employees trust to fairly handle reports, protect anonymity, and prevent retaliation. Ethisphere's partners at EY have experience running and consulting on whistleblower programs around the world. We convened a roundtable of three of their practitioners to discuss the challenges and opportunities they present. You can watch the full hour-long roundtable on the *Ethisphere Magazine* website.

Tyler Lawrence: Could each of you briefly introduce yourselves and tell me a little bit about your areas of expertise?

Cecilia Melzi: I'm a partner in the forensics practice of EY in Lima, Peru where we have a strong practice composed of nearly 90 people. We provide and operate whistleblower hotlines, and manage implementations and training for more than 200 clients in Peru and in the Andean region.

Katharina Weghmann: I'm a partner responsible for our integrity and ethics offerings. For the past four years, I've had the pleasure of working with our clients on measuring ethical culture, and then creating cultures of integrity in a more sustainable way. I have a research background on the topic of whistleblowing, a passion of mine ever since the financial crisis. It's an honor to be here and share the research lens, and how it translates into practice.

Liban Jama: I lead our investigations and compliance practice across the Americas. I spend a lot of my time assisting our clients in building out their compliance programs using data to help inform decision making. Prior to EY, I was in the U.S. federal government and spent more than a decade at the Securities and Exchange Commission. This was around the same time that whistleblower rules were developed by the Commission. I offer a perspective from the regulatory side, particularly the US, as well as from the work that I do with clients around the globe.

Tyler Lawrence: For employees to feel comfortable raising concerns, you have to set up a baseline speak-up culture. What kind of environment is necessary for employees to have that security in the first place?

Liban Jama: It's really about fostering an environment of trust, and then building out that culture. You want a process that addresses the procedural perspective and also offers meaningful action where employees know that leadership values their insights on issues.

Katharina Weghmann: We need to be very mindful about how we design and perpetuate a culture of trust, and also how we value the very concept of employee voice. If we look into the research, we ask: why don't people speak up? The reason why they don't speak up is either they believe nothing is going to happen, or there is a fear of retaliation. How do we mitigate those beliefs, and how do we design an organization very mindfully around creating that psychological safety? We also need to look at moments where people don't speak up, and create an environment—through leadership, through role modeling, among others—in which we listen to voice and dissent.

Cecilia Melzi: It's not an easy decision for a person to make a report. It's a balance of costs and benefits. So, companies should aim to ensure that the balance goes to benefit, that it's a win-win. Trust is what makes whistleblowing work—trust that the company will listen, and if applicable will take corrective actions. It's really important that people know that the company really believes in speaking up, and in listening to its people. There's a big difference in the message you give to people about why you do things. It's not because you want to comply or avoid any penalty, it's because you really believe in listening. That message from the top management is key.

Liban Jama: In 2020 EY did a comprehensive global integrity report that focused on the issue of trust. We surveyed employees at more than 3,000 companies, and one in five respondents felt that they weren't sufficiently protected from retaliation. That's pretty compelling, and goes to the importance of building an environment in which habits create a culture of trust. How you develop and support those habits will build the culture you want to have. In our most recent survey, there are still companies where people feel that lack of trust, despite 94% of organizations saying they had a hotline.

Tyler Lawrence: What risks does the company create by not promoting a speak-up culture, and creating a situation where employees might be hesitant to report?

Cecilia Melzi: The main risk is that people do not believe in what the company is doing, do not think they have available channels within the company, and then go to regulators.

Liban Jama: Think about it from the commercial perspective. So often when we talk about the downsides, we talk about blind spots, missing something, or reputational harm. If we take a step back, all of those elements are really important, but we're in an environment where expectations have changed. More employees, particularly younger employees, expect their organizations to allow them to be aligned with the missions and values in the code of conduct. There is a commercial imperative in terms of talent retention and customer expectations.

Tyler Lawrence: What are some warning signs that companies should be looking for that perhaps they have a problem with ethical culture?

Liban Jama: A lack of information in the system. Sometimes it's counterintuitive. Folks will say, "Our hotline reporting numbers are down—that might be problematic, right? Are people feeling safe and secure to talk?" The lack of information may be a red flag in and of itself.

If we look at the U.S. data, particularly with a lot of the social justice issues that have arisen, you see a spike in hotline activity with respect to workplace misconduct, and then it slows down in the months afterwards for a lot of sectors. Does that indicate there were fewer issues? I don't think so. Sometimes we have to look at the data holistically.

Katharina Weghmann: This holistic approach to measurement is really important. Speak-up data is only one element of the overall culture. There are a lot more proxies that influence speak-up behavior and retention. It's also good to look at external data. What are the market perceptions of your brand, and your organization? Not just as an employer, but how is your company perceived? There are other structured data sets within the company. You can look into HR data. For example, diversity and inclusion data influences the way in which people feel like they can bring their whole self to work, whether they feel like they belong and can speak up about certain topics, especially in times of COVID.

Cecilia Melzi: Any decrease in the number of reports should be examined. An example from our work in Peru for a client: we helped launch a hotline, and in the first two days, we received 40 reports. We thought, wow, these people need to talk. We started transmitting the reports to the ethics committee, which was just the general manager. But then the management didn't like all the information they received. They kept the hotline open but they ignored the reports. So then there were two, five, six reports, and then no more. People realized that there was no point, because the management did not take action.

Tyler Lawrence: An effective whistleblower program can't just exist. Employees have to think something might come of it. What else should companies do to make sure that employees have trust in the process?

Cecilia Melzi: I have three key best practices I want to share. The first is the most critical: have a third party in charge of operating the whistleblower hotline. Why? Because that independent third party will be objective, without any conflict, and will give the employees confidence that there will not be retaliation. According to our statistics, 82% of people report anonymously. They do not want to share their information with the company. But, 33% will share their information with us as third party, so we can follow-up, ask questions, and report the information to an ethics committee.

My second piece of advice is to have compliance procedures so you know what to do, and who to share information with, whether the ethics committee or an alternative way to report if there are conflicts. My third piece of advice is to disclose procedures as much as possible to reporters, so they know what to expect.

Liban Jama: A powerful component of communication is the ability to tell narratives transparently. Be thoughtful about the approach. What should we communicate about our results on a quarterly basis? What are the themes we want to suggest? What do we want to highlight?

There are also cultural considerations. In the U.S., we have our own biases about how we think things should be done. It's incredibly important to have nuanced conversations around the globe on what is expected, what is likely to occur, and to listen to what would be most effective in a particular geographic space.

Katharina Weghmann: We need to put people over process, to be human-centric and try to understand what seems to be driving them, what seems to be making them afraid. What's not working so well? How can we facilitate and normalize the process for people? Ultimately any type of ambiguity is going to add extra anxiety for the person who is speaking up. What we can see in the regulatory space, especially in Europe with the new whistleblower protection rules coming into effect at the end of this year, is that speed and staying in touch with the reporter seem to be very important.

Additionally, the root causes of cases have to be fed back into the organization, and we need to find a way to communicate about them. What are the patterns? What are the measures we are taking to remediate those in the long run? If we package it in the right way, it can be really powerful to bring this back into the organization, learn, move ahead, and try to make people feel like we have heard them.

Tyler Lawrence: What can organizations do to make good on retaliation protections? What kind of follow-up do leading organizations do?

Liban Jama: It's critically important to highlight cases and let people know that we had someone raise an issue, and we're being transparent about it, and these are the things we did to reform and remediate and celebrate the individuals raising important issues and say, "This is what we want to see." If you do that consistently, you build a culture of expectation that significantly allays concerns about retaliation.

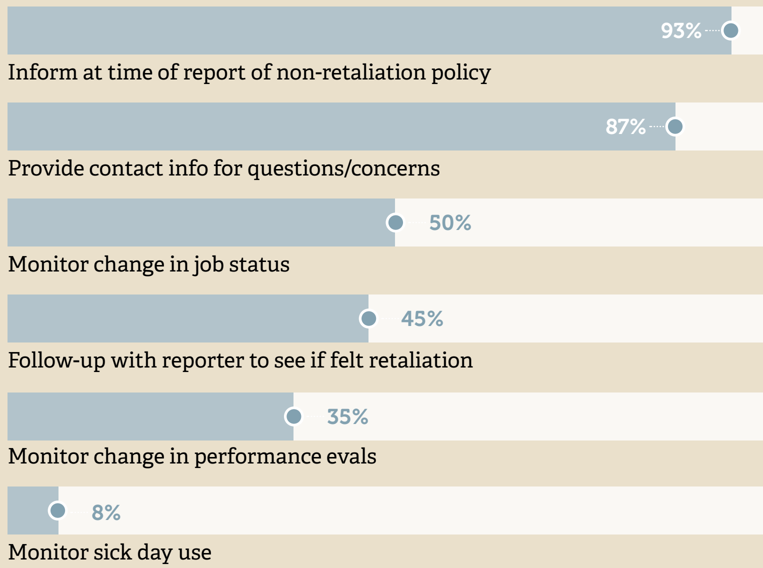
Cecilia Melzi: You must also establish what conduct is considered retaliation. We see clients establishing post-report monitoring for one to three months. They try to reach the reporters if they have provided contact information. They ask us to follow up to see if they have more information, how they are feeling, and if there has been any retaliation.

Katharina Weghmann: You can also go one step further. Recently, I've seen companies look into the career trajectories over time of those who report. From the research, we can see that careers can very much be inhibited, either because people found out who spoke up or anonymity couldn't be ensured. Look at the careers of each reporter. Do they leave the organization? How did their career path progress?

Tyler Lawrence: Whistleblowing requires this delicate balance of protecting reporters, but still ideally being able to follow up. How can companies attempt to strike that balance? And what tools are now allowing companies to maintain communication, even with an anonymous report?

Speak Up, Follow Up

Indicate which established procedures your company has to protect employees who report suspected misconduct.



Source: *The World's Most Ethical Companies data set, 2021.*

Katharina Weghmann: The most mature organizations already monitor which reports come in informally, and they calculate how many people report through formal or informal channels. My hypothesis would be that organizations that have more informal reports have a higher level of trust. This could be a good proxy for us to measure if we're progressing in that space.

Technology enables us to be so much more advanced in the way we serve employees—to have a confidential conversation, guide people through the process, and help them feel comfortable. I have hope that this is going to change the game for engaging those who might not feel comfortable speaking up.

Liban Jama: With the analytics, it's not just the individual hotline requests. We are essentially doing a heat mapping exercise, and then we're tailoring our remediation based on those analytics so that we can have a much more end-to-end process in how we address these issues.

Cecilia Melzi: A way to balance the anonymous report with a desire for follow-up is to give all reporters a code through email, web, or phone so they can then access status information about the case—in process, dismissed due to a specific reason, or closed, for example. If the company does not want to provide specific case details, they can still communicate more broadly through bulletins, quarterly or monthly magazines, or town hall meetings. That allows reporters to know they had impact, and also builds trust in the system. That's key, because we receive a lot of emails asking, "What happened with my report?" We're always encouraging companies to make these specific ways that the reporter can enter and see the steps.

About the Experts:

Liban Jama *is a Partner and EY Americas Forensic & Integrity Services Investigations & Compliance Leader.*

Cecilia Melzi *is a Partner, EY Forensic & Integrity Services, Peru.*

Katharina Weghmann *is a Partner, EY Forensic & Integrity Services, leading the integrity and ethics advisory work in EMEIA.*

EMPLOYEES—YOUR KEY STAKEHOLDER?

Public Opinion about Workers, D&I, and the New Economy

Interview by Tyler Lawrence

The last year has seen sharper shifts in public opinion about business, capitalism, and corporate responsibility than perhaps the entire previous decade. However, those changes were no surprise to Martin Whittaker of JUST Capital and John Gerzema of the Harris Poll, whose organizations track public sentiment closely. Both of these men sat down to talk with Ethisphere's Tyler Lawrence about how 2020 accelerated public opinion towards stakeholders, especially employees, and how we may see those shifts play out going forward.

Tyler Lawrence: To start us off, can you both briefly introduce yourselves and your organizations to our readers?

Martin Whittaker: I'm the CEO of JUST Capital, and our mission is to build a just economy. We're trying to get big companies to do more of the heavy lifting, to solve society's most complex and intractable challenges.

John Gerzema: I'm CEO of the Harris Poll, which is part of The Stagwell Group and has been doing a range of research-driven thought leadership investigations into ethics in the economy in partnership with JUST.

Tyler Lawrence: JUST has been talking about how 2020 offered companies the chance for what you call "the great reset." Can you tell me a little bit about what you mean by that, and whether the public thinks it's actually happening?

Martin Whittaker: 2020 was a period of resetting how we interacted with the world, what we prioritized, how our day-to-day lives were led. The economy was reset as well. Nobody really knew what the future held for a period of time. JUST put up a tracker to monitor what big companies were doing in response to COVID-19, and it generated a huge amount of interest in our mission. People wanted to know, "What are companies doing now to support their workers, their customers, the communities where they operate, all of their stakeholders? What does that mean in terms of how we rebuild?" At the same time, the pandemic and economic lockdown revealed divisions in society, and this was reflected by the George Floyd protests, creating a national movement around Black lives. We found that 89% of Americans agreed that this was a chance for corporate America to hit the reset button and begin to think, what does an economy that serves all of its stakeholders actually look like?

John Gerzema: The economic and social dislocation that Martin talked about is really evident in our data. In Harris Poll's JUST survey, 85% said the pandemic has exposed structural problems in American society. In another question, 8 out of 10 Americans said that the pandemic has "opened my eyes to acceptable and unacceptable corporate behavior."

The companies that thrived in our Reputation Quotient survey were heavy on logistics, companies that kept America running during the pandemic. In our data, 72% of Americans trust companies more than the government to find solutions, not only to COVID, but to racial equality.

Martin Whittaker: One of the things we've seen is that the number of people who think that companies are actually prioritizing workers as a key stakeholder has gone up. It's still a minority, 37% of Americans, but it's double what it was a year before the pandemic. So, people do feel as though companies are beginning to look after folks other than their shareholders.

Tyler Lawrence: JUST's annual survey asks members of the public to rank the issues they believe companies should focus on. In this year's rankings, five of the top seven issues involved employees. Can you talk a little bit about employees emerging as the most important stakeholder?

Martin Whittaker: The pandemic accelerated something that was already happening. This is our seventh year of polling and from the beginning, workers and work-related issues have been at or close to the top. It comes down to very kitchen table things, like fair pay. How am I treated at work? Do I feel as though I have a path to upward economic mobility? In 2020, "the S" in ESG was accelerated. We reconsidered the value of jobs, and good jobs, and the people doing those essential jobs. I don't think that's going to go away.

John Gerzema: I think it really goes back to your first point about how the pandemic exposed inequities in society, giving us concepts like a "K-shaped recovery" and frontline workers. We described them as everyday heroes and people who were really adversely hit. That's why in these stats you see an awareness—the same way that we raised social awareness toward systemic racism.

Martin Whittaker: We have also been tracking the market performance of companies that do well on looking after their workers. Those companies that came into the pandemic already scoring well on our rankings, that we knew valued their workforce and invested in all the things you need to create a resilient workforce, they did better, and they're continuing to do better.

Tyler Lawrence: There are five issues that you identify as all being employee-stakeholder related, including paying a living wage and providing workers upward mobility. What are the most serious companies actually doing to assess and act on this expanded notion of stakeholder performance?

Martin Whittaker: JUST tracks companies on what are they doing across 19 business issues. In the weekly JUST Report, we list what companies are doing. What we've found is that companies are at different stages on this stakeholder journey, that many believe that investing in workers, communities, the environment, customers is going to create value for shareholders.

It's easy to be skeptical about what companies are doing, what they're saying, and what they're putting out into the public domain. I believe our job is to keep celebrating leadership, and continue to put the pressure on for disclosure and information, so the market can make its own mind up on who's doing well and who's not.

John Gerzema: When we look at our poll data, you see a significant shift in expectations among people of color and of younger people toward company action. For example, we asked Americans, "Which stakeholder should a CEO listen to most?" Across all respondents, 39% said customers, employees were at 28%, and shareholders were at 17%. However, when you look at the generation breakdown, 50% of Boomers say customers are most important, but Gen Z and Millennials favor employees.

Martin Whittaker: Investors want it, as seen by the amount of capital flowing into ESG strategies. Those behind that capital are going to need to know that it's having some kind of an impact.

Tyler Lawrence: We also have an interview with Judy Samuelson and in her latest book, she has this notion that employee voice is important for companies as a proxy for the concerns of society.

John Gerzema: Absolutely. I know from my private conversations that companies are using their employees as that barometer to try to test positions and understand the reactions. Employees at most large companies are highly diverse, a microcosm of society, and we see in our JUST data that you cannot be customer-centric without being employee-centric. With social media, with the power of consumers, with the power of employees as activists, you are creating a new, very dynamic, highly influential stakeholder community that the companies need to listen to.

Tyler Lawrence: On the topic of racial equity, what do we know about how the public grades the work that companies are doing right now, and the relationship between the moral imperative for D&I and the bottom line?

John Gerzema: Our data shows that 36% of Americans believe that large companies have done enough to achieve racial equity in the workplace, while 64% say there is more work to be done. There is a significant gap between Black Americans and white Americans, with 58% of white Americans versus 83% of Black Americans saying that large companies have more work to do. There is also a significant political gap on that question: 81% of Democrats saying more work to be done, versus 39% of Republicans.

Martin Whittaker: We also know from our polling work and our interactions with companies that a lot of companies really are not quite sure what exactly to do. Putting out a statement in support of Black Lives Matter and making a donation to the NAACP clearly was not going to cut it. That's one of the reasons why we created what we call a CEO Blueprint for Racial Equality which we're now developing in partnership with PolicyLink.

We have released our first tracker on diversity, equity, and inclusion where we'll be recording and logging what big companies say they're doing. I hope that what happens in this case is we create a sense of competition. Companies want to do more; they want to be seen as doing more, and that creates forward momentum.

John Gerzema: To that point, we asked the question, "Do you think that promoting racial and ethnic diversity, equity, and inclusion in the workplace will ultimately have a positive, negative, or no effect on a company's profitability?" And we found that 51% believed it will have a positive impact, and only 18% believed it would have a negative impact.

Martin Whittaker: Our research team has analyzed the performance and level of transparency among companies that have been leaders on D&I. We found consistent out-performance of companies who lead on those issues, not just in terms of share price but other elements of business and financial performance as well.

Tyler Lawrence: Thank you both so much for taking the time to chat.

About the Experts

John Gerzema *is CEO of The Harris Poll, a leading public opinion, market research, corporate, brand and reputation strategy firm and a pioneer in the use of data to identify social change and help leaders and organizations anticipate and adapt to new trends and demands.*

Martin Whittaker *is the founding CEO of JUST Capital and is responsible for the overall leadership of the organization. He is also co-founder and Board member of the CREO Syndicate, a Board member of the Carbon Disclosure Project U.S. and a member of the Forbes Finance Council.*

RESPONSIBILITY FOR AI CONTINUES INTO THE REAL WORLD

Addressing the Unintended Consequences of AI Bias

Written by Jim DeMarco

Recent advancements in Artificial Intelligence (AI) have yielded groundbreaking change in many sectors, particularly in science and medicine. With these innovations, however, AI's creators have publicly recognized that poorly conceived AI can also have some real downsides, particularly with respect to discrimination. Discrimination could be caused by bias built into AI at any stage due to bad or misinterpreted data, algorithmic errors, false assumptions, or incorrect conclusions.

By design, AI evolves with every new use as the AI algorithm gains data to train for the next use. What happens if the AI algorithm initially operates as intended, but evolves into something inappropriate? Does a company's responsibility for preventing discrimination in AI end at release, or even at intended use? Simply put, it does not—companies have an obligation and should be accountable to continue to monitor their AI after deployment "in the wild" to ensure the AI performs not only to purpose but also responsibly.

From the start, AI must be designed to serve a reasonable business purpose AND to provide a human benefit.

All technologies are developed to solve a particular problem. If the technology solves that problem, then it is suited to purpose; whether that purpose is reasonable depends on the problem. If a business designs technology to meet sales objectives that ultimately denies service to customers based on race or gender, then the reasonableness of that technology must be called into question.

AI should also serve a second purpose: it should also provide a positive human (including societal/economic) benefit. Human benefits of AI vary widely and can be slippery to define. Broadly speaking, seeking human benefits means that AI should not simply be developed to replace human judgment. AI can serve a human purpose by freeing people from unengaging tasks (automating data entry), reducing danger (self-driving cars), or working with more data or delicacy than a human could alone (fraud detection or cancer screening). Importantly, AI also fails the human benefit test if it introduces unnecessary bias in pursuit of the business purpose. From initial design through algorithm creation, applying Responsible AI principles means ensuring the AI passes the business purpose and human benefit tests. For instance, when facial recognition AI is applied to determine whether a truck driver is distracted or drowsy, it serves both the business purpose of ensuring safe transmittal of goods and the human benefit of protecting the driver's and others' safety.

The same AI may be responsible in one context and irresponsible in another.

Once an AI algorithm is released, by design the algorithm learns and changes with each new experience, possibly impacting fitness for purpose. This expansion takes two forms: (i) increasing utilization of AI in the same use case yielding different results (e.g., Microsoft's experimental

AI should be continually and critically examined to determine whether the AI is generating an unfair result for the people with whom the AI is interacting.

chatbot Tay, which in early 2016 was manipulated by outside users into issuing racist tweets); and (ii) applying otherwise acceptable AI to new use cases with unintended consequences. In both cases, the AI algorithm could continue to suit a reasonable business purpose but start to learn how to discriminate unfairly, failing human benefit.

Of particular concern is the extension of an AI algorithm to a new use case because such use cases are often hard to anticipate and detect. If the driver attention-monitoring AI noted above is applied to detect attention span for a fighter pilot in the cockpit, it would be expected that the algorithm will provide similar human and business benefits over time since the scenarios are highly similar.

If that same algorithm is then applied to detect distraction and attention span in an online job interview, however, the AI will generate a result that seems to fulfill a reasonable business purpose (identifying if candidates can remain engaged). However, it is easy to imagine how it could fail on human purpose because of a variety of unintended consequences. Neuro-diverse job candidates who cannot continue to look at the screen, people with small children actively playing in the background, people with poor internet connections, or even introverts can be evaluated as not paying sufficient attention. The ultimate result would be a blanket preference for hiring neurotypical, extroverted candidates in quiet locations with great internet connections—an unnecessary bias with clearly negative human impact. Extending AI to new use cases necessarily requires reconsideration of its fitness for business and human benefit.

Responsible AI doesn't stop at the front door.

Discrimination by AI is challenging to detect and prevent because it is typically not known a bias exists until it is identified in the AI's output. Even then, a simple audit of the AI in use may not always turn up discriminatory outputs, as audits are frequently conducted to determine only fitness for business purpose. AI should be continually and critically examined to determine whether the AI is generating an unfair result for the people with whom the AI is interacting. Companies should strive to create structures that ensure reasonable concerns raised about unintended consequences, whether by developers, users (in the above case, the job candidate), or even on social media, can be seriously considered.

Ethics-by-design is an approach to design that builds in ethical protection at the early stages of developing a product or service but continues throughout its use in the field. Risk assessments, such as Ethics Data Impact Assessments (EDIAs) as proposed by the Information Accountability Foundation, can be used to evaluate the potential ethical impacts of an AI algorithm before it is released, helping avoid negative unwanted consequences like racial discrimination. Establishing a governance structure through a Responsible AI committee would also create accountability for ethical risks and provide an appropriate forum to redress them.

Since discrimination can appear at various stages of an AI project, however, companies should consider conducting periodic risk assessments and leveraging AI monitoring tools post-production as well, asking whether fitness for purpose has yielded discrimination or other harmful human impacts. In the initial stages of the AI project, questions could address the source and population of the input data to assess its integrity; once the AI is in the field, risk assessments and tools could investigate the outputs to identify unexpected and unintended bias. AI practitioners can leverage current best practices such as glass-box optimization to ensure choices made by AI are explainable and traceable to intent.

If AI is found to be discriminatory in practice, it should be repaired; if repair is not possible, it should be removed.

Responsible AI must have a bright line: if the AI serves a reasonable business purpose but has unintended, discriminatory human consequences, it must be repaired or at least mitigated. If business and human purpose come into conflict, humans win, no matter what: AI that fails to support a human purpose must be repaired, remediated, or retracted.

One example comes from a 2019 study published by the Haas School of Business at the University of California, Berkeley showing that while AI-driven decision-making can reduce implicit and explicit bias in mortgage underwriting, it can also produce disparate impacts against Latin and African-American borrowers. The Berkeley study speculates that, while AI reduces rate disparities by fully a third for these borrowers and completely eliminated discrimination in overall loan application acceptance, it also must rely on market factors that perpetuate some impermissible rate disparity, costing minorities more than $750M in extra interest fees annually. In this case, removing the AI would cause a worse result than mitigating its risk. Mitigation can take two forms: addressing the weakness in the model as applied to the data, or if that is not possible, providing "post-AI" remediation such as a rate improvement program for customers meeting the criteria that cause the model weakness.

Once AI is released into the wild, its fitness for business purpose may make it hard to replace. But if there is a failure of fitness for human purpose, even if that occurs gradually over time, AI owners must nevertheless fix, mitigate, or ultimately replace the AI.

Disclaimer: *The views and opinions expressed in this article are those of the author and do not necessarily represent the official policy or opinion of Microsoft.*

About the Expert

Jim DeMarco *is Director of Industry Digital Strategy, Insurance, Worldwide Financial Services at Microsoft. As a leader in the financial services digital strategy team, Jim works with the executive leadership of Microsoft's top insurance customers to develop deep, enduring digital partnerships that can transform the sector. Jim's work focuses on real time insurance, cyber risk mitigation, data science ethics, reinventing customer experiences, and digitally transforming underwriting and claims. Collaborating with customers on their core business direction, Jim has also led strategic engagements supporting intentional cultural change in the digital age. Jim has been with Microsoft since 2015, building on a career in highly regulated industries.*

DEUTSCHE TELEKOM LEADS ON AI, DIGITAL INNOVATION

Manuela Mackert on Compliance's Role in AI Ethics

Written by Tyler Lawrence

Germany-based Deutsche Telekom (DT) consistently ranks among the top ten largest global telecommunications companies and is Europe's leader in the space. The company and its many subsidiaries provide the base upon which the digital economy runs for many consumers. As critical infrastructure, the company knows that it has an extra obligation to be responsible with its networks. Enter Manuela Mackert, who has been Chief Compliance Officer for the entire group since 2010 and for the past several years has been thinking seriously about digital responsibility and AI ethics, making DT a leader in that space.

Megatrends Shaping Compliance

Given her background—Mackert worked in human resources for many years before jumping to compliance—she is keenly interested in the changing nature of work in the digital age, and how that shift impacts the needs of the compliance function. With that in mind, she has her eyes on two sets of "megatrends" shaping our economy: the shift to digital work, and the pressures pushing towards "agile organizations."

These twin megatrends drove Deutsche Telekom's compliance organization to focus on a few priorities, including fostering values-based compliance. Agile organizations require empowered employees, versed in their company's values and priorities, to make rapid decisions. Among other things, the need for agility has pushed compliance from a rules-based order to one more concerned with teaching values to help employees structure their decisions.

Part of enabling those decision-makers is preparing them better for gray areas. "We conducted workshops with employees, and they wanted more guidance on an 'inner compass,' helping them to be able to act on their own in the values-based interest of the company," Mackert says. "We had to design a digital decision framework to give them a tool, and make dilemmas more tangible."

Perhaps the most important innovation that the compliance team rolled out was "an AI-based check box" designed to dynamically walk employees through the ethical and legal requirements of various tasks. As time has gone on, the tool became more sophisticated, with keyword analysis that can direct an employee to a human partner at any point in the process. Over time, her team has added pattern-recognition over these text entries to analyze trends and adapt accordingly.

Starting an AI Ethics Journey

When Mackert first began thinking about issues of ethical AI application several years ago, relevant expertise was still heavily concentrated in the large American tech giants such as Google, Microsoft, and Facebook. On a trip to several of their "hyperscale" data facilities, she connected with a number of engineers and practitioners on the issue.

Mackert began to consider the role that intermediaries like Deutsche Telekom, as "enablers for AI and AI-related services," could play in the rollout of these technologies to consumers. She considered the necessary "success factors" for DT: trust, responsibility, transparency, data sovereignty, and excellence. "It was clear to me that I had to transfer values from the analog world into the digital world."

She began an intensive self-education into AI and machine learning technologies and the work that various units within DT were already doing with them, without central coordination. Then, she began to convene a group within DT to devise "self-binding rules" for AI. To ensure plenty of stakeholders were represented, she cast a wide net—partners, suppliers, peers, regulators—all geared towards the same question: "What kind of guard rails do we need?"

The work benefited greatly from the shared knowledge of the tech companies who had gone before. She asked them many questions: "What kind of hurdles have they faced? What failures? What risks? How did they try to adapt?" Her connections allowed DT to learn from those who had done the work before and build on their knowledge. Now, DT has published and implemented its nine Digital Ethics Guidelines on AI.

Building Ethics into Existing Structures

Of course, implementing these principles required new processes. Mackert knew that the approach the American companies had taken—adding new "AI ethics committees" to product review processes—might add friction given her organization's already-robust bureaucracy. Instead, she pushed to add AI ethics to existing checkpoints.

"I implemented everything in existing procedures," she says. "We already had a privacy and security assessment, and a product and innovation board, for all IT- and AI-related products. We could make life easier for them if they added these procedures so they could identify risks and help developers check the implications of digital ethics in their environment." Eventually, adding these steps to existing structures resulted in an internal seal of approval for AI projects, receiving which became a goal for many new product teams.

One product whose development Mackert says was deeply influenced by the company's AI guidelines was its Magenta voice assistant, which powers a line of smart speakers. Design choices to change the color of a speaker's lights when the user was engaging with Magenta were driven by privacy concerns. Mackert's engagement with American tech counterparts also allowed the Magenta team to learn from their mistakes around bias, addressing an issue before release that had Magenta responding better to male voices than those of women or children. In the end, the focus on ethics improved product quality and user experience.

Making the Case for AI Ethics as Business Differentiator

"Consumers in Europe, they really like to know what is going on with their services and products in terms of data," she says. For Mackert, this fact presented an opportunity. Developing a robust framework for digital and AI ethics, and being able to credibly tell consumers about DT's leadership on this topic, might in fact be a crucial differentiator in the market.

As to why the compliance function should steer the conversation, and not the actual engineers or product teams developing new technologies, Mackert's answer was simple: "We have to protect employees and consumers. Business folks think of reducing costs or technical aspects, but they cannot calculate values," she says.

"However," she adds, "you can calculate avoided reputational damage. You can calculate liability issues." From her perspective, compliance acts as a translator, helping to communicate the needs of different stakeholders throughout the process. The company's commitment to ethics, in AI and the rest of its work, has contributed significantly to its brand's value, with the latest "Brand Finance Global 500" report finding that Deutsche Telekom is one of the world's 25 most valuable brands, third among telecom companies.

Educating and Supporting Stakeholders

Mackert believes that a push for more attention on digital ethics will, eventually, find its way into the conversations companies have with investors and regulators around ESG metrics and topics. "It has become more and more clear to me that ESG will have to develop, for the future, into ESGT—environmental, social, governance, and technology issues."

She sees a role for companies leading the charge on responsible AI to educate investors and ratings agencies, given their clear interest in risk mitigation. She approached several of them last year asking how they were approaching the issue, and she was surprised to learn that credit ratings did not yet factor in a company's implementation of a digital ethics strategy.

Given the role that a robust digital ethics framework could play in risk mitigation, reducing liability, and reputation damage, Mackert thinks it is inevitable that soon investors and raters will formally incorporate digital ethics and AI into their formulas. She has begun a dialogue with several of them to further their understanding of the space and the sort of criteria that they might employ.

Deutsche Telekom's leadership on AI ethics has positioned it well to cater to the market demand of an increasingly privacy-concerned public, and to help inform investors, regulators, and policymakers. Starting last year, it extended its AI Guidelines to its own network of suppliers.

As Mackert puts it, "Compliance is only successful if you can remain entrepreneurial." To support efforts internally and in its supplier network to build compliant AI tools, DT ended up building what she calls a "robust AI testing tool." It is designed to screen a wide variety of potential AI applications for compliance with DT's principles and various possible kinds of bias. Rolled out first internally and then to support suppliers in bringing their own tools up to par (DT extended the AI Guidelines to its supplier network last year), Mackert envisions a future where the company can package its AI testing tools as a service in their own right. Helping other companies keep their AI tools operating according to ethical standards and free from bias certainly seems like the ultimate form of doing well by doing good.

About the Expert

***Manuela Mackert** was Chief Compliance Officer and Head of Group Compliance Management at Deutsche Telekom AG for eleven years . She is also active on committees in Germany and internationally with the aim of cultivating standards for good corporate governance and establishing these in business practice. One of her latest initiatives is to promote digital ethics within Europe to be prepared for the emerging challenges of digitization. Accordingly, she was significantly involved in developing Deutsche Telekom's guidelines for dealing with artificial intelligence.*

EMPOWERING CONSUMERS ABOUT GENDER EQUITY

Gender Fair Puts Information in Consumers' Hands

Interview by Craig Moss

In this interview, Ethisphere's Craig Moss interviews Johanna "José" Zeilstra, CEO of Gender Fair, a public benefit corporation focused on informing consumers, employees, and investors which companies are advancing gender equality. It also encourages support for those companies in the marketplace through its Gender Fair Index. Ethisphere has just forged a partnership with Gender Fair to develop an assessment to enable companies to understand how they compare to Gender Fair standards.

Craig Moss: José, gender equity in the workplace is a topic that's receiving more and more attention. Tell us about Gender Fair and your mission.

José Zeilstra: In its simplest form, Gender Fair is the "fair trade" for women. We're all familiar with fair trade, because we shop fair trade, or we shop organic, or we look for symbols that explain if a company is doing well in a certain category. To date, there hasn't been an equivalent for women. So, Gender Fair was started because women still make 85% of the purchasing decisions. If they care about advancing equality, they can use Gender Fair as a standard for making decisions about purchasing, or employment, or investment, or even donating to an organization. It's another way to see which companies are progressing around diversity, equity, and inclusion.

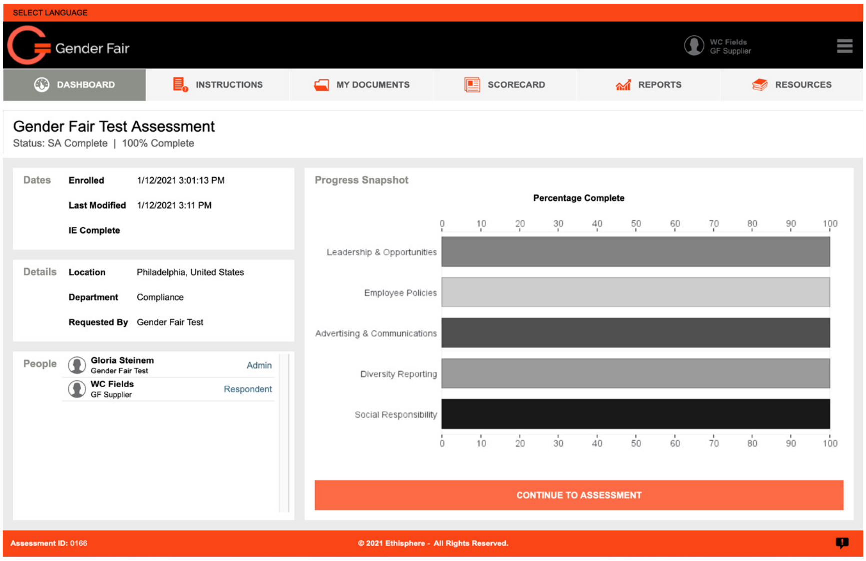
I think, especially here in the U.S, you're not going to have government legislate gender balance. It's going to be businesses taking it up themselves, or through market pressures. Consumers can put pressures on companies to do better. And it's not just limited to gender and diversity, but we're also seeing that happen in sustainability and down the supply chain. Through consumer, employee, and investor pressure, we can create a better world for everyone.

Craig: We are definitely seeing an increase in companies responding to ESG issues, and gender equity is a key portion of the S in ESG. Tell us about the rating system you have developed to determine whether a company is Gender Fair.

José: First of all, there's no agreed-upon standard when it comes to gender equality. We have the Bloomberg Equality Index, or different organizations trying to come up with the right standard. Some use 200 metrics, others use two or three.

We looked at the UN Women's Empowerment Principles (WEPs) to guide us. We saw a lot of publicly traded companies sign up for the WEPs. In 2016, the founder of Gender Fair Amy Cross said, "I'm going to take these guiding principles, create metrics, and assess the companies that have committed to these principles to see how they're doing." All the data is in the public domain—SEC reports, CSR reports, company websites, and annual reports. We assess companies on a 100-point scale. If a company has a score of 70, or higher, they're Gender Fair.

There are five main categories of metrics. The first one is leadership. We look at a company and their gender balance on



the board, including women of color. We look at gender balance in the executive suite. We look at any kind of leadership development programs in place.

The second pillar covers employee policies—things like maternity and paternity leave, work-life benefits, sexual harassment policies—and if they've done a pay equity assessment.

The third pillar is advertising and communication. Are the images that they project inclusive of all genders and diversity? Is it stereotype breaking, or is it neutral or objectifying?

The fourth pillar is diversity reporting. We feel it's important for companies to provide workforce composition numbers and be transparent. Even if the numbers aren't great, we still want to recognize companies that do that. Many companies are also publishing their internal pay equity studies.

The last pillar that we look at is CSR, and whether companies support causes that benefit women and girls. That could be supporting women-owned businesses, or STEM education.

Craig: How many companies have you evaluated, and what percent are typically Gender Fair?

José: We have actual data on 5,500 companies, but we have validated about 750 consumer-facing companies that represent about 2,500 brands. We wanted to start with a consumer push, although we do have data on all publicly traded companies.

Around 10% qualify as Gender Fair. The standard itself is not out of reach. We're not saying that you have to have full parity. For example, you get points just for having 20% women on the board and in the executive suite. So it's not a high bar, yet only about 10% of companies actually meet the standard.

Craig: Where are companies typically strong, and where are they weak?

José: The stronger companies are having more women on the board, but they still really struggle to get women in the C-suite, and that's going to take time. Companies are also getting better about providing benefits, being more flexible with remote work, and providing better paid leave.

There are still struggles with making sure that companies do not have forced arbitration over claims of sexual harassment, and doing pay equity analysis. Fewer than 5% of companies have good pay and sexual harassment policies. The trend is to be much more transparent, even if a company doesn't meet targets—only 6% of companies provide intersectional data on gender by race/ethnicity of their workforce.

Craig: Gender Fair recently released an app that lets consumers scan a product and see about the gender equity of the company behind the product. Tell us a little bit about the app and what you hope to accomplish with it.

José: This is where the consumer pressure comes in. We believe that consumers, female consumers in particular, have so much power to actually drive change. We recently upgraded the app to make it much more user-friendly. You can scan the logo of 2,500 brands, and immediately see If a company is Gender Fair. If not, it provides you an alternative that is Gender Fair.

We recently commissioned a study of 2,400 people of all ages and genders across the country, sharing what they care about. We found that more than 70% of people will switch from one brand to another that's Gender Fair. Men seem to want to switch more than women, which was an interesting finding. We also found what Gender Fair metrics they care most about: safe work environments, being paid fairly, and having flexibility and work-life balance. And they care about career opportunities. They least care about whether a company has a female CEO, or women on the board.

But we have non-consumer companies that are very interested in Gender Fair. They see the Gender Fair seal of approval as very valuable for them as they recruit, or from an investor perspective as well.

Craig: We are really excited to say that Gender Fair and Ethisphere are collaborating to release a new assessment that will let companies measure where they are against the Gender Fair standard, and then actually receive recommendations and resources to help them take action to improve. How does this fit into Gender Fair's strategy?

José: What we really appreciated about Ethisphere's self-assessment platform is that it is highly secure, and has great reporting as well. You're not just a score, but a lot of resources and recommendations that you can take to continue to progress on your journey towards gender equality and diversity. We are very much aligned mission-wise, and trying to help companies do better.

*To learn more, visit **www.genderfair.com**.*

About the Expert

***Johanna "José" Zeilstra** is CEO of Gender Fair. She is an established business strategist and accomplished leader for both startups and global corporations. Prior to her current role, she co-founded GiveBack, an innovative platform that makes it easy for companies to build authentic and impactful cause marketing, workplace giving and other social responsibility initiatives. She serves on the boards of the CEO Forum, Harbor Island Conservancy, and Princeton Faith & Work Initiative.*

PARTNERSHIPS FOR SOCIAL IMPACT

HCA Healthcare Leverages Partners for Community Good

Written by: Tyler Lawrence

The connection between a company and the people it serves is key to the success of any business, but that bond is especially vital for a company like HCA Healthcare, whose hospitals are indispensable community institutions. HCA Healthcare's Chief Diversity Officer and Vice President of Community Engagement each gave their perspective on how the upheaval of 2020 deepened those bonds, forged new and stronger community partnerships, and strengthened HCA Healthcare in its mission of being "committed to the care and improvement of human life."

Joanne Pulles, Vice President of Community Engagement and a 22-year veteran at HCA Healthcare, oversees the effort to ensure the relationship between company and communities remains strong. Given HCA Healthcare's substantial footprint operating across 20 states and in the United Kingdom, that's no small order. HCA Healthcare fosters community relations in each geographic division, partners with civic organizations through the HCA Healthcare Foundation, and supports colleagues through unexpected crises via the HCA Healthcare Hope Fund, a colleague-run, colleague-supported 501(c)(3) public charity.

According to Pulles, the company's community engagement can be defined by both a willingness to step up in moments of need, and a commitment to long-term partnerships. The last year has required both.

Internal Diversity Improves External Care

Since Chief Diversity Officer Sherri Neal first joined HCA Healthcare 15 years ago, she's seen major shifts. In the last few years, the company heightened efforts to make diversity, equity, and inclusion (DEI) work data-driven. "Like other organizations, we had to stop and take a look at the diversity in our leadership pipeline. Our data confirmed areas of opportunity."

That realization led to "broad-based" planning and a renewed commitment to DEI from CEO Sam Hazen, culminating in the rollout of a new comprehensive approach to diversity in early 2020—seemingly catastrophic timing. However, the pandemic ended up providing momentum. "We had to rethink how we're doing our work, how were reflecting, how were training and educating...all that had to change," says Neal.

The murder of George Floyd became another inflection point, prompting a groundswell of interest at all levels of the organization in more DEI conversations. "We said, 'This is an opportunity,'" Neal says. "It's been a long time since, collectively, we've all been really focused on the importance of DEI. That was pivotal."

That focus powered a flurry of activity. HCA Healthcare decided to adapt its annual code of conduct training, embedding new conscious inclusion content. The organization deepened existing partnerships with local Black institutions, such as Fisk University, and pledged $10 million to HBCUs and Hispanic-serving institutions to ensure a diverse pipeline of future healthcare talent. A new sponsorship program has been accelerated for Black colleagues, with expansion already planned for other groups. Employee resource groups, long seen as challenging to implement across the company's broad geography, were set up and thrived in a year of difficult conversations.

For Neal, having a company culture that takes seriously internal questions of diversity, equity, and inclusion can only help them to better serve diverse communities. "People go into healthcare because they care about *people*," she says. "We're rolling out education and training that's going to advance our commitment to our patients and, ultimately, our communities. I see them all as integrated."

Leveraging Data with Partners for Public Good

One of the early needs as COVID-19 first spread in the United States was for a national, centralized hub of data to track outbreaks. As the nation's largest healthcare system, HCA Healthcare had data from its own locations in 20 states, which it used internally to help anticipate regional waves. However, executives knew this information could be even more powerful if combined with other sources. Working with Google Cloud and SADA, the company helped to construct the National Response Portal, which brought together data from a number of sources to both track and forecast disease hotspots in the U.S.

As time went on and treatments were devised, more collaboration was needed to identify treatment best practices. HCA Healthcare began rolling out automated alerts in June based on internal data that helped to reduce unnecessary ventilator usage, increasing survival rates. Again recognizing how vital its data could be to the healthcare community, in January 2021 the company announced a consortium of prominent public, private and academic research institutions to supplement its own research efforts and help caregivers within and beyond the company improve patient outcomes.

Having seen during the pandemic how its data can be used to support clinicians and improve care, HCA Healthcare has forged ahead with new collaborations. In May, they announced a long-term partnership with Google Cloud "to develop algorithms to help improve operating efficiency, monitor patients, and guide doctors' decisions," securely employing aggregate de-identified data to improve patient care, as reported by the *Wall Street Journal*.

Sherri Neal also predicts that eventually such data-sharing will better enable the country's healthcare leaders to unravel and combat persistent racial disparities in patient care and outcomes. "COVID taught us a lot of lessons. There's so much that we can learn through data-sharing. This is something we absolutely know that we can't do alone," she says.

Expertise and Partnerships for Public Health

HCA Healthcare's day-to-day work involves treating patients that come through its facility doors—or, since the pandemic began, increasingly reaching them via telemedicine. However, on a variety of health challenges, the company forms long-term partnerships with other organizations to marry its expertise with their capacity to effect even broader change.

As the severity of the COVID mental health crisis for young people came into focus, the company's leaders quickly identified EVERFI, a leader in driving social change through education, as an ideal partner for mental health education efforts. "We got to know their team," says Pulles, "and found we aligned in terms of philosophy and the way we approach community." In October, they rolled out Mental Wellness Basics, an education module for students including local HCA Healthcare behavioral health experts, to a set of schools in Florida. Rapidly exceeding initial expectations, the initiative has already reached 15,000 students in 105 schools, and the company plans to support the initiative with $1 million over the next few years to magnify that impact.

For the last decade, the United States has battled deadly addictions to opioid painkillers. In 2017, Dr. Jeffrey Hodrick, an affiliated HCA Healthcare orthopedic surgeon, spearheaded an effort to partner with local law enforcement on "Crush the Crisis" days to collect unused drugs and educate communities. What began as a local initiative quickly spread across the organization, leading to an alignment with the U.S. Drug Enforcement Agency. Despite the pandemic, the company's 2020 "Crush the Crisis" events collected an estimated 9.3 million doses of medication at 95 facilities in 18 states. HCA has also worked with the government and the National Academy of Medicine on new standards of care to reduce opioid mortality.

Sherri Neal also stresses the importance of partnerships to efforts to research and rectify health disparities affecting Black and Latino communities, even as the company's outcomes remain ahead of national averages. HCA Healthcare is exploring opportunities to deepen work with the American Cancer Society, the American Heart Association, and the March of Dimes to combat racial inequities in cancer screenings, heart health, and maternal and infant care.

The work that the company and its partners are doing outside of its facilities' walls relies on close involvement from clinical leaders and their expertise. In each of these initiatives, Chief Medical Officer Dr. Jonathan Perlin comes up again and again as a key voice and partner. His engagement on these topics is an object lesson in how companies should connect their subject matter experts with their social initiatives to maximize potential impact.

"Every Company Is a Citizen"

On the whole, while HCA Healthcare has always had a robust relationship with its communities, those ties were deepened by the events of the last year. "We've known this for a long time, but the crisis made it even more clear that partnerships can be so powerful in impacting our communities," says Pulles. To cement this impact, the company recently announced that the HCA Healthcare Foundation has established the $50 million Healthier Tomorrow Fund, "designed to support innovative initiatives focused on addressing high-priority community needs and advancing health equity."

When asked how others in an organization can support DEI work to connect company and community, Neal said she was inspired by those who had stepped up despite the delicacy of the conversation. Leaders from CEO Sam Hazen on down, she says, have been engaged and had frank conversations about the challenges they're facing. "The more that we have colleague and leader engagement, the more successful we will be," she says. "Wherever you sit in the organization, it has to be a priority for you."

In the end, Pulles sees community engagement as a necessary responsibility for any company. "As colleagues want to connect more to purpose, community engagement and deciding how best to amplify your efforts meaningfully is important for every company," she argues. "Every company is a citizen of their community, and of their country. And that gives you a responsibility to lead and to give back."

About the Expert

Tyler Lawrence *is the former Executive Editor of Ethisphere Magazine and is now Director, Data & Services. He is deeply invested in conversations about corporate purpose, ESG, and the future of companies and capitalism in the 21st century.*

UPSKILLING COMPLIANCE IN ASIA

Bain Capital and Ethisphere Workshops Foster Development in Region

Written by Tyler Lawrence

Bain Capital, the global alternative asset manager, has operations and investments in markets all over the world. Melissa Obegi, Bain's Asia General Counsel, is responsible for understanding and mitigating the firm's regional risk profile—no small feat in a market that extends all the way from Sydney to Shanghai to Bangkok. Seeking to help Bain's portfolio companies meet rising local compliance expectations, she initiated a groundbreaking partnership with Ethisphere offering targeted workshops for portfolio companies, which helped the firm win the 2020 award for Most Innovative Strategic Risk program from *Financial Times* Innovative Lawyers Awards Asia-Pacific.

Bain Capital's attitude towards its investment portfolio is distinctive for its hands-on approach, taking the principles of management consulting and actively partnering with companies who seek and would benefit from strategic input. For Obegi, that translates into a relationship with Bain's portfolio companies that centers on aligning objectives, as opposed to "a more forensic or audit-driven, more oppositional approach" to risk and compliance. The workshops with Ethisphere allow Bain to provide ongoing, tailored support to company compliance teams.

One of the advantages of this consulting mindset is that Bain is able to consider investments that others looking for more passive engagements might consider too risky. "I do think we are able to work with companies that are less mature, but are willing to undertake a journey of progress," says Obegi. The main requirement becomes a basic commitment to shared values.

So what exactly are these workshops trying to accomplish, and how have they developed and evolved over the years?

Start with the Biggest Challenges

The association between Bain and the Ethisphere team began in 2012, as Obegi was seeking a way to help assess and upskill Bain's portfolio companies, most of which the firm has a controlling stake in. Since Bain's investments in the Asia-Pacific region typically operate on medium-term, three- to seven-year timelines, the firm had every incentive to improve its portfolio companies' risk controls and programs.

Obegi sought to assess the compliance maturity of portfolio companies, and then provide them a "supportive, practical, and constructive" partnership to help address any issues. Together, Ethisphere experts worked with Obegi to build a series of modules to assess and train their programs and personnel.

Despite the challenges, Bain and Ethisphere chose to first focus on tackling those companies with the very highest risk profiles, reasoning that if the workshop model worked on the toughest cases, it could be adapted for any risk level, geography, or maturity. One of the first workshops brought together China compliance officers, a relatively new role at the time, both for knowledge

> *"When we do workshops, we have key constituents from all departments. We're not just training lawyers. It's cross-functional with procurement, HR, finance, legal, compliance, and even top management."*

sharing and also to create an ongoing peer network. That first set of workshops proved a success—and provided a blueprint to build upon.

A Flexible Assessment & Workshop Model

After that, Bain worked with Ethisphere to construct a flexible format that has, over time, been adapted to the full breadth of the firm's investments in Asia across all countries and risk levels. Companies begin with an online intake assessment analyzing their maturity along a variety of risks, topics, and practices. The assessment produces a maturity score, which arms both Bain's team and company compliance professionals with insight into the program's specific strengths and gaps to be addressed, which can be taken to other leaders.

From there, Bain and Ethisphere convene workshops using Ethisphere's change management approach to define measurable compliance program improvement goals. Outside experts are brought in to address specialized topics of need across several portfolio companies. Identifying individual needs allows for flexibility, ensuring that appropriate workshops can also include companies with greater maturity or lower risk exposure. Over time, the topic areas covered have also expanded as companies graduate to more complex or advanced needs, and more mature companies are brought into the fold. One company might progress from advancing anti-corruption training, to third party due diligence, to confidential information protection practices—all using the same approach.

The workshops can be run for individual companies or groups of portfolio companies. Having different companies in the same room for workshops creates a sense of both camaraderie and competition. The approach ensures that companies can have collaborative and frank discussions, and also creates peer groups among attendees that can be nurtured, consulted, and leveraged after the workshop. It also ensures that companies set a high bar for themselves when setting goals and making commitments—after all, nobody wants to seem less ambitious than their peers.

One key to the workshops' success has been the regular inclusion of cross-functional teams from each company. Having leaders from finance, procurement, or HR in the room legitimizes the role of the nascent compliance function, and occasionally has led to breakthrough moments. Personnel outside of compliance begin endorsing their work—for example, finance leaders recognize that compliance controls also reduce losses to theft, money laundering, supplier kickbacks, and other risks, ultimately boosting profits.

Obegi remembers one early workshop in particular. "Two-thirds of the way through a program, the CFO of one of our companies stood up and began emphatically talking about how, and I quote, 'Bribery is not a sustainable competitive advantage.' He was the CFO! The fact that this was coming from him and not the compliance folks was impactful. It wasn't just us preaching—it was a dialogue."

The Right Time in the Right Market

Obegi believes that this model developed in Bain's Asia-Pacific portfolio in part due to the profound shifts in the region's development and regulatory environment during her tenure. China's economic rise has continued, as has major development in much of Southeast Asia. At the same time, anti-corruption became a political focus for many regional governments, including China, South Korea, and India. "It has been really interesting being in Asia over the past 15 years," says Obegi, "because there's been a lot of progress around the rules and norms that companies live by, and building a supportive framework to achieve that."

The combination of global enforcement of anti-corruption laws by a few Western countries, particularly the U.S., combined with local initiatives in countries like China and India, "created tailwinds for the work we wanted to do as an American company operating to certain standards in these markets."

As the program has gone on, new subject areas and modules have been added, expanding from compliance-oriented topics such as bribery and corruption controls to crossover areas such as trade secrets protection or cybersecurity. Obegi envisions that the next step will involve modules on "broader environmental and social risks, climate change risk, and labor force risk."

When asked why she believes the *Financial Times* chose to honor Bain's work, Obegi points to the impact the model has had over the years. "The researchers recognized the unique nature of the program, and how we were able to reach so many companies and individuals," she explains. "When we do workshops, we have key constituents from all departments. We're not just training lawyers. It's cross-functional with procurement, HR, finance, legal, compliance, and even top management." By Bain's estimate, the program has reached over 1,000 portfolio company personnel since its inception, with more being added every year.

From Ethisphere's perspective, Bain and Obegi have proven ideal partners. As Ethisphere Executive Vice President Craig Moss says, "Our partnership with Melissa and Bain has been tremendous. From the beginning they had a commitment to embed compliance into the culture of how portfolio companies operate. They see the benefits of measuring current program maturity, and then providing guidance and support to help companies make rapid practical improvement to reduce risk."

About the Expert

Melissa Obegi *is Asia General Counsel for Bain Capital, overseeing the Private Equity and Credit businesses. She joined the firm in 2012. Prior to joining Bain Capital, Ms. Obegi was a Managing Director with Oaktree's Asia Principal Opportunities group and Asia Regional Counsel in Hong Kong, where her work focused on private equity investments in the Asia Pacific region. Ms. Obegi also has transactional experience in a broad range of emerging markets globally.*

DISABILITY: MISSING IN THE DIVERSITY DIALOGUE?

Opportunity for Legal, Ethics, and Compliance to Lead

Written by Chad Jerdee

The definition of what it means to be an "ethical" company has always been fluid, but today we are at an inflection point in the breadth and expansion of ethics and the roles of General Counsel and Chief Compliance Officers. Companies are addressing how their technology impacts consumers, how people are treated inside and outside of the organization, how to ensure equality of opportunity for all, and how we can become a better steward for the larger society around us.

We are already seeing a dramatic shift as businesses publicly align themselves with important and essential social values such as sustainability, racial equity, gender parity, and LGBTQ inclusion. Corporate leaders are voicing their opinions and becoming a part of the dialogue. But the topic of disability is often absent from these conversations.

A Needed Shift from Compliance to Inclusion

The Americans with Disabilities Act (ADA) was passed in 1990 and served as a monumental step forward for disability rights. While there is still progress to be made, the ADA drove significant improvements in accessibility accommodations for people with disabilities in both public spaces and the workplace.

In principle, the ADA also prohibited discrimination based on disability. But like similar civil rights laws, it left much to be done to create a true culture of inclusion for people with disabilities at companies and in society. Companies focused on strict legal compliance with the law rather than broader and more critical drivers of inclusion, such as company culture, leadership, employment practices, community engagement, and supplier diversity.

When it comes to inclusion and diversity in general, corporate legal and compliance departments have been on their own journeys. As with the ADA, they historically focused more on minimum compliance and dictating practices of non-discrimination. Recently, the focus has expanded beyond mere compliance to helping to ensure that businesses are socially, environmentally, and financially responsible—both for the present moment and in a way that anticipates future challenges. Many businesses have taken significant steps forward in critical areas of diversity, but in many companies, inclusion for people with disabilities has not been prioritized. To build truly sustainable companies, disability inclusion needs to be an essential agenda item for businesses as they seek to be more responsible citizens in society.

People with Disabilities Are Left Out

More than one billion people in the world have a disability, and an estimated one in four Americans have a disability.

People with disabilities are the largest minority group both internationally and nationally, spread across race, color, religion, sex, national origin, and age.

For people with disabilities in the U.S., the unemployment rate is double that of people without disabilities, and we see roughly 20% of working-aged people with disabilities participating in the labor force, compared to 66% of people without disabilities.

The disabled population size is large, and the failure to adequately include people with disabilities in the global economy is clear in the data. Unfortunately, stigma and even outright discrimination have not materially improved since the ADA was passed more than 30 years ago.

The Hard Truth(s)

I know first-hand what it's like to live with a disability. About seven years ago, I was hit head-on by a drunk driver, and I lost my lower left leg as a result. It was not an easy experience; it was certainly challenging for six or seven months as I had to adjust to life as an amputee with a prosthetic. However, I came out the other side feeling pretty much the same as I did before I lost my leg. I was able to get the right adaptive devices and do all the activities I love—cycling, running, skiing, and a host of others—and it certainly didn't impede my ability to do my job as a lawyer.

As I adapted to having a disability, I also met many people with a wide variety of disabilities and learned about their successes and challenges. There were three hard truths that I learned from my own experience and my conversations with others.

First, I realized that disabilities make people without them uncomfortable, either out of a sense of fear or because of uncertainty about how to interact with a person with a disability.

Second, and more significantly, people make assumptions about disabilities and the extent to which they limit a person's ability to accomplish things, either in their personal life or on the job. These assumptions are almost always for the worse, and as a result, they present persistent, artificial, and significant obstacles for people with disabilities in the workplace.

Third, because of their experiences, most people with disabilities are adaptive, resilient, and creative. Most are eager to work, but they are held back by others' assumptions and discomfort. At the same time, revolutionary and often inexpensive developments in both adaptive and everyday technologies give them the potential to perform roles at the same level as people without disabilities. Yet, the challenges on obtaining employment persist.

My disability did not affect my ability to do my job. In fact, I was promoted to General Counsel shortly after I recovered from losing my leg.

However, it did make me ask some questions:

- What is the experience like for a blind person or a person with a hearing impairment, who can't obtain the accessibility tools and technology needed to equitably perform alongside people without disabilities?
- What challenges and biases do they face?
- How difficult is it for companies to include people with disabilities as productive members of their workforce?

Answering Questions with Research

Again, it is our responsibility to serve all people—whether they are employees, customers, or suppliers. In 2019, Accenture led groundbreaking research with the American Association of People with Disabilities and Disability:IN on the "return on investment" for including people with disabilities.

In "Getting to Equal: The Disability Inclusion Advantage," we found that companies that lead in disability inclusion could gain as much as 28% higher revenue, double their net income, and 30% higher economic profit margins than their peers. In the US, if we just enable one percent more of people with disabilities to join the labor force, the GDP could get a boost of $25 billion!

What I realized is that advancing efforts to include the disability community isn't just the right thing to do—it also makes business sense. We must recognize people with disabilities as a true market. Companies must also recognize that people with disabilities are already working within companies, however silently and hesitant to disclose our true identities. For example, it is estimated that more than 70% of disabilities are non-apparent or "invisible." Further, with the impact of the COVID-19 pandemic, people with disabilities are facing increased anxiety, depression, and other mental health challenges.

Companies Taking Action

In the years to come, we will soon see which companies have strategically prioritized inclusion across all underserved groups, including people with disabilities.

In fact, a global investor group representing $2.8 trillion recently formed to collectively call on companies they invest in to report on their disability inclusion efforts. This "Joint Investor Statement on Disability Inclusion" has sparked much dialogue, with even Nasdaq facing pressure to expand their board diversity mandate to include disability. Inclusion is a governance priority, and failure to adapt will lead not only to poor business performance, but also poor ethical business standards.

As we begin 2021, I'm pleased to see leading CEOs step up and call on their peers to advance inclusion to people with disabilities. More than 50 CEOs, including Julie Sweet (Accenture), Satya Nadella (Microsoft), Doug McMillon (Walmart), and Mike Sievert (T-Mobile) have made this a top leadership priority through the CEO Letter on Disability Inclusion.

The pressure is now on companies to do not only the right moral thing, but the right business thing.

One of the easiest next steps is to encourage your company to participate in the Disability Equality Index, the first step in evaluating your current policies and programs and building a roadmap of tangible, measurable results.

So I ask you—are you in?

About the Expert

Chad Jerdee *is the Board Chair of Disability:IN, the leading nonprofit resource for business disability inclusion worldwide. Our network of over 250 corporations expands opportunities for people with disabilities across enterprises. Our central office and 25 Affiliates serve as the collective voice to effect change for people with disabilities in business. Chad most recently served as Global Lead of Responsible Business, Corporate Sustainability and Citizenship at Accenture, a professional services company. Prior to that he was the General Counsel at Accenture and held various roles in the company's legal department as well as the global executive sponsor for Accenture's Persons with Disabilities initiatives. Chad is an adaptive sports athlete and enjoys downhill skiing, backpacking, running, cycling and swimming. As an amputee who lost his leg from the knee down in a motorcycle accident, Chad is focused on paying it forward to the persons with disabilities community.*

THE 2020 INTEGRITY AWARDS

Coalition Honors Fauci and P&G for Leadership

Written by Leslie Benton

In 2020, the Coalition for Integrity bestowed its prestigious Corporate Leadership Award on Procter & Gamble, making the U.S.-based consumer brands giant one of a handful of recipients of the rigorously researched honor. During the Integrity Awards virtual celebration in December, the organization also gave its individual award to Dr. Anthony Fauci, the director of the U.S. National Institute of Allergies and Infectious Disease who has become the trusted, omnipresent face of the public health response to the coronavirus crisis both at home and abroad.

The Coalition for Integrity (C4I) is a non-profit based in the United States that advocates to promote integrity in the public and private sectors. Prior to 2017, the organization worked under the aegis of Transparency International-USA before spinning off to do their own work. The Coalition has three main areas of focus: private sector integrity, both by pushing reforms inside companies and pushing for effective enforcement of laws against corruption; reducing the ability of corrupt individuals to move themselves and their money around the globe; and advocating for laws in the United States to increase transparency and reduce opportunities for corruption at the federal and state levels.

Michael Hershman, a C4I board member who has been with the organization for two decades, explains that the awards exist in part to counter the emphasis on negative stories in the anti-corruption space. "Whenever something bad happens," he says, "it's plastered all over the front pages of the news media. When people strive to promote integrity, whether a corporation or an individual, you never heard about it."

That's why ten years ago, the Coalition decided to start its Integrity Award program to recognize the good work being done, often quietly and without fanfare, by many individuals and organizations to combat corruption around the world. They are adjudicated by Coalition board members from a variety of academic, private sector, government, and civil society backgrounds.

"The Integrity Awards are a celebration," says Coalition President & CEO Shruti Shah. "We want to recognize contributions by U.S.-based organizations or individuals in the fight against corruption, and the promotion of transparency and accountability in business, government, and civil society. It's an opportunity to showcase and remind everyone that each of us has a duty to embody these values."

Recognizing a "Do the Right Thing Culture" at P&G

Procter & Gamble was the 2020 recipient of the Corporate Leadership Award. "Procter & Gamble's products serve five billion people," says Shah. "They're a household name around the world. They've shown leadership not only in anti-corruption, but in corporate social responsibility, good governance, respect for human rights, and expecting their external partners to abide by the same policies."

Speaking with Chief Legal Officer Deborah Majoras about the organization's "Do the Right Things Culture," it quickly becomes clear why the organization that she leads deserves the spotlight.

"We start with the assumption that people actually want to do the right thing," says Majoras. This insight guides the entire organization's approach. The challenge of compliance isn't simply to catch certain people predisposed to break the rules—it's to support each other in avoiding a "slippery slope."

"The key is to think about [culture] as a team sport," says Majoras. "We need to help each other. We need to approach the subject with a great deal of humility—we are not infallible. I really try to approach this job by modeling that I don't know the right thing to do every single minute."

Shah also emphasizes that P&G's approach is not merely about avoiding legal risk. "Their program reinforces both the legal and the human cost of bribery," she says. "I think that's crucial, because it helps stakeholders understand that bribery not only harms the company, but it also harms the communities in which they do business."

When asked what the award from the Coalition means for her organization as a whole, Majoras says, "It means a great deal, it's a terrific honor. As a company, we really work very hard at this. If you think about the legal team, when we do our jobs well, we're preventing bad things from happening. It's hard to prove a negative, so you don't always have recognition, and it's really, really rewarding for people to get it."

Read Leslie's full interview with P&G Chief Legal Officer Deborah Majoras online at magazine.ethisphere.com, including lessons from her time at the Federal Trade Commission, her perspective on the company's equity and diversity work, and her approach to fostering transparency.

With that said, Majoras also recognizes the tension between the importance of elevating good work and the necessity of humility. "One of the things about having strong ethics and integrity is that you have to be careful not to talk about it too much. Maybe's it's just flat-out bad karma," she jokes.

"But on the other hand, we don't want to give the impression that this work is not one of the most important things for organizations. This is the foundation for everything else we do. Without ethics and integrity, the rest is a lot emptier."

Integrity Evolves and Expands

The general public has increasingly come to agree with the sentiment that companies' core work should be underpinned by ethics and integrity, and the expectations for what that requires have continued to expand. Coalition board member Hershman notes that just in the brief history of the awards, corporate social responsibility programs have evolved from small charitable donations into more thoughtful, robust programs targeted at issue areas either near to a company's work or informed by stakeholders such as communities and employees.

Even beyond charitable giving, companies are now expected to engage on social problems. "Can companies divorce themselves from issues of racial justice, climate change, #MeToo, or even the pandemic? The answer, obviously I think, is no," says Shah. She references the 2021 Edelman Trust Barometer, which made it clear that business is the most-trusted institution in our society on a range of issues.

This combination of broader issue engagement with heightened public expectations has spurred multilateral cooperation among businesses. "An evolution has taken place," says Hershman, "with many more examples of collective action between sectors, with organizations like the Partnership Against Corruption Initiative or the UN Global Compact."

Perhaps most significantly in the last year, calls rose for companies to examine their own contributions to the fight for social justice for Black Americans and other disadvantaged groups. P&G has a long history of leadership on racial justice. Even so, Majoras says, "2020

Shruti Shah, CEO and President, Coalition for Integrity

was a wake-up call for all of us on what remains to be done. We know we'll be held accountable for the things we say, as we should be. Diversity is important, but diversity without inclusion is just counting heads."

A Credible Role Model

If other companies are looking for role models in their quest to become the next Corporate Leadership Award winner, they couldn't do much better than last year's other recipient, Dr. Anthony Fauci. "He's really cut through all of these negative trends, in terms of declining public trust and the never-ending tide of misinformation," says Shah. "He's managed to maintain credibility and trust, acting with honesty and transparency in his communications with the American people, especially when it's been difficult telling people what they don't want to hear."

Honesty and transparency may be in short supply, but our public servants and private sector could certainly stand to develop them a bit more.

About the Expert

***Leslie Benton** is a Vice President at Ethisphere, where she engages with global companies on assessing and benchmarking anti-corruption programs and building capabilities across organizations and with third parties. Additionally, she leads the anti-corruption initiatives at the Center for Responsible Enterprise And Trade (CREATe.org); and is one of the ISO 37001 Anti-Bribery Management Systems Standard drafters as a member of the U.S. Technical Advisory Group to the ISO committee developing ISO 37001.*

A BRIGHT LIGHT IN DARK TIMES

How India's Business Community Has Supported a Society in Crisis

Written by Aarti Maharaj

The pandemic has jolted families, friends, and individual security. No facial coverings could mask the realities that we all confronted as towns, cities, and yes, even countries were forced to shut down. Lives have been lost and families torn apart by its effects. Commerce has also taken the full brunt of its impact.

COVID-19's many waves have slammed financial markets, devastated the economy, and overloaded healthcare systems, and unfortunately too many did not survive. It forced businesses around the world to switch gears, hold themselves accountable, and find the reset button on their console of day-to-day activities. However, as the saying goes, adversity does not create character—it reveals it. I am pleased to say that good character abounds among members of the South Asia business community.

India, the second most populous country on the planet with nearly 1.4 billion citizens, experienced its own unwelcomed time in May as the epicenter of the crisis. The country is no exception to the global pain of the pandemic, as a new level of leadership was required to get through the abyss of the last year. Businesses around the world lacked established playbooks to deal with something of this magnitude; who would or could have predicted this? Yet industry responded with an uncommon level of **compassion** and **vigilance**.

According to reports, the toll of the pandemic on India has been unimaginable, as nearly 30 million have contracted the virus at the time of this writing, and hundreds of thousands have succumbed. The healthcare system is still showing signs of tremendous strain under the heavy burden. Daily cases have now ebbed a bit, but for an alarming period, the country continued to set record highs, day after day.

While it may be safe to consider the possibility of a light at the end of the tunnel, this still remains one of the most significant humanitarian crises of our lifetime—and one that requires a new level of leadership. To that end, many have stepped up, and we would like to recognize the good will of the business community, particularly members of the BELA South Asia Chapter, who are continuing to lead during dire times and have been galvanized into action. While there is a long list of contributions, here are some highlights in a year of crises:

- **Tata Steel** increased its supply of liquid medical oxygen to help save lives.
- **Dr. Reddy's** stepped up production of the recently approved Sputnik V COVID-19 vaccine, anticipating 50 million doses manufactured in India in the coming months.
- **Mahindra** leveraged its production facilities and expertise to manufacture health supplies such as ventilators, and Mahindra Logistics launched a

Microsoft shipping ventilators and other healthcare devices to Indian healthcare facilities.

free emergency cab service for senior citizens in certain areas who require transportation for vaccination and other emergency services.

- **The Coca-Cola Company** in India pledged an initial contribution of INR 50 crores ($6.85 million) to facilitate vaccinations, emergency supplies, and more.

- **Intel** worked with India's Council of Scientific and Industrial Research and International Institute of Information Technology, Hyderabad, to deploy Intel client and server solutions to help achieve faster and less expensive COVID-19 testing.

- **Microsoft** continues to leverage technology, resources, and voice to help its several hundred employees in India and other countries. As part of the Global Task Force on Pandemic Response, they helped provide 1,000 ventilators and 25,000 oxygen concentration devices to Indian healthcare facilities (pictured in transit).

- **Uber** confirmed that it will provide 25,000 free rides to and from vaccination centers in 19 cities over the coming months to facilitate the vaccination of the vulnerable and disadvantaged elderly.

As Pradeep Parameswaran, Regional General Manager, APAC, Uber, stated in his editor's letter in the 2020 *BELA South Asia Magazine*, "It is the responsibility of purpose-driven companies to add a sense of calm and security, which we can do by simply caring and adhering to our cultural values and principles. It is during challenging times like these that people need more than ever the security of knowing that the businesses they rely on can always be relied on to do the right thing."

The common theme through all of these civic-minded actions is that businesses can and should be accountable to society, particularly during crisis. We are, after all, fellow citizens, providers of economic prosperity and often leaders within the communities that we not only support, but in which we live. Like a good neighbor cares for the family next door, so too must businesses demonstrate concern and take action for the greater good. Proudly the business community has done just that.

Leaders of the BELA South Asia community have exemplified this notion, and they continue to set and exceed expectations. It is clear that by working together—whether that means enabling volunteers locally, connecting peers at BELA South Asia companies to share knowledge about their initiatives, contributing financially, donating expertise, or creating solutions that will matter in the end—we can play an important role in mitigating this terrible situation.

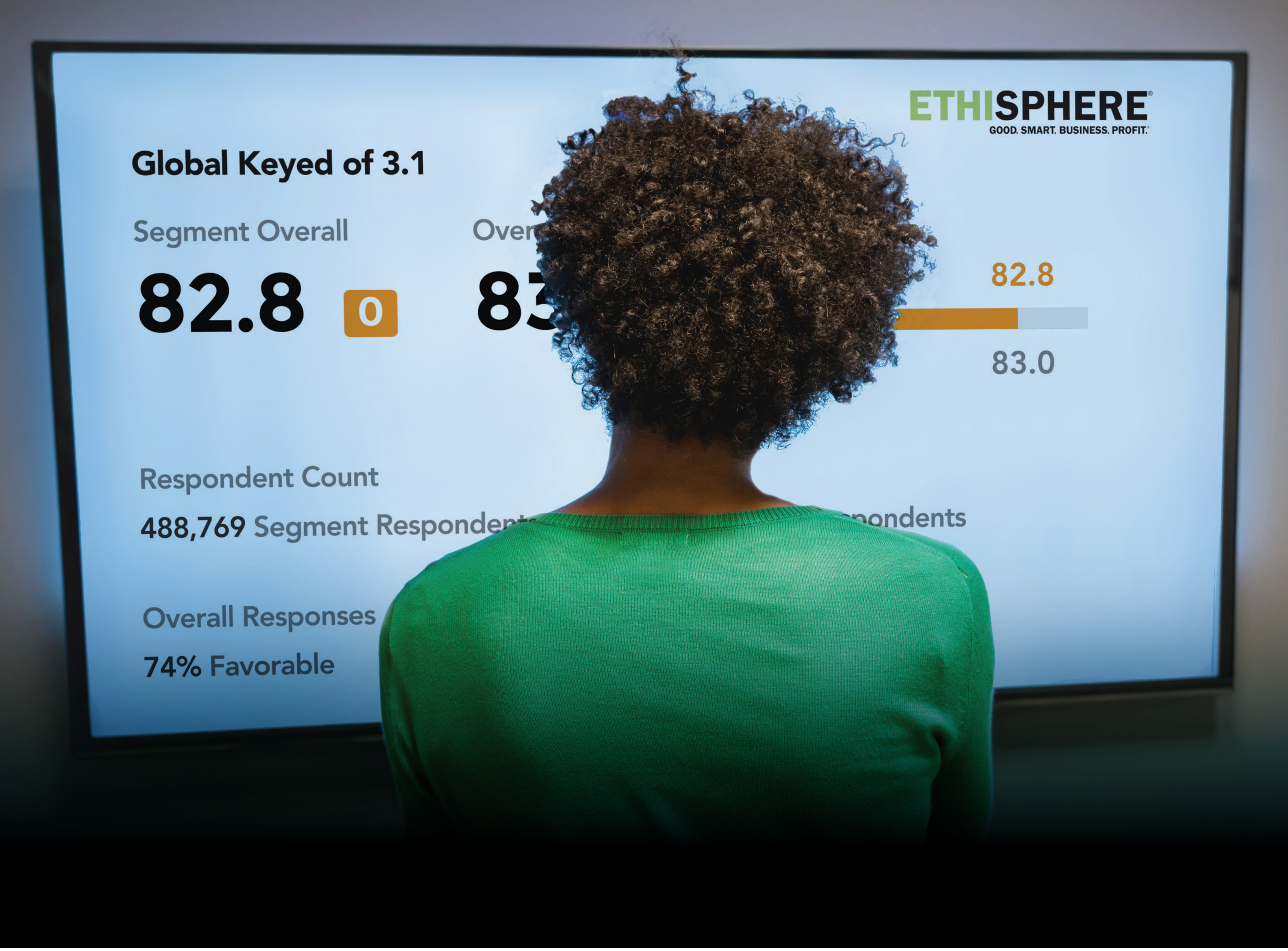
We have seen time and time again that our community of business leaders has the economic and intellectual power that will see India through trying times. Now we have seen that we also have the will. Holding ourselves accountable in ways never done before has helped to ease the pain in our communities. It saves lives. What can be more important than that?

About the Expert

Aarti Maharaj *is managing director of Ethisphere's BELA South Asia Chapter and Asia Pacific Chapter.*

BELA South Asia was established in 2017. She is responsible for steering the development of the Chapter, which has grown to over 25 Founding members companies and has become Ethisphere's key conduit to engaging companies interested in improving business integrity across India, the world's second most populous nation.

Aarti simultaneously serves as executive director of Communication at the Ethisphere Institute where she leads the Company's external communications, and global partnerships. From 2016-2019, Aarti successfully spearheaded communications for Ethisphere's signature event, the Global Ethics Summit in NYC, where she netted stories in numerous publications including the Wall Street Journal, Forbes and other industry publications. Prior to her roles at Ethisphere, Aarti worked at Compliance Week Magazine where she covered Ethics and Compliance in Europe. Previously, Aarti worked at AECOM Technology Corporation where she led ethics and compliance-related communications, training, and awareness.



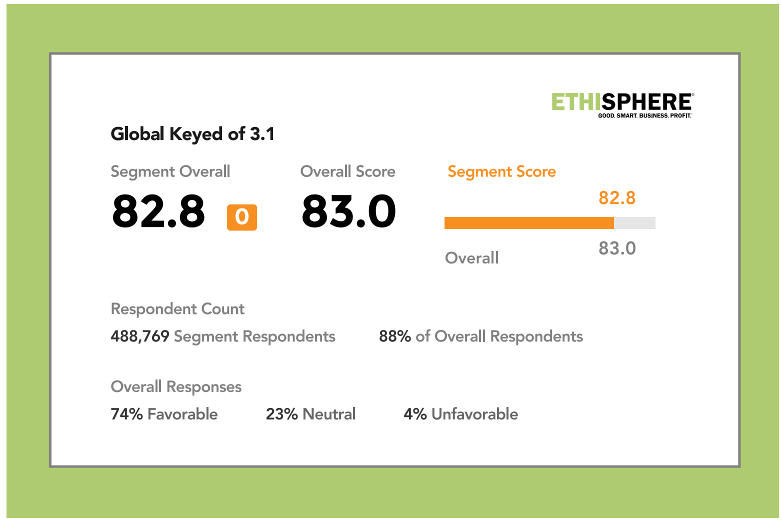
Can you measure the most significant risks to your culture?

At Ethisphere we can. From our proven survey and best benchmarking data set in the industry, to our expertise and breakthrough communications, we're here to guide you and your organization every step of the way.

1

Measure your culture

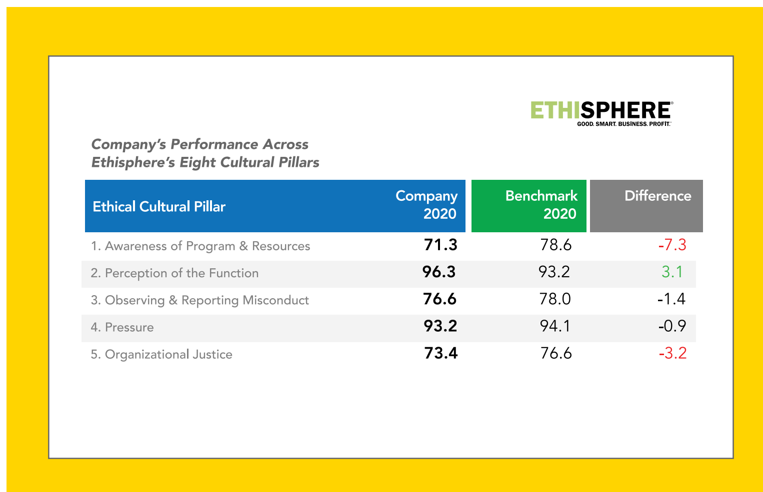
to identify your highest risks and strengths, so you can focus your time and resources



2

Tap Ethisphere expertise

to establish an action plan that supports your goals and rallies cross-functional support



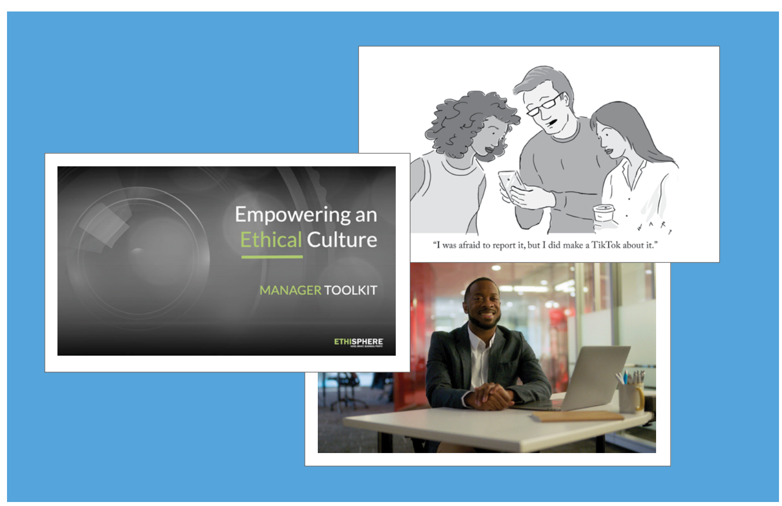
Company's Performance Across Ethisphere's Eight Cultural Pillars

Ethical Cultural Pillar	Company 2020	Benchmark 2020	Difference
1. Awareness of Program & Resources	71.3	78.6	-7.3
2. Perception of the Function	96.3	93.2	3.1
3. Observing & Reporting Misconduct	76.6	78.0	-1.4
4. Pressure	93.2	94.1	-0.9
5. Organizational Justice	73.4	76.6	-3.2

3

Use engaging toolkits and communications

to change attitudes and behavior with purposeful activities that advance your culture and values



To learn more visit us at **ethisphere.com**/culturechange

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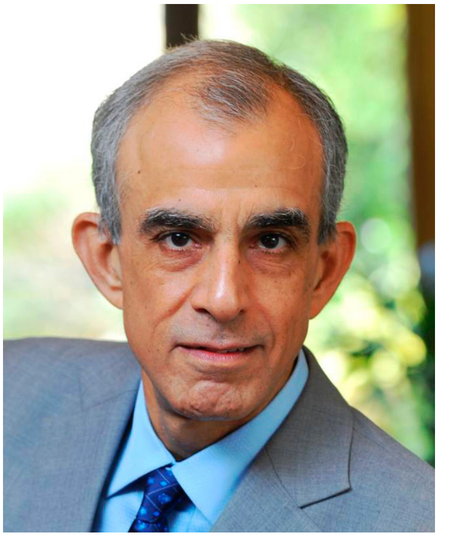
BELA OF THE BALL

RECOGNIZING LEADERS & PUBLISHING FOR THE COMMUNITY

David Huntley

Melissa Stapleton Barnes



Ruzbeh Irani

At the Business Ethics Leadership Alliance (BELA), everything we do is driven by and for our members. The spirit of collaboration, support, and leadership shown by this community has been unwavering, even in this most challenging of years, for so many of us personally and professionally.

In April, we had the largest ever gathering of BELA members—virtually—at Ethisphere's Global Ethics Summit. In addition to the amazing array of discussions, we took the opportunity to celebrate the work of the BELA community. We honored those who have made an extraordinary commitment to advancing community engagement, growth and transformation with our 3rd Annual BELA Impact Awards. The special recognitions include:

- **Eaton Corporation** and **Johnson Controls** were recognized as Community Champions for outstanding contributions to the member community by way of content resources, event participation, publications, and mentorship or peer-to-peer support.

- **Prudential Assurance Company Singapore** and **Diageo** were recognized as Global Vanguards for exemplary leadership in expanding the reach of BELA and advancing our mission to meet the needs of a global compliance and ethics community.

- Our Beacon honorees were David Huntley, Senior Executive Vice President & Chief Compliance Officer of **AT&T Inc** and Ruzbeh Irani, President - Group Human Resources and Communications, and Member of the Group Executive Board, **Mahindra & Mahindra Limited** for their individual leadership and fostering the growth of the BELA community through their personal efforts and generosity in sharing their time and expertise.

- And, for her enduring and inspirational advocacy for the compliance and ethics profession over the lifetime of her involvement with BELA, an Emeritus award was given to Melissa Stapleton Barnes, Senior Vice President, Enterprise Risk Management, and Chief Ethics and Compliance Officer, **Eli Lily and Company**.

BELA member collaboration is also exemplified in our BELA Working Groups and joint publication projects. Here are the latest resources that the community has harnessed their collective expertise to produce:

- *M&A Playbook for Ethics and Compliance Leaders* – data, advice, and shared experience to support the ethics and compliance role and program during M&A activity

- *Ethics & Compliance Leadership in Driving an Environmental, Social, and Governance (ESG) Strategy* – key conversations and advice on stakeholder engagement, cross-functional teams, raters and rankers, reporting frameworks and the role of compliance leaders

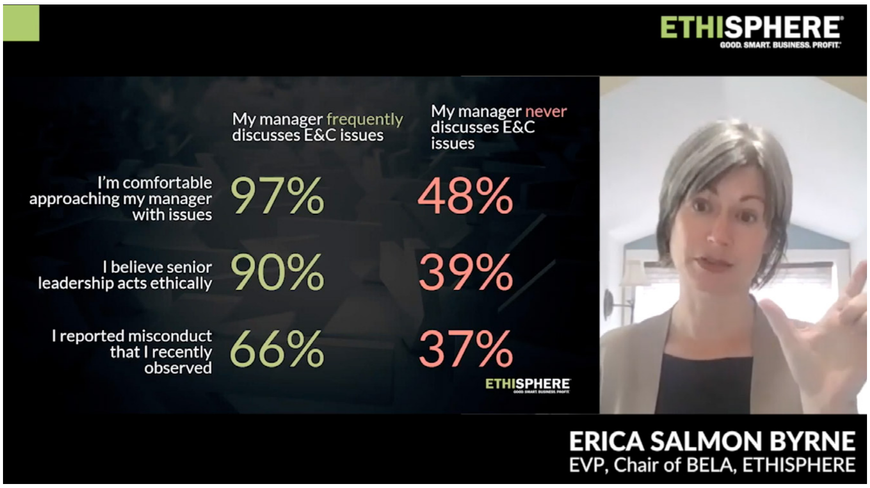
- *Guide for Building and Sustaining an Effective Champion Program* – a framework for creating any type of champion program including associated resources and templates

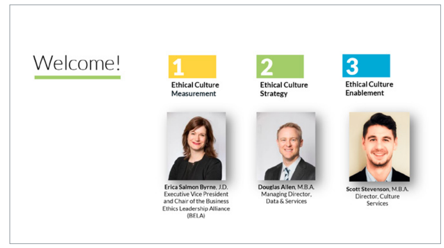
Two reports are coming soon: a business case for data analytics in *third party* risk management programs; and a data privacy assessment guide. The BELA Member Hub also features a range of new resources including company-contributed work product.

We are more than 350 company members strong and growing every month. Join us! Visit **bela.ethisphere.com** to learn more.

CULTURE MASTERCLASS

THE ABCS OF CULTURE





The idea of behaving ethically seems simple enough. Do the right thing, right? Yet, we all know that in the work environment, as in life, it can be complicated. "In our part of the world, everyone takes bribes." "The deal is about to close, so it should be okay to report it this quarter."

To guide employees, companies develop codes of conduct, values statements, and all sorts of training and communications. However, what really happens on the ground? That's where an ethical culture comes in. When expectations, speaking up, fairness, and integrity are integral to the company, individuals have a better sense of what to do.

For many years, we've been working with global companies on measuring and improving culture. We have a wealth of data showing the practices of leading companies and the perceptions of their employees.

We recently put together a masterclass series on ethical culture—providing the keys to developing a culture based on integrity. Here are a few takeaways:

Session 1 – Ethical Culture Measurement

Whether you're just starting your culture journey or well on your way, measurement is key. It provides insights into your top people-created risks and, just as importantly, successes that you can replicate. To be effective, you should measure perceptions across roles and regions. It should be anonymous. Best practice is to do a dedicated ethical culture survey, although adding questions to a general HR survey can also be helpful.

What should you cover? At Ethisphere, our assessment covers the Eight Pillars of Ethical Culture which looks at awareness of the ethics and compliance program and communications, perceptions of managers and leadership, observing and reporting misconduct, and organizational pressure and justice.

Session 2 – Ethical Culture Strategy

After measuring your ethical culture, next comes the analysis of the results. For many, the findings validate programs. For example, most companies are strong when it comes to employees knowing how to report concerns and where to find the code of conduct, among other E&C program elements.

Where it can get interesting is digging deeper into the data—identifying important microcultures or trends and conducting a cross-analysis with other data from the hotline or investigation reports, HR, and health and safety.

We also benchmark data against peer practices to provide context. Many companies use this data to build a business case for future E&C and culture initiatives.

Session 3 – Ethical Culture Enablement

How do you elevate and embed an ethical culture across an organization? One area we have found to be particularly important: enabling managers. Our data shows that employees most often report to their direct supervisor and how managers engage with teams on ethics is vital to the overall culture. Make sure they have training, tools, and communications to help them make ethical culture part of an ongoing conversation with their teams.

The Ethisphere Masterclass series is available on demand, for free. Visit ***Ethisphere.com/masterclass*** *to register.*

GLOBAL ETHICS SUMMIT

FOR THE BETTER

There is really no magic in developing the Global Ethics Summit year-over-year. As our flagship conference, there is no denying the pressure to make the Summit great, but the greatness is a product of proven conference calculus. There is a team dedicating itself for months of intense work. We benefit from the generosity in time and intelligence of many, many people. Everyone at Ethisphere takes pride in the Summit because we know the result is a remarkable few days in New York City. And we get to share in all those moments when we see you.

Hosting the Summit virtually for the first time, the constants were still there, along with new variables inducing plenty of anxiety. However, we encountered welcome surprises in adapting the traditional experience.

Hosting a virtual Summit enabled us to share more content and thought leadership beyond the four walls of a physical event. With more than 50 hours of live and on-demand content available, this shattered any previous access to programming from the prior decade.

The Summit felt more global than ever, with speakers and participants from Europe, South Asia, Latin America, Asia Pacific, and North America. Our Business Ethics Leadership Alliance (BELA) community had an opportunity to include their colleagues and teams from around the world. This is reflected in more than 1,500 registrants for the live Summit with access to translated captioning in local languages. The audience was constantly engaged, whether asking bold questions, requesting resource recommendations, or setting up virtual networking meetings with one another.

Arguably the best surprise of the entire experience was the unexpected intimacy. Although we all have been doing video calls all year, it was still striking to experience senior leaders speaking up close and personal from their own homes, rather than seeing presenters up on stage from the back of the room. It was special to hear feedback from many participants about discovering an even greater connection to the speakers and panels. Of course, the substance of each dialogue was as rich and honest as it has ever been.

A few highlights:

- Issues redefining ethics and compliance: We heard frank sentiments about how companies are addressing employee well-being and working to build psychological safety. Ted Kennedy Jr. and others from the Disability:IN board shared ways to build more inclusive workspaces for those with disabilities. David Huntley, the chair of Ethisphere's Equity & Social Justice

Advisory Council, dove into the E&SJ challenges of business and society with the CEOs of AARP and VF Corporation.

- Behind the scenes: We learned about the role of values, transparency, and public trust from the heads of compliance at both Pfizer and Regeneron. Zoom COO Aparna Bawa spoke of the company's rapid growth and changes to its strategy while dealing with a remote workforce and all the issues of the pandemic.

- Cutting edge approaches: The first female Chair at Husch Blackwell, Catherine Hanaway, led a discussion on supply chain, disruption, and long-terms strategy with the CEOs of both Flex and Premier. We also heard about how E&C teams are using data analytics and automation in another popular session featuring OneTrust and members of the BELA working group focused on The Ethics and Privacy Nexus: Considerations for Emerging Technologies, ESG, and the Principles that Guide Us. EY's Maryam Hussain, together with AT&T and U.S. Bank, explored how companies are quickly integrating the concepts of behavioral science to strengthen culture.

- Company showcases: In this series, we learned about innovative program elements and how companies made dramatic changes to compliance strategies and culture. Bayer and Dell provided an insider's view into their digital journeys focused on improving compliance internally and with third parties. GE shared its completely new approach to policy management. Kimberly-Clark offered insights into its "Upstander Culture" that has been a focus for the past two years. Our Ask the Experts series was very personal, and shined a light on individual perspectives on topics ranging from career mentorship to getting integrity on the agenda, lessons in crisis response, and other topics.

- Practical guidance: The event also offered so many "views you can use" in your programs. The DOJ's Sally Malloy shared insights into enforcement trends and expectations. Ethisphere's Erica Salmon Byrne unveiled the latest findings from our culture data set of 1.1 million respondents and offered ways to better measure and improve ethical culture.

We invite you to revisit the fascinating discussions that took place or discover that recommended practice leaders shared on a session you did not have the chance to attend.

As we reflect on the complete experience, perhaps there was some magic to it after all. Setting aside the aforementioned event formula, there does seem to be an elixir created by the shared spirit of everyone involved. What could have been just another digital event was transformed into one with real humanity and unique access to leaders across roles and regions. There is no true substitute for greeting a colleague or meeting a new peer in person, but for a few days I think there was magic in the realization that this Summit, no matter what form it takes, will make a difference in the work businesses are doing to reinvent or transform strategy with integrity as a core value.

Kevin McCormack
EVP and Executive Director
Business Ethics Leadership Alliance
(BELA)

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2021 ANNUAL CONFERENCE | JULY 12-15 | Disability:IN

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THE FINAL WORD

WHAT'S GOING ON...HOPE IN THE FUTURE

Mercy, mercy, me, things ain't what they used to be. Hard to believe that 50 years ago Marvin Gaye released the influential album, *What's Going On*. On those tracks, he sings of justice, war, poverty, inequality, social unrest, and of course, ecology.

Hard to believe that these same issues persist today in such a profound way. It can be overwhelming. However, these past few months have given me hope. The vaccine is taming the pandemic. We are witnessing some signs of justice. But what gives me the most hope is what I've heard, read, and seen from companies over the past several months.

Every year, Ethisphere celebrates the recognition of the World's Most Ethical Companies. We also hold our annual Global Ethics Summit. Through both, we learn of the ways that companies are working to advance ethics. And this year, we heard so much more. Companies are taking a lead on social justice, inequality and issues that impact us all, mental health, voting laws, education, food insecurity, care of dependents, and importantly, the environment.

The focus of this magazine issue is accountability. On these pages, we learned of ways organizations are being transparent to stakeholders, fostering speak-up cultures, addressing emerging issues such as ethics in AI, and more.

Many people continue to be skeptical of companies and their lofty goals and commitments. Accountability provides the proof points that support proclamations of good intent. Accountability also helps to ensure that over the next 50 years we will make tangible progress towards creating a more sustainable, and hopefully better, world for generations to come.

Recently I had the pleasure of speaking with Richard Davis, President and CEO of Make-A-Wish and former executive chairman and president of U.S. Bank. He shared something he sees when granting life-changing wishes to children with critical illnesses – the science of hope, and how research has shown the positive effects of integrating hope into therapies. He links hope to purpose, a key topic in business circles today, particularly after the Business Roundtable redefined the purpose of a corporation in the context of meeting the needs of all stakeholders. Davis mentioned that corporations can "no longer skirt by with minimum standards." They must be accountable to future generations who "believe in rightness, fairness, and the beauty of doing well...The word they expect most is ethics."

In an interview with *Rolling Stone Magazine*, Marvin Gaye said "I wanted to write songs that would reach the souls of people. I wanted them to take a look at what was happening in the world."

I would suggest that companies, CEOs, and their employees are taking a look at what is happening in the world. They are putting a voice to ethics and working to hold themselves and others accountable. In fifty years' time when talking about equity, justice, and sustainability, let's hope that when we hear, "Things ain't what they used to be," it's a comment on the strides we have made.

Tim Erblich

Tim Erblich
Chief Executive Officer
Ethisphere

THE INDEX

THIS QUARTER'S COMPANIES AND PEOPLE

ETHISPHERE

would like to thank all of the outstanding contributors who helped make this issue possible. See you next quarter!