THE BELA COMMUNITY ISSUE

THOUGHT LEADERSHIP AND EXCELLENCE IN ACTION

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SUMMER **2022**

PLUS! HOW **THE DRAWING BOARD** USES CARTOONING TO HELP ADVANCE ETHICS

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When you join the Business Ethics Leadership Alliance (BELA), you're making a choice to elevate how your team and organization manage ethics, compliance, governance, and culture.

BELA members are the current and future leaders of our field. We share insights and solve problems at Ethisphere roundtables, events, and working groups. We contribute best practices, unique perspectives, and field-tested program elements for our community to help each other do better.

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OUR MISSION STATEMENT

Ethisphere® 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.

Speaking Up

In February, Russia invaded Ukraine, starting the greatest European geopolitical crisis since the Second World War. In the chaotic and tragic days that followed, global sanctions against Russia fell with astonishing speed and severity, while multinational companies operating within Russia also faced intense social pressure to stop doing business within the country. Together, these developments have led to some truly remarkable moments in organizational ethics and compliance.

On the regulatory front, multilateral sanctions from around the world blocked off Russia from much of the global economy, with more to come as the war grinds on. Lest we forget how substantial a move this is, Russia recently defaulted on its foreign loan payments for the first time since the Russian Revolution because of these sanctions. The country has burned through immense reserves of foreign capital as international trading partners stop accepting rubles. These extraordinary economic measures are further compounded as Europe weans itself off of Russian natural gas—an effort that has even prompted Germany to consider re-firing coal plants to live without Russian gas in the short-term as it spins up plans to live without Russian gas in the long term. That is how serious it is.

On the social front, perhaps the best place to start is at the Yale School of Management, where Professor Jeffrey Sonnenfeld and his team of researchers have developed a report card of companies that were doing business in Russia before the start of the war. The continuously updated report card grades companies on the degree to which they have left Russia. The cleaner the break, the higher the grade, in an effort that minces no words and broadly echoes stakeholder sentiment in the West. Those companies that have left Russia, Sonnenfeld and his team note in a follow-up report, have been rewarded for it financially. Companies with an A grade have seen as much as a 10% increase in stock price.

Many Business Ethics Leadership Alliance (BELA) members are on this list, the vast majority of which have an A or B. Those companies moved decisively, in compliance with quickly evolving regulatory expectations, in line with their publicly stated organizational values, and by minimizing collateral turmoil. (One wonders, for example, how a company with tens of thousands of Russian employees is supposed to abruptly sever ties with that market without also hurting the people who will be left behind during a period impending economic severity.)

Here's the thing, however. Companies are not magically enabled to do these things simply because they have been whipsawed by an outspoken third party. They are able to do it in part because they have robust and mature ethics and compliance programs that are supported by executive leadership and trusted by their stakeholder communities. Ethics and compliance departments often must struggle to prove their worth. This extraordinary moment of time does just that.

Leaving Russia is a black swan event, to be sure. But this is an uncertain world. COVID-19 and climate change have each proven how external factors can force organizations to take strategic action on a tactical timetable. To do that without causing more harm than good will require the help of ethics and compliance. And as we look to the future, we do so knowing that ethics and compliance teams are not just providing organizations with their collective conscience. They are honing their ability to succeed.

Bill

BILL COFFIN
Editor in Chief

BELA of the Ball

Business Ethics Leadership Alliance Honors Ethics and Compliance Community Standouts at 2022 BELA Impact Awards

Dell Technologies, **KKR**, **Northwell Health**, **SABIC**, and **Western Digital** recognized for their commitment to sharing leading practices within BELA. **Alistair Raymond** (Avangrid), **Scott Sullivan** (Newmont), **Ai Lin Tay** (JCI/Hitachi) and **Callie Pappas** (Schnitzer Steel) individually recognized.

At the 2022 Business Ethics Leadership Alliance Impact Awards in May, BELA recognized five companies and four individual leaders within the BELA membership that exemplified extraordinary commitment to advancing community engagement, growth, and transformation.

"Congratulations to all of our BELA Impact Award winners, whose energy and excellence showcase the incredible vitality of our community," said **Kevin McCormack**, Executive Vice President & Executive Director, **BELA**. *"Such exemplary collaboration proves there is no competition in business integrity. When one of our colleagues succeeds, we all succeed."*

Callie Pappas, Vice President, Chief Ethics and Compliance Officer & Deputy General Counsel, Schnitzer Steel Industries, Inc., was awarded the **BELA Emeritus** award. This award honors those whose individual achievement has provided enduring and inspirational advocacy for the compliance and ethics profession.

"It is my great pleasure and honor to receive this year's BELA Emeritus Award, and I congratulate my fellow BELA award honorees," **Pappas** said. *"During my tenure I have seen the evolution of what we mean when we say 'ethical;' it means more—much more—than mere compliance with law. We have moved to an integrity-centered approach, and increasingly build dedicated programs designed to ensure we operate responsibly and foster mutual trust and respect. Businesses have become ethical leaders, and those of us who work in ethics and compliance have a critically important role to play in positively impacting the future."*

Northwell Health, **SABIC,** and **Western Digital** each received the **BELA Community Champion** award for their outstanding content contributions to the BELA Member Hub, event participation, publications, mentorship, and peer-to-peer support.

"There has never been a more challenging time where it is important for companies to help each other out," said **Greg Radinsky**, Senior Vice President and Chief Corporate Compliance Officer at Northwell Health. *"Northwell Health's mission is to improve the health and quality of life of the communities we serve. It is a true honor for Northwell Health to be recognized by BELA for helping the global compliance community advance business ethics together."*

"This award is an acknowledgement of the deliberate and disciplined way in which we approach compliance. Being part of the BELA community is important to us because in addition to building an ethical culture inside of our company, it is equally important to cultivate that trust across our value chain. By engaging with peer companies on compliance issues, we learn best practices and share our own insights. This serves to further enhance and expand our business integrity for the good of our suppliers, customers, and the communities where we operate," said **Danielle Cannata**, Senior Manager International Trade, Regulations and ESG, SABIC.

"Standing strong with like-minded ethical companies and being committed to doing business the right way every day, creates the force that will bring change," said **Tiffany Scurry**, Chief Compliance Officer, Western Digital. *"Setting an example and contributing to the business ethics community in the global markets we serve is important to Western Digital. We are delighted and honored to be recognized as a Community Champion."*

Dell Technologies and **KKR** each received the **BELA Global Vanguard** award for exemplary leadership in expanding the reach of BELA and advancing our mission to meet the needs of a global compliance and ethics community.

"Ethics and integrity are foundational to who we are at Dell Technologies," said **Mike McLaughlin**, Chief Ethics and Compliance Officer, Dell Technologies. *"Our ethical culture and compliance are central to our vision in doing the right thing and driving human progress. We're honored to receive this award because it validates our longstanding commitment to ethics and recognizes the business value acting with integrity brings to our customers and partners."*

"We are honored to be recognized for our collective efforts in partnership with Ethisphere to incorporate compliance and ethics best practices at KKR and our portfolio companies," said **Bruce Karpati**, Global Chief Compliance Officer and Counsel, KKR. *"At KKR, we pride ourselves on having a strong culture and value system, and people who live by them. This has always been – and continues to be – critical to our success in the way in which we do business and the performance we provide to our investors."*

The **BELA Beacon** award recognizes individual leaders who have fostered the growth of the BELA community through their personal efforts and generosity in sharing their time and expertise. This year's recipients of this award are: **Alistair Raymond, Vice President – Chief Compliance Officer, Avangrid**; **Scott Sullivan, Chief Integrity & Compliance Officer, Newmont**; and **Ai Lin Tay, Global Compliance Director, Johnson Controls – Hitachi**.

BELA Emeritus award-winner Callie Pappas gives her remarks at the Global Ethics Summit.

"One of the great benefits in our profession is collaboration with our peers. I've found that sharing best practices and insights with others contributes to my own understanding and appreciation for our ethics and compliance program," Raymond said.

"Brainstorming, benchmarking, sharing best practices and cross-pollenization of ideas are absolutely critical to improving Corporate Social Responsibility in the E&C space," said **Scott E. Sullivan**, Vice President, Chief Integrity & Compliance Officer at Newmont. *"Rising tides lift all boats, leaving us all better off and protected. As a 2022 BELA Beacon, I find myself constantly impressed by what my peers are doing. Even when I am the one 'sharing,' I am always learning. I am grateful to have the opportunity to contribute to the broader E&C community in any way I can."*

"I'm very privileged and honored to receive the Beacon award from BELA Asia Pacific," said **Ai Lin Tay**, Global Compliance Director, Johnson Controls – Hitachi. *"Personally, I've gained a lot from being part of the BELA community. BELA has given me the opportunity to interact with industry leaders who are familiar with the challenges that I face as an E&C professional — and also gain new perspectives and share best practices with each other. By exchanging ideas and know-how through knowledge sharing sessions, we can identify trends and seek solutions that help us in our work and elevate our profession as a whole."*

New Working Group Papers

The BELA Working Groups are an impactful way to make your presence felt as a BELA member. Join your peers in results-driven discussions of some of the most important issues facing the ethics and compliance field today, and learn insights from the company-agnostic white papers these groups produce. Our most recent Working Group publications include:

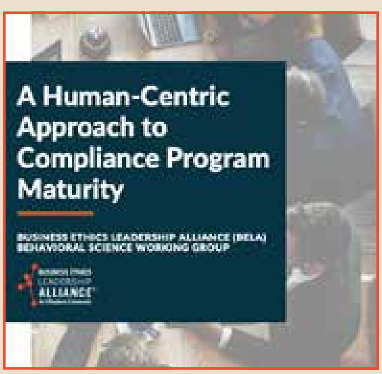
Measuring Real Impact: Benchmarks for "Best in Class" Compliance Training

A group of 15 compliance individuals from companies within and outside of the BELA Community came together to answer the question of "What is great compliance training?" Through weeks of thoughtful discussion and discourse, the working group mapped out a clear set of benchmarks that define best in class compliance training and provided helpful strategies for tracking and measurement. This report from the Training Effectiveness Working Group, in partnership with **Ethena**, includes benchmarks on:

- Training completion
- Value for learners
- Behavioral impact

Download this report in the [BELA Member Hub.] **Need access? Email** bela@ethisphere.com.

A Human-Centric Approach to Compliance Program Maturity



Increasingly, companies are turning to new ways to provide greater opportunities, from interventions and measurement, to directing employee actions and behavior toward ethical decision-making and actions in accord with compliance requirements. As organizations develop the components of their compliance programs, they should focus on the human behavior perspective. In the BELA Behavioral Science Working Group, in partnership with EY, leaders from 15 companies came together to create a report on utilizing a human-centric approach and behavioral science to mature compliance programs. The report includes:

- How humans think, deal with ethical propensities, and interact with environmental influences
- Lessons learned from sales and marketing, along with environmental health and safety
- A program maturity model focused on prevention, detection, and response

Download this report in the BELA Member Hub. **Need access? Email** bela@ethisphere.com.

Integrating ESG Into Your Organization: Selecting the Right Model

Environmental, social, and governance (ESG) is an emerging topic in ethics and compliance today. Investors, consumers, employees, and other stakeholders are demanding transparency from companies about practices and performance. In our BELA ESG Working Group, 13 leading ethics and compliance experts came together to create a guide for organizations to utilize when choosing an ESG framework. Created in partnership with **Control Risks**, this guide will help organizations navigate the process of choosing and implementing an ESG framework. The guide includes:

- The three phase process for developing an ESG program
- Universal considerations for all ESG models
- Model One: Centralized Command and Control Model
- Model Two: C-Suite Model
- Model Three: Pillar Model
- Model Four: Network or Project Model

Download this report in the BELA Member Hub. **Need access? Email** bela@ethisphere.com.

Compliance Risks in Emerging Markets Series: India

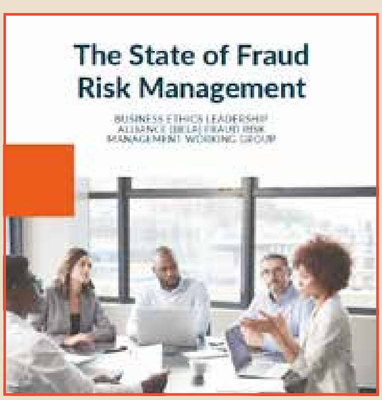
BELA has partnered with **Baker McKenzie** to facilitate a working group on Managing Risks in Emerging Markets. This guidance on compliance risks in India is the eighth summary to come out of the working group and highlights commons risks found in the country.

The guidance summary includes:

- Critical elements of compliance in India
- India and the economic trade sanctions imposed on Russia
- The importance of due diligence and monitoring
- Investigations and employment law issues
- High volumes of hotline reports and non-retaliation

Download this report, and other summaries in this series, in the BELA Member Hub. **Need access? Email** bela@ethisphere.com.

The State of Fraud Risk Management



More than a dozen companies contributed to this exploration of the state of fraud risk management programs at member organizations, how they map internal and external sources of risk to establish baseline risk profiles, and how they embed culture throughout their business. The report includes:

- Fraud risk management maturity
- Fraud risk management in times of crisis
- Approaches working group members take to identify sources of external and internal risk
- The role of culture in fraud risk management

Download this report in the BELA Member Hub**. Need access? Email** bela@ethisphere.com**.**
For more, see our related feature story on p.27 of this issue.

The Best of the Global Ethics Summit

Programming from the 2022 Global Ethics Summit is now available on demand in the BELA resource hub! There is a wealth of outstanding content to choose from. Visit the Member Resources Hub to start watching today. Need access? Email bela@ethisphere.com. Here are a few standouts we recommend:

BUILD A BETTER COMPLIANCE PROGRAM STRATEGY

In what is our most-watched session from this year's Global Ethics Summit, hear from leaders in the field who have improved their approach to growing their compliance programs to meet a challenging business and regulatory environment by using better KPIs, stronger internal partnerships, and smarter data. Featuring:

Susan Divers, Senior Advisor, *LRN*

Callie Pappas, Vice President, Chief Ethics & Compliance Officer, and Deputy General Counsel, *Schnitzer Steel*

Ritu Jain, Chief Compliance & Risk Officer, *General Electric Digital*

Dan Oseran, Vice President, Legal, and Chief Compliance Officer, *Intuit*

BREAKING THROUGH INFORMATION OVERLOAD: HOW TO ENGAGE EMPLOYEES THROUGH EFFECTIVE TRAINING & COMMUNICATIONS

In the digital era, employees are inundated with constant information from many sources. This can cause ethics and compliance messaging to get lost in the shuffle. However, there are steps that can be taken to ensure that your messages can resonate within the organization. In this session, panelists share how they have created effective training and communications, engaged employees to ensure talent retention, and leveraged multiple channels within the organization. Featuring:

Tom Bubeck, CEO, *Fairwords*

Joe Rodgers, Senior Vice President, Ethics & Compliance, *Eaton Corporation*

Carlos Garcia, Director, Ethics & Compliance, Latin America, *Uber*

Paula Young, Senior Director, Legal Ethics & Compliance, Anywhere (formerly *Realogy)*

HOW TO MAKE THE MOST OF DATA & DATA SCIENCE

There's a lot of excitement—rightly!—about the power and promise of data and data science in today's world. Yet, we're not doing nearly as much with these resources and methods as we could. In this presentation, Andrea Jones-Rooy, Ph.D. will draw on their experience as a professor of data science and research consultant to many of the world's most exciting companies to share how we can all rethink what data even is, reimagine how we can use data science — and, importantly, embrace why it's so important that we all (yes, all!) get involved, regardless of our technical backgrounds. Featuring:

Andrea Jones-Rooy, Ph.D., Visiting Associate Professor & Director of Undergraduate Studies, *NYU Center for Data Science*

ROLE OF THE CORPORATE ENTITY: THE LICENSE TO OPERATE & LEADERSHIP EXPECTATIONS IN A NEW WORLD

The concepts around a company's social license to operate are not new. Legitimacy, credibility, and trust are the pillars of such social license. Merely following regulatory requirements has been insufficient for a company to gain public support for its operations for some time now. The stakes and expectations continue to rise. As confidence remains low in governments and the media to establish a trusted voice across society, more people look to businesses and their leadership to fill the void.

The Chief Legal Officer is in a unique position of influence at the intersection of acute regulatory knowledge and a seat at the table when the business strategy is shaped. This panel will discuss the pressures and the opportunities they are seeing internally and externally to meet an increasingly complex set of expectations across diverse stakeholders. Featuring:

Christine Wong, Partner & Global Co-Chair of the Litigation Department, *Morrison Foerster*

Lily Fu Claffee, Chief Legal Officer, *OneMain Financial*

Doug Lankler, Executive Vice President & General Counsel, *Pfizer*

The BELA Community

BUSINESS ETHICS LEADERSHIP ALLIANCE™
An Ethisphere Community

The Business Ethics Leadership Alliance, or BELA, is a global community committed to advancing business integrity. Enterprise members can engage with their fellow senior legal, ethics, and compliance leaders spanning more than 60 industries around the world.

As this issue publishes, BELA will cross the 400-member mark, a momentous occasion for a community that dedicates itself to sharing best practices and expertise among its members in accordance with a simple idea: that there is no competition in compliance, and that when one company succeeds at business integrity, everyone benefits.

A big part of the BELA experience is participating in thought leadership, whether it is taking part in a roundtable discussion, contributing to a working group (and the marvelous white papers they create), or contributing to this very magazine.

To that end, we invite you to read through this issue's special section, which is comprised entirely of articles submitted by BELA members, or interviews with them. This magazine is, among other things, meant to be a platform for leaders in the ethics and compliance community to share their knowledge with one another.

We encourage all BELA Members interested in publishing to contact their Engagement Director. Outside of BELA, please send your submissions to Bill Coffin, Editor in Chief, at bill.coffin@ethisphere.com. We look forward to hearing from you!

A Scorecard Approach to Improve Compliance and Ethics Across the Enterprise

Interview by Bill Coffin

At **Flex**, one of the world's foremost global electronics manufacturing, services, and original design manufacturers, **EVP and General Counsel Scott Offer** has led the recent implementation of an innovative, data-backed integrated compliance scorecard program to improve compliance and ethics across all 100 **Flex** sites globally. In this exclusive interview, **Scott** discusses how the **Flex** scorecard took shape and the impact it has had on the organization.

At times, ethics can be vague and hard to quantify. Can you share why you turned to data for your scorecard project?

Scott Offer: We have 160,000 employees spread over 100 sites and 30 countries, so we have an enormous amount of data already coming through many feeds. The challenge we had was that the data was siloed between the different feeds, from ethics line reporting to fraud risk assessment to employee engagement score. The data was there and was measured in all sorts of ways, but we felt it was not being used appropriately or collated together. The manager was not getting a look at that data as a whole, so they couldn't be responsible for it because in some cases, they didn't even know about it.

Where this came to life for me was with our quarterly employee engagement questionnaire. One of the questions was, "Does my manager live and breathe the values of the company?" We got a very good score across 600 people in my group but I dug in and asked if there was a good score everywhere. We found by digging in a couple of layers there were some pockets of red. We were able to map out those individuals and groups and discover what was going on. That got me thinking about what other pockets of red—or green, for that matter—were out there that are hidden, and could we bring them together in a cohesive way so that managers would be able to track and trace them.

Once you do that, the big question is, how do you change behavior? We studied how to change behavior using data in a competitive way. There are several reviews that show that people like to compete with each other; I saw one about using utilities. It's really hard to stop people from using gas electricity even if you pay them to do so, but if you show them, a competitive score against their neighbor in a building, they will change their behavior. Data gives you some enthusiasm to compete through nudges and social comparison. So that was what we are trying to do with this data. Not just collect it, but also create the visibility and transparency to affect change.

Your data-backed integrated ethics complaint scorecard is a big part of your overall program. Could you talk about what we're into its design and implementation? Now that it's up and running, do you envision there being a version 2.0 of it anytime soon?

Scott Offer: I think it will continue to evolve. What we did first was identify which data could we grab quickly, and that was ethics line data. We did all sorts of splits on it: anonymous and not anonymous; levels one, two, and three; breaking down the seriousness of the allegation so you know whether it's fraud, or some other kind of misconduct. This was a rich data set, and by the way, even though you ultimately want to drive down the number of bad things that are happening, its really important that you encourage reporting through this.

But then, if you add to that those other things I mentioned earlier—about quarterly questionnaires about do we live our values, do we say what we're going to do, does my manager respect me, etc.—then our internal audit team can do a lot of work with fraud risk perception.

The HR team has their standards, too, and we are now integrating our scorecard with the rewards system, so you are not going to get bonuses if you behave badly. But this has just started. We're piloting it, and we present regularly to different constituents, and I envisage it will evolve over time.

To me, the Holy Grail would be if you could come up with three things you measure that give you a high statistical correlation to bad or good activity. That's going to be the question: do you get better data if you have a really broad look across data sets, or are there two or three things that correlate heavily to a well-managed organization in this in this area?

You've been incorporating AI into your programs better anticipate potential issues, but has this created any extra communications challenges for you? People often make assumptions about what AI can and cannot do that may not be exactly accurate.

Scott Offer: Our CEO, Revathi Advaithi, is a huge proponent of AI, as is the Board and the Audit Committee. Once we got this scorecard up and running for the top 50 sites, she said that it was interesting but a little static…could we get to a point where we could be predictive? That is a hypothesis we are testing. The challenge is knowing what the key patterns are for the AI tools to recognize.

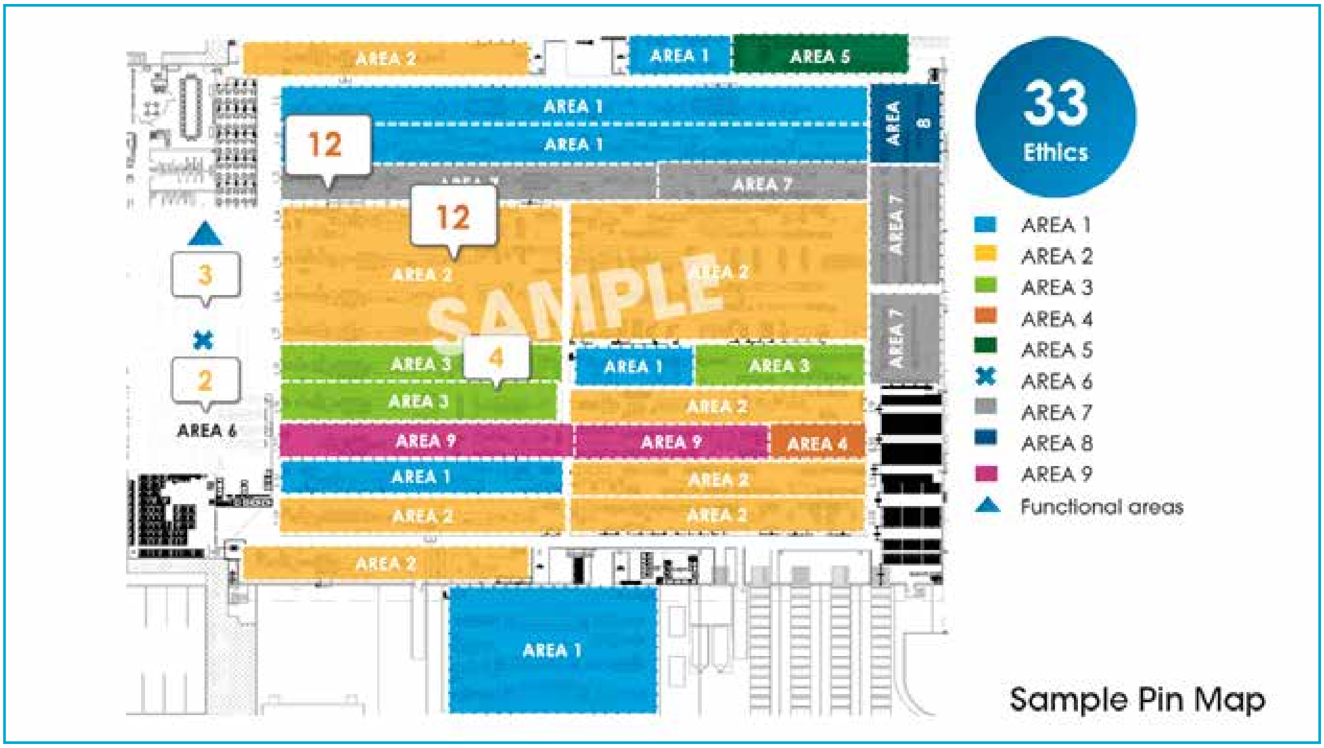
For example, we have two countries which have very distinct issues. One was an issue with sexual harassment. It looked like it was a country issue, but when we peeled the first layer of data away, it was actually a site issue, and we have several sites in that country. When you peel it further, it was actually a building issue. And then, if you peel it further, it becomes maybe a shift issue or a manager issue. And then it was also people who are under pressure to deliver on particular lines. So you might have a bad actor or a non-trained actor who thinks it's appropriate to do certain things. But it has an impact on a larger group. We've seen that as we've increased training, we see more reports, which is good. That means that people are aware. But we've also seen the behavior change from less manager-on-peer activity to more peer-on-peer activity. Once we get more behavior statistics to put into the system, we may be able to predict what might happen over time.

In another area, in another country, we have a high incidence of supply chain petty fraud, like self dealing, dealing with a supplier who is a relative, using a limo company that belongs to somebody you know, etc., I think that one correlates more heavily with the Transparency International-type risk perception indices for general, ambient levels of corruption, and so maybe it reflects society more. We'll be able to build some of these assumptions into the AI tool and maybe have a different way of looking at certain countries or plants. It's very interesting because we don't know yet. We're just developing it. But over time, I think there will be indicia of corruption or bad behavior that will become clear indicators of bad behavior.


SCOTT OFFER

Is there a limit to how far data and data analytics can drive the effectiveness of a truly great ethics and compliance program? Or are we just sort of scratching the surface of what the potential really is?

Scott Offer: If you look at where these programs have come from during my career, you start by having compliance groups being the thin blue line and the policing function, and your legal departments, finance departments and others have an important key foundational control function. But we're 160,000 people, and maybe less than two percent of that group is actual compliance monitoring and policing. So how do you move the responsibility into the organization? You make the data and the tools compelling, interesting, transparent, and instill a level of competition. That's one piece of it.



Another piece is relying on management all the way through the organization. Every time our CEO visits a site, she wants to see their ethics compliance scorecard data. She encourages people to identify where they're not doing so well, and that is spreading down through the organization. Recently, we had an executive team meeting and the head of operations, who has about 150,000 people report to him, said he wants all of his town halls for all of his sub managers to include ethics compliance scorecard data.

So I think we've done really well with tone from the top, from the Board to the CEO to the executive team. That's super important. And I think we've got a good tone at the bottom; people want to do the right thing. In the middle, we've got store managers that maybe don't quite get it yet or aren't convinced. We're constantly in this in this battle where we need managers to be more aggressive in meeting their financial targets. But it's not a binary thing; we also need to send equal messaging that they can't cut corners to get there. I hope finding that balance makes us more intelligent at this.

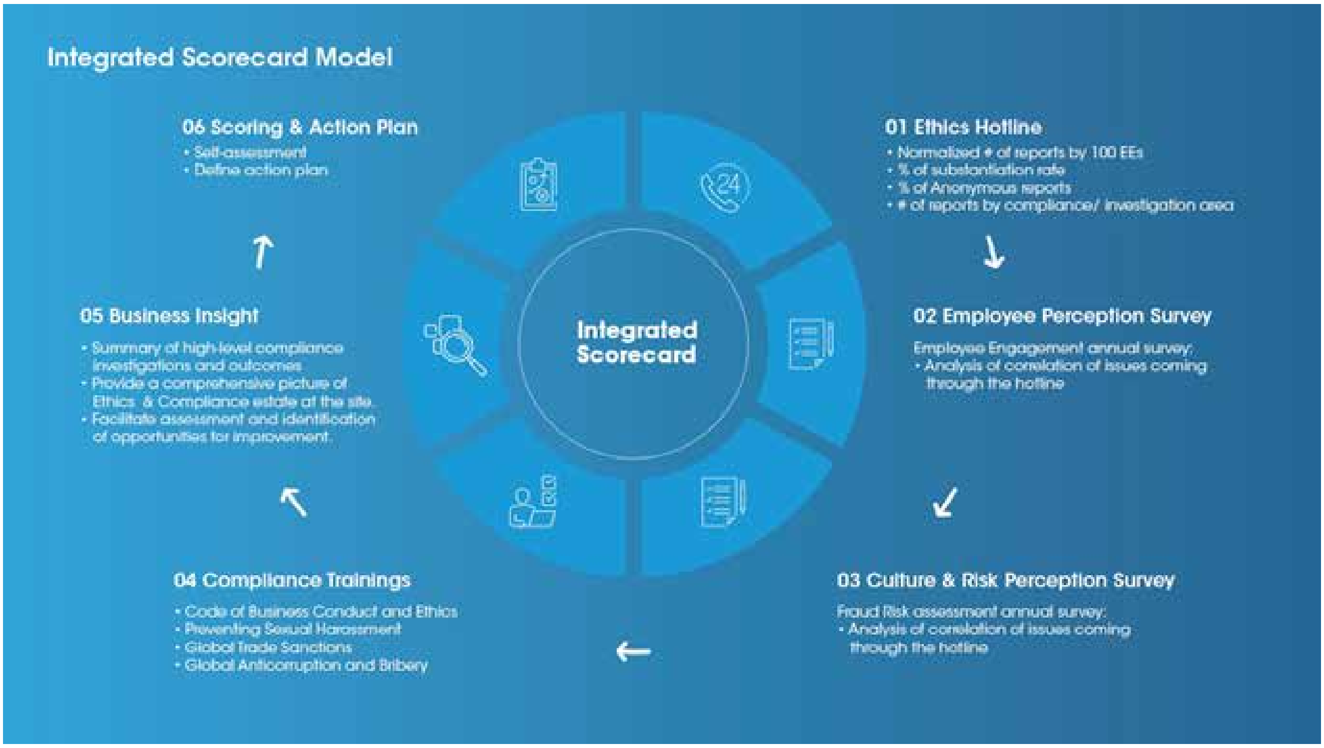
Have you encountered any resistance or skepticism to your data driven ethics and compliance approach, and, if so, how have you addressed it to get a wider buy-in across the enterprise?

Scott Offer: The first skepticism we had was from our senior leaders as to whether we could actually do it: How long is it going to take? How many resources will be involved in this? We've overcome that.

We had some skepticism from the lawyers, frankly, who didn't want to do this. If someone gives you your scorecard and you're being told about things you are not aware of, and you get a bad score—I've had it done to me, and it's not it's not necessarily pleasant—you have to be persuaded that it's in your interest to own it. Then you've got to negotiate an action plan with the ethics specialist who's reviewing it. A lot of lawyers didn't want to do that. They were more comfortable proclaiming and passing judgement, and I didn't want that. So that was something we had to get through.

With any change like this you'll have some pockets of resistance. At one site, there was a bit of denial about data we had gathered around how our female employees felt about coming to work. Our CEO said, "Look, I'm female, I've got daughters and sisters and I want you to have this place so that you'd feel proud with your daughter or your sister coming here and working on that line, even on the third shift in the middle of night. I want them to feel safe and that they can grow here. That's what we need, and that's why we're doing this." That broke through.

Where we've had people who are more hard-nosed about it and difficult to break through, especially if they've got issues, we've required them to come in and explain themselves to the CEO. We've also had them present to the audit committee, because nothing makes people pay attention more than having to appear in front of the board, especially when the audit committee is seeing a persistent thing like a country or a site that always has more theft issues or management misconduct. The last time we did that, the senior manager said, "What do you want me to say?" and we replied, "No, what are you going to say." It gets back to making sure that people understand they have a P&L to run. They have a budget to



run. No one argues with that. But now they have this to run as well, and this is as important as those budgets.

How has your scorecard help to drive a top down approach for ethics and compliance at Flex?

Scott Offer: It's helped drive top-down simply because the CEO likes to see the scorecards and the board asks to see the metadata and for us to pull out trends. We've been doing that for a few years, and as the Board gets more familiar with that, they'll be able to tell you what they think will be other hot topics by region or by site.

The next thing is going to be building it into performance reviews. We've established new values that include "always doing the right thing," so everybody will get feedback from their employees and from their manager on whether they are doing that?

I don't mean to suggest that this scorecard is a substitute for good control tools and systems that are automated where possible, so you have failsafes. For example, if you can have automatic screening of products without any human intervention, so it's not relying upon manual work, then that that's a lot safer. This scorecard is no substitute for that. What the scorecard will be able to show you, however, is if there are any breaches from that. That would show up at a site, and then you can go and address it.

Some might think that what you're doing with the scorecard program is perhaps outside the scope of the legal department. Can you talk about the evolving role of your department? Is ethics and compliance everyone's responsibility?

Scott Offer: This is a really fascinating topic that lends itself to quite a lot of philosophical discussion. On one hand, you could say that as a control function, lawyers should be compensated based on salary and bonus, rather than the company's performance, to prevent a conflict of interest. On the other hand, you could say—which I believe—is if you're fully integrated into the business, you have a much better ability to influence behavior and change the culture.

As a legal function, we always want that underpinning of the control function, but we've progressed through various stages of development. But I think our legal department is being charged with being more than just a control function. We've gone from trusted specialists—which is mainly individual, siloed contributors—to trusted advisors brought in on executive staff teams, people who are co responsible for outcomes. If you take an ethics or compliance breach, the responsibility for that now is shared. That is a very different standard. ■

ABOUT THE EXPERT

Scott Offer *is EVP and General Counsel at Flex, one of the world's foremost global electronics manufacturing, services, and original design manufacturers. Scott leads Flex's legal function which includes government relations, corporate governance, brand protection and security intellectual property, contracts, litigation, and ethics and compliance. He is also responsible for Flex's marketing, communications, and sustainability organization.*

Allianz Life and their Ethics 2.0 Program

By Steve Koslow, Brad Quast, and Lindsey King

Allianz Life is going through a period of significant change against the backdrop of a number internal and external factors. As a leading provider of retirement solutions, the markets in which we operate are evolving rapidly. Digitization of our business continues to drive us toward scalable technology and solutions at an accelerated pace. And like other companies, we have a workforce that is just beginning to embrace our new ways of working. Anchoring our interactions in the value of integrity is more critical than ever to support our continued success, and our Ethics & Compliance team has a unique responsibility in advancing the company's strategic priorities by championing integrity.

For the last three years, Allianz Life has been named one of Ethisphere's World's Most Ethical Companies®, which reflects the degree to which our Ethics & Compliance team has worked with senior leadership, employees, and external stakeholders to build a strong ethics program and further enhance our company's "speak up/listen up" culture. Throughout the build of our ethics program, we have executed on various action plans and tactics including updating policies and training, producing internal blogs, developing manager toolkits, and offering culture surveys, all while deepening our connections throughout the company and industry.

As our team began planning for 2022, however, it became clear that the baseline was changing: the environment around us, the messaging, and actions plans of the past were not going to be enough to sustain and enhance our culture moving ahead. Thus, we embarked on an effort to reframe our approach to ethics with an emphasis on highlighting integrity through a culture of accountability, a culture that embraces a high level of personal accountability in all that we do.

Our updated ethics strategy, which we have rebranded as "Integrity in Action", focuses on fostering a culture of accountability. It is grounded in the notion that an ethical culture is the responsibility of all of us, it is present in our day-to-day interactions, and it is an integral part of everything that we do. The idea is to enhance the way we think about ethics within our company beyond traditional messages such as doing the right thing or navigating an ethical dilemma, and toward emphasizing employee behaviors that will allow the company and our employees to be trusted to act with integrity and uphold the principles in our Code of Conduct during a period of immense change. These behaviors include:

Honesty. We are truthful and trusted to provide all information to the right parties needed to make informed decisions.

Transparency. We are open and transparent in communicating in a timely manner on what is working and what isn't.

Ownership. We know our roles and take responsibility in owning outcomes for individual, team, and company goals and efforts.

Courage. We speak up when there is misalignment to our company values without fear of retribution from others.

When individuals or a team embody these behaviors, great things happen. And, they can quickly become a catalyst for high-quality project outcomes and success. We recently saw this come to life with a project team tasked with establishing a standard electronic document filing and retention system for the company. This multi-year project was not perhaps the most exciting of tasks, but it was a necessary and important effort to reduce costs and risks and increase efficiencies in the company.

The team experienced a number of technical, budgetary, and interpersonal challenges early on in the project. However, they managed to turn potential failures into successes by leveraging the qualities of a culture of accountability, especially ownership and transparency.

Throughout the course of the project, the team dedicated time to aligning on a defined set of individual roles and responsibilities. While these grew and shifted over the lifetime of the project, every team member knew what was expected and could take personal ownership for delivery. Importantly, the team viewed success and progress collectively. When challenges arose, rather than point fingers, they rallied by each other's side to help out. For example, the team initially determined that each business areas would develop their own archiving structure based on their network folders, but the task was too overwhelming for those areas and the project got behind schedule and went yellow. The team owned this undesirable outcome and identified the need for outside consulting expertise to help build a standardized archiving structure that would be broadly applicable to all business areas. This ultimately allowed the project to get back to green much faster.

On more than one occasion, the team experienced technical setbacks. For example, the vendor responsible for technical execution of quarantining stale documents was underperforming, and the project schedule was negatively impacted. When this happened, the team immediately changed the status to yellow and promptly informed senior leaders and executive sponsors. The team owned this setback and were transparent in the project being in a yellow status. The team openly shared what was needed to get back to green—a new vendor and in-house technical ownership—and received the support necessary. The team lived a "no surprises" approach and, in turn, had the respect and trust of company leadership.

Despite the risks to its timeline, this project successfully achieved its key objective of creating an important new protection process company-wide through a culture of accountability. The Ethics and Compliance team has leveraged lessons from teams like this in developing our Integrity in Action strategy.

ETHICS 2022: AN EXPANDED VIEW OF COMPLIANCE SUPPORT

Thinking, planning, and moving beyond the fundamentals and foundational elements is essential to the next phase of our Ethics program. We've identified four main areas of focus for 2022, which are essential in ensuring continuous engagement and buy-in with and from our stakeholders on a culture of accountability: providing employee training and awareness; leveraging tone at the top; driving ethics into Allianz Life's operating model; and optimizing compliance requirements.

"Our updated ethics strategy, which we have rebranded as 'Integrity in Action,' focuses on fostering a culture of accountability."

Providing Employee Training & Awareness. As we maintain our strong foundational training program, we are now in the space where we're able to engage our employees on the topic of ethics in new and exciting ways. This year, we are launching an updated Code of Conduct training that is required for all employees and new hires. Here, we worked with our Human Resources and Learning & Development partners to update scenarios that one might encounter at Allianz Life and how those scenarios should be handled, who to contact, and how to think about our own role within the company. We are working to emphasize the concept that we are all responsible for owning the ethical culture at Allianz Life, and part of that is making sure we understand the Code of Conduct Policy and understanding where to report when we have concerns or if something isn't quite right.

We are also excited to launch our Integrity in Action: Leader's Conversation Guide to all people leaders and managers in second quarter of this year. The development of this guide was based on feedback from Ethisphere's Culture of Compliance survey conducted in 2020, specifically the data reporting that when employees and leaders talk about ethics and doing the right thing, good things happen: employees are more likely to report misconduct; employees are more than twice as likely to approach their supervisor with an issue; and three times as many employees believe that the rules apply to everyone (organization justice). Having piloted a number of different versions of this guide, the feedback we collected allowed us to pivot towards an individualized approach, where each leader will focus their conversations on the behaviors of a culture of accountability as best fit their teams, their business units, and their own experiences.

Leveraging Tone at the Top. Like so many companies, Allianz Life continues to embrace change while driving growth. We have also welcomed a number of new executives to our company over the last year. Part of our new strategy is to partner with our new members to publish a series of quarterly conversations with Steve Koslow, touching upon the importance of speaking up, safe failure, transparency, and open communications. Our first publication was with Susan Sachatello, Chief Growth Officer, on her first impressions of Allianz Life, our ambitious growth strategy, and the importance of ownership and transparency in project teams, and how we can be better communicators overall. Response to this first interview was overwhelmingly positive—not only do we get the opportunity to talk about these important topics, but the company as a whole gets to learn more about our leadership and how human they are.

Driving Ethics into Allianz Life's Operating Model. Creating and maintaining a strong ethical culture requires making and maintaining deep partnerships across the company. Because ethics does not exist in silos, we are finding ways to work with our Human Resources, Diversity, Equity & Inclusion, and Learning & Development partners on how to best stay connected as we push critical yet related actions and messages through company-wide processes and initiatives. We are also finding ways to partner with other stakeholders on critical company change initiatives: Allianz Life currently has a significant program for accelerating and optimizing our business model, which involved rethinking decision-making and ownership at all levels. Our Ethics and Compliance team has a critical seat at the table in this effort and we are working on embedding ethics into these new models.

Optimizing Compliance Requirements. A lot of what we do in the compliance space is data-driven, reporting, and task-based efforts. For 2022, we'll be working with technology and third-party vendors to optimize the compliance "must-dos," especially the required Conflict of Interest and 1033 certification data collection process. This will allow us free up time to focus on efforts influencing and guiding our corporate culture. We are also looking into how other systems and processes can provide us new information on ethics and measurements on our ethical culture, like our internal employee recognition system.

While many challenges remain ahead for our Company, we are excited about our new strategy and through these main focus areas. Our Ethics and Compliance team continues to drive our company toward embracing the qualities of a culture of accountability will help ensure our ethical compasses points us and Allianz Life in the right direction. ■

ABOUT THE EXPERTS

Steve Koslow *is Chief Ethics and Compliance Officer for Alliance Life Insurance Company of North America. With more than 20 years of experience in the financial services industry, Steve has broad knowledge in the development of ethics and compliance programs for insurance companies. He has experience leading large, complex ethics and compliance organizations and is an industry innovator in the area of ethics, analytics, and risk management.*

Brad Quast *is Assistant Vice President, Privacy & Information Compliance for Allianz Life. He is an experienced data protection officer with particular expertise within the financial services and insurance industry, and whose skills include business process improvement, information security, and IT strategy. In his role at Allianz Life, Brad is responsible for a number of enterprise compliance functions including Data Privacy, Cybersecurity, Data Analytics, Third Party Risk Management, Training and Communications, and Ethics.*

Lindsey King *is the Ethics & Compliance Training & Communications lead for Allianz Life. She has over 15 years of communications and project management experience in insurance and financial services, education, fine art, and technology. In her role at Allianz, she is responsible for leading the design, strategy, and delivery of ethics and compliance training and communications.*

Elevating a Culture of Integrity at stc

By Jaleel Ghani, General Manager, Corporate Ethics and Compliance, stc

In 2020, Saudi information and communications technology company, **stc** embarked on a journey to elevate its culture of integrity with the launch of its new ethics and compliance program. In this article, we look back over the last two years to take stock of how stc accomplished those goals.

stc is a leading Saudi company that offers a variety of Information and Communication Technology (ICT) solutions and digital services in Saudi Arabia and the region. The Company is headquartered in Riyadh, Saudi Arabia and has over 11,500 employees located across the Kingdom. stc provides its services across several categories, including telecommunication, IT, financial technology, digital media, cybersecurity, and other advanced digital solutions.

When assessing its compliance program, stc's management realized there was a need to transform the compliance environment they had within the company. Although a program did exist, the emphasis was more on following the rules and when comparing with global companies; it was not a best in class program.

stc's management desired to develop a program that shifted its focus from pure compliance to integrity and doing the right thing. This would be a program that would eventually result in a culture shift where Ethics and Compliance would be operationalized into the organization and embedded into the company's DNA.

"We wanted a program that not only ensures we comply with laws and regulations but also elevates our culture of integrity," says Mathad Al-Ajmi, stc Group Chief Legal & Risk Officer and General Counsel. "An integrity mindset is something we want all our leaders and employees to cultivate and nurture."

It is with this vision in mind that in 2020, stc commenced its journey to elevate their culture of Integrity with the launch of its new Ethics and Compliance program.

INTEGRITY TAKES US FORWARD: STC'S CODE OF ETHICS

The foundation of the Ethics and Compliance program is the stc Code of Ethics, entitled "Integrity takes us forward."

stc's Corporate Ethics and Compliance (CEC) team developed the Code after undertaking a benchmarking exercise to see what others had and what employees would like to see included. The stc Code of Ethics aims to ensure the Company holds itself and the way it does business, to the highest ethical standards.

"Our Code covers 16 specific and common integrity areas of risk and for each risk area, clear guidance and practical advice is provided to our employees, customers, business partners, suppliers and other stakeholders on how the Company and its representatives should act," Al-Ajmi says.

The 16 risk areas in stc's Code of Ethics are categorized under four themes: Customer and Communities, the Marketplace, Investors, and the Workplace. The Code is applicable to senior leadership, including stc's Board members, and to all stc employees, including those who work in subsidiaries or ventures that are owned either by stc or in which stc exercises effective control over the Company's management and operations.

"stc's Ethics and Compliance program aims to foster a culture where more will be done to encourage employees to do the right thing and ensure they feel comfortable reporting unethical behavior without the fear of retaliation," says Riyadh Muawad, stc Group Chief Business Officer. "The commitment we make to abiding by our Code and towards doing business the right way also provides assurance to our customers and business partners that in every situation, the decisions we take are done so keeping the highest ethical standards in mind."

In line with best practices, all stc employees are required to acknowledge on an annual basis that they have read, understood and will abide by the stc Code of Ethics.

The Code is available for employees to download internally through stc's internal online employee platform (the stc HUB) and is also available for public download from the stc website.

LEADERSHIP IS AT THE HEART OF THE ETHICS AND COMPLIANCE PROGRAM

stc's leadership is committed to elevating the company's culture of Integrity. This is evident in both words and actions.

When stc launched the program in 2020, the CEC team engaged with leaders first, which included a half-day, in-person Ethical Leadership workshop for senior leadership held shortly before widespread COVID-19 restrictions.

The inaugural and subsequent sessions for stc leaders were conducted taking all precautionary steps such as wearing of masks, distancing attendees and reducing the number of participants to minimum numbers. The sessions were led by the Corporate Ethics and Compliance team and within two months of the inaugural session, all of stc's senior leaders up to director level, completed the half-day Ethical workshop.

"As leaders, we play a vital role in nurturing stc's culture of integrity and ensuring the effectiveness of our Ethics and Compliance program. If we expect our employees to hold themselves to high ethical standards, it is important that they see us as role models," says Abdullah Abdulrahman Alkanhl, stc Group Chief Strategy Officer.

The workshop covered the advantages of having an effective compliance program and stressed the important role leaders play in shaping an ethical culture. At the end of the session, leaders wrote down the actions or commitments they would personally take to elevate the culture of Integrity within their organizations. Each leader also received a picture frame for their desk inscribed with the message, "Integrity takes us forward." Inside the picture frame was an ethical decision tree with the actions or Integrity commitments the leaders came up with during the workshop. This small token has served as a great conversation-starter on the topic of Integrity when guests visit with leadership. It also reminds leadership of their integrity commitments.

"When it comes to Integrity, employees deal more directly with middle management than top management and these managers are tomorrow's business leaders. Not only is it important that they visibly support and share the company's commitment to integrity, but we must do everything possible to ensure integrity is part of their DNA."

Ahmad Alghamdi, stc Group Human Resource Officer

TONE AND TRAINING

Director-level leaders also took their own half-day Ethical Leadership workshop.

To ensure senior manager level leaders are visible in their commitment to integrity to their teams, the stc CEC team encouraged the company's people managers (anyone who had employees reporting to them) to engage with their teams in a session to explain the Code, the risk areas it covered and the responsibilities employees and leaders have in upholding stc's integrity culture.

stc considers 'day-to-day ethical employee experience' is an essential contributor to its integrity culture. The leadership has come to the realization that communicating the Company's integrity commitments merely at an organizational level is not enough. Tone in the middle is just as important as tone at the top. This is why the managers at stc reinforce these commitments at a team or department level whenever possible.

Keen to ensure an open dialogue between managers and their teams on the topic of ethics and integrity, stc's Group CEO direct reports began engaging in dialogue sessions with their respective teams. Following this, people managers from those teams conducted similar sessions with their direct reports. This exercise continued down to the section manager level until dialogue sessions were organized by all people managers across the company.

To support managers in this activity, the CEC team prepared a toolkit in Arabic and English that provided talking points as well step-by-step guidance to people managers on how to conduct these sessions. Managers were encouraged to conduct the sessions in Arabic if the team members were all Arabic speakers. Doing this enabled the managers to be more comfortable in delivering the material. The CEC team remained on standby to assist these managers in answering employee questions related to the Code. After each session, managers confirmed conducting the meeting and the number of attendees through an online tracking form. This enabled the CEC team to follow up on the progress and ensure completion of sessions across the company.

"Communication around Ethics and Compliance often tends to be a one way activity–from top to bottom," said Mohammed Abaalkheil, stc's Corporate Relations VP. "Yet the Manager led Code of Ethics sessions that were organized across stc gave employees a platform to interact with management and played an important role in normalizing dialogue around integrity concerns and ethical conduct. More importantly this activity helped in establishing a communication channel that encouraged everyone to ask questions and get clarity."

TRAINING AND LEARNING

During the launch year of the Ethics and Compliance program, the CEC team worked closely with the stc Academy—stc's learning centre that devotes its efforts to developing the next generation of digital leaders in Saudi Arabia—to develop a series of in-house online Integrity courses. This collaboration resulted in the launch of the Basic Online Integrity training in October 2020 and the Advance Online Integrity training courses in November 2021.

To make the content visually appealing, these online courses are fully animated and include a number of review questions to ensure that employees understand what is being shared.

The Basic Online Integrity training is available in English and Arabic and is divided into five modules. The training provides a high-level overview of all the risk areas in the stc Code of Ethics. At the end of December 2020, 97% of stc employees (including the Group CEO and executive leaders) had completed the training. The training is now mandatory for all new employees who join the Company.

The Advanced Online Integrity training was launched in November 2021 and offers more comprehensive training on the risks that employees may encounter. It consists of 21 course modules that are assigned to employees based on their job profile and the level of risk they are exposed to.

To complement online training, the Company organizes live training sessions for employees and leaders on anti-corruption and gifts and hospitality, conflict of Interests, and other relevant risk topics.

The sessions on anti-corruption and gifts and hospitality were necessary, as stc revised its Gifts and Hospitality policy in 2021. The policy placed strict rules and limits on what employees could give and receive as gifts and hospitality. This was new for employees, not just from a policy perspective but from a culture perspective as well. Saudi Arabia is a place where hospitality and gift-giving are innate parts of the culture. People are very hospitable and will go above and beyond to look after their guests, so it is customary to exchange gifts.

Keeping all this in mind, the CEC team understood that cultivating an ethical mindset among employees around gifts and hospitality and ensuring the culture shift remains sustainable would not be easy. The team developed the communication and training around this topic to address the reasons why the policy existed and why the company required employees to comply with it. As part of the policy, stc employees and their family members are not allowed to accept gifts or hospitality from stc suppliers or prospective suppliers.

While this is covered in all training given to employees, externally, stc organizes awareness sessions with its suppliers to familiarize them with stc's Code of Ethics, Supplier Code of Conduct, and Zero Supplier Gift policy.

All new employees are required to attend a live onboarding session that introduces them to stc's commitment to Integrity.

The CEC team is also collaborating with the stc Academy to develop a training program for employees who have been selected as new leaders and people managers. The training includes cases and scenarios related to ethical decision making, integrity culture, and building a strong ethical climate among teams, so that employees know what behaviours to exhibit and actively do the right thing.

"The objective of our learning and development programs at stc Academy, is to support the ethical cultural transformation process, enabling employees to make ethical decisions considering the impact of their actions on themselves, the organization and all stakeholders." says Dr. Mudhi Aljamea, VP and stc Academy Dean.

COMMUNICATION AND COMPLIANCE

To create and increase awareness among employees about the importance of abiding by the stc Code of Ethics, complying with the applicable laws, raising integrity concerns and to reiterate stc's commitment to non-retaliation, the CEC team works closely with stc's Corporate Communications team to ensure all available communication channels are used effectively.

"Our Corporate Communications team partners with the CEC team to develop strategic content plans that clearly communicate the ethical expectations the Company has of its employees, business partners, and other stakeholders," says Mohammed Abaalkheil. "These campaigns create and increase awareness around the stc Code of Ethics, complying with applicable laws, raising integrity concerns, and stc's commitment to non-retaliation. We believe that continuous communication around the Code of Ethics and related topics helps to set and build our culture of Integrity. This is not a one-time thing for us, but a continuous journey."

Every year stc's Group CEO sends a message to all employees reminding them about the importance stc places in doing things the right way and the responsibilities employees have in elevating the Company's culture of Integrity. Each quarter, the Group CEO's direct reports send an integrity-themed message to employees within their organization. And every month, awareness messages about the risk areas in the Code of Ethics are communicated to employees in the form of email messages, infographics, or visual digital posters in the stc internal magazine or the employee intranet. Through stc's "What Integrity means to me" campaign, every leader who is a part of stc's senior management team has shared what it means for them to lead ethically. Employees can read each leader's viewpoint weekly in stc's online internal magazine, This is stc.

In addition, the CEC team will provide communication toolkits for people managers in 2022 to facilitate discussion around integrity topics during team meetings.

COMPLIANCE REVIEWS AND COUNCILS

Beginning October 2021, the CEC team has been conducting Compliance reviews across the Company.

These reviews involve face-to-face sessions with individual General Managers and their teams—as well as separate sessions with each of the Organization Chiefs and their GMs—to understand and identify compliance risks that are present within each organization.

To increase engagement, the CEC team initially conducted these reviews as facilitated sessions. This gives participants the opportunity to engage and ask questions and enabled the CEC team to build relationships with employees and leaders across the business. There is always an effort to shift employee perception of compliance from being about following the rules to upholding a culture of integrity.

Compliance Reviews will be an ongoing activity for stc and reviews will be conducted periodically for all organizations across the business.

Meanwhile, the CEC team is establishing Compliance Councils across stc. These councils consist of each Organization's Chief, their direct reports, representatives from allied departments (e.g., Human Resources) and members of the CEC team. The councils meet on a quarterly basis and give the Chiefs and leaders direct visibility about their organizations in terms of compliance investigations, training, communications and other compliance program elements in their sector. This will help leaders to drive engagement around ethics and compliance and thereby impact the integrity culture.

CONCLUSION

Although the stc Ethics and Compliance program was launched amid the COVID-19 pandemic, the program has added value internally and externally.

Internally, based on internal employee survey results, more employees know about the importance of having and abiding by a Code of Ethics and about reporting integrity concerns. Employees have given positive feedback and rated the Integrity training highly.

Externally, the Program has helped stc in increasing scores with rating agencies and benchmarks; stc's improved year-over-year score in the Dow Jones Sustainability Indices (DJSI) can be attributed directly to the ethics and compliance program.

stc's ethics and compliance journey has only just begun, but with the vision and guidance of its leadership, the active cooperation from employees, and the efforts of the CEC team, the company hopes to set an example of ethical leadership for others in the region to follow. ■

ABOUT THE EXPERT

Jaleel Ghani *is the General Manager for Corporate Ethics & Compliance at stc. Under Jaleel's leadership, in 2020, stc developed a new Ethics and Compliance program focused on elevating the culture of Integrity within the company, including the launch of stc's Code of Ethics and Business Conduct (Integrity Takes Us Forward). Prior to joining stc in 2019, Jaleel held leadership positions in Compliance at SABIC and GE. Jaleel has also served as the Deputy Chair of the B20 Saudi Arabia Integrity and Compliance Taskforce..*

Bayer's Digitalization Journey, One Year Later

Interview by Bill Coffin

Thomas Pfennig is the **Global Head of Compliance and Data Privacy** at **Bayer AG**, a multinational life sciences company based in Leverkusen, Germany and a global leader in the fields of healthcare and agriculture. **Thomas** oversees all compliance activities within **Bayer's** divisions and global functions, including the implementation of **LPC Express**—an ambitious effort to centralize legal compliance and data privacy departments into a global shared services function facilitated through a digital platform. One year after rollout, how has **LPC Express** made life better for **Bayer**?

THOMAS PFENNIG

You have put an extraordinary amount of work into creating LPC Express. What have been its greatest successes, so far, and have there been any unexpected challenges along the way?

LPC stands for Law, Patents, and Compliance, and Express really describes the fast-service renderings that we are offering in the organization. Before making such a change possible, we had to define and implement globally harmonized processes and approval workflows. We also had to contemplate country deviations in case of local specifics. Essentially, this meant mapping our portfolio and defining its processes to make them run smoothly in a digital environment. That was the first step.

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> Data and analytics are now built into our global, harmonized processes. This allows us to track progress and to find new opportunities to continuously improve. Without this, we'd never have generated the traction and acceptance we need to drive such fundamental transformation.
>
> **Thomas Pfennig**, Global Head of Compliance & Data Privacy, Bayer

In 2020 and 2021, we implemented the first wave of compliance and data privacy use cases—such as third-party due diligence, data privacy services, fair market value approvals with respect to interactions with healthcare professionals, gift approvals, charitable donations, and global training processes—and put them on the platform. We also harmonized our internal investigation workflow with a uniform global case management platform as part of our LPC Express service.

When you move a lot of operational activities from countries to regional hubs, you need to collaborate with your local teams so it is clear what stays within their portfolio and what goes into these hubs. For us, these are all recurring transactional automatable activities.

Then, in order to staff these new express centers, you need to hire talent in APAC, EMEA, and the Americas—the three regions that we are covering with our LPC Express centers. The folks we have hired are very service-oriented, tech-savvy and, of course, extremely knowledgeable with respect to compliance and data privacy.

We are now generating large sets of data out of the platform to drive analytics and optimize reporting, something we were not able to do before. I am very proud of that.

The platform is very consumer-centric. We are constantly aiming to optimize quality of service and user experience, and that's reflected by the feedback we are collecting, which is now at 4.1 out of a possible five stars. It's extremely satisfying to see that our clients in Bayer are accepting and adopting the services at a level that is satisfying to them.

As of last year, the next planned phase for LPC Express was to add new processes, refine existing services, and bring new countries into the scope of shared services, including Bayer's U.S. organization. How has that progressed so far?

We are heavily leveraging the project management skills of our shared service centers, primarily rendering HR services or accounting payment services and the like. We are really a front runner also within Bayer to integrate Compliance, Legal, and Data Privacy services into such an environment. We deliver according to a clearly defined roadmap with milestones overseen by a steering committee that I am a member of, so I can say that we have been really delivering.

Now, the U.S. and China are within scope. Originally, we were not going to touch them because this was such a new approach. We wanted to gain experience first on how it would be adopted in the organization and how the new processes would run. Now, roughly 18 months into the process, we can really say the processes are running very smoothly. The organization has adopted the new services and innovations, and the savings that we have achieved with this new model are ready to be leveraged in the U.S. and China as well. There, it will start with third-party due diligence or assessments and approvals. The U.S. and China both have new data privacy laws, so data privacy offerings will be handled out of LPC Express as well.

It's a dynamic process, requiring a lot of alignment. We don't want to generate new risks, we want to maintain the risk profile that we had prior to establishing this new environment, so we really need to make sure that we are going in a way that is also comfortable for our U.S. and Chinese colleagues. But progress is being made, and we are confident that LPC Express will equally achieve positive feedback in those two countries as well as the rest of the world.

What have other functions within Bayer learned from your experience with LPC Express?

This is not an exercise that we in Legal, Compliance, and Data Privacy are pursuing on our own. The entire enterprise is reorganizing and restructuring. We have support from the very top of the organization, but we are not operating in a vacuum. Every function within the company has been essentially running in the same direction of digitalization—pruning services, prioritizing, and of course, automating.

Of course, there are deviations and some functional specifics. For example, when it comes to the digital environment, we are running this on a platform powered by Service Now and an implementation partner in Germany. These two external partners are unique to Ethics and Compliance because we are shifting a portfolio into LPC Express that no other function in the company is offering. So, there is not much comparability, frankly speaking. But when it comes to advancing a mindset change, that is something that everybody in Bayer is pursuing. It is like we are moving from a travel agency—where you sit down with your travel agent to arrange your journey—to an online booking service where you essentially do things yourself with the help of an online tool. Others in the company describe the transition as going from a white-glove dining service—especially with respect to some compliance and data privacy counseling—to a healthy "fast casual" meal, where people don't have to wait until the person in the office is available.

Our platform is there 24/7 and is extremely standardized. We use a lot of knowledge management, which is really critical element that is can be leveraged beyond LPC. It would be a challenge if an organization would only let its LPC Legal and Compliance team transform into a new digital area.

Part of Bayer's digital transformation has been to automate repetitive, low value compliance tasks and free up your team members to perform more strategic, higher-value work. How has that worked out for you so far?

Before we went operational with this new approach, we sat down with our colleagues in the countries, our business clients, and our commercial leads to identify the three buckets of service offerings in Legal, Patents, and Compliance. About 30 percent of our portfolio is contracts—this is in a digitized Contract Center environment now. Then we have 40 percent transactional, recurring, low-risk, and not necessarily local, specific tasks. And then roughly 30 percent of the overall portfolio is staying within the countries with very senior legal and compliance professionals who have more time to dedicate their capacity to high-risk, must-win commercial activities.

We were innovating and restructuring with some savings targets in mind—up to 30 percent in some regions—meaning you would need to compensate for lost headcount. We have delivered towards those expectations. We have not let our local functions essentially handle the consequences without support from the Contract Center and LPC Express. So overall, this has gone very well.

Moving your organization into those new spheres requires a lot of alignment within your own function. Bayer's Legal and Compliance team comprises 35 regions across the world, serving 200 countries, so I have lost count of the calls that we have had over the last two years to make sure everybody understood what is expected from them in the future, or how to transition a client or from in-person, local counseling to into a ticket-like digital platform. This is a critical part of change management that we really need to continue.

We also have much better transparency now into the time and quality of services, both in LPC Express, as well as in the countries. We clearly know what is in scope for each team within LPC Express, with all of the digital tracks that we populate nowadays. We generate the data to measure performance and the quality of the services that you render.

Last but not least, the local teams now have fewer exception-driven decisions. When you digitalize, we are essentially in a zero-or-one framework. With fewer exceptions comes speed, predictability, and more clarity and harmony. This approach is the way to go.

As you have led this digital transformation, how have you balanced the need for structure with the need to improvise as needed?

We will have 30 services in LPC Express by the end of 2022. Doing that is a matter of agility, so we used some agile methods. But it's also a matter of rigid project management, which highlights another benefit of resorting to your shared service center. Usually, the functions that have been plugged into the shared service center are fast transactional services that can be digitalized. But before you digitalize,

> *"When you digitalize, you are essentially in a zero-or-one framework. With fewer exceptions comes speed, predictability, and more clarity."*
>
> **Thomas Pfennig**

you need to have your process in place. This is something I would suggest every compliance, data privacy, and legal department to start with.

Then you create a blueprint. We have clear milestones of assessments and a staggered approach with the more complex use cases coming towards the end of the implementation. That way, the low-hanging fruits are implemented and run smoothly up front to increase acceptance and adoption of the services.

Honestly, when it comes to transitioning from a more traditional compliance and data privacy environment to a modern, digital one, you don't want to improvise too much. You still need to make sure that you have no loopholes or opportunities to circumvent processes. We would rather delay the rollout of a new use case if we were uncomfortable with the results of our user acceptance tests, or if we saw that there were still flaws in the digital workflows that we were building. If you make a mistake in this process, you had better be able to explain to a government regulator why you launched your service prematurely.

Overall, there is some flexibility to adjust on the road with respect to the software. We release minimally viable software versions that have to achieve a certain quality threshold. And we need to feel comfortable about releasing the services into a stable environment on the platform.

If you could go back to the very beginning of this project and tell yourself or your team something that you know now about the project, what would that be?

First, we partnered with a relatively small company here in Germany for implementation. As we developed 20 use cases in the system within 18 months, you can imagine that capacity has been very sparse at times on the implementation partner side. So, make sure that you have sufficient capacity available to prevent bottlenecks on your timelines. I would have felt more comfortable having a few more hands on deck right at the beginning.

Second, we were very ambitious with our timelines. There were deliverables expected from us in terms of savings that also accelerated this whole process. And of course, if you want to assure a certain level of quality, you don't want to sacrifice that by accelerating beyond the point where things are spinning out of control. So overall, I would say that a slower pace probably would have been better.

Third, when it comes to expanding the scope towards U.S. and China—which were originally out of scope—make sure what your vision is, so you do not surprise your partners along the way. Now, we feel comfortable executing in other regions as we did with these two countries, which were themselves very receptive to the idea, by the way. But if you want to expand the geographical reach of your portfolio, clear communications are very important. That is something I probably would have done a little bit differently.

Lastly, IT budget. Not only do you have to secure licenses, you have to make sure that you maintain the infrastructure that you are improving. We have seen a lot of challenges with decommissioning local IT applications and with building APIs to connect these local approval workflows with our global platform. There's a lot of technology, and there are a lot of adjustments that our local IT colleagues have to shoulder, so building a little more buffer into the IT budget would not have hurt.

These are the four things that I would do differently, overall. Nevertheless, we took about a year to prepare and gave ourselves two and a half years to execute. So when we talk about a three-year-plus timeline, it was ambitious, but doable. ■

ABOUT THE EXPERT

Thomas Pfennig *is Global Head of Compliance and Data Privacy of Bayer AG, a German multinational pharmaceutical and life sciences company and one of the largest pharmaceutical companies in the world. He oversees all legal compliance activities within Bayer's divisions and corporate functions globally.*

The Road Ahead for Fraud Risk Management

Interview by Bill Coffin

In this exclusive interview, Ethisphere Editor in Chief **Bill Coffin** speaks with **Linda Miller,** Principal, Advisory Services, Grant Thornton LLP, and **Paul Sobel**, CEO of the Committee of Sponsoring Organizations (COSO) about the current state of fraud risk management, the development of a new COSO fraud risk management standards, and how life after COVID-19 is changing the fraud landscape for everyone.

What does today's fraud risk landscape look like, especially after so many organizations experienced significant disruptions and challenges to their controls and processes as a result of the COVID-19 pandemic?

Linda Miller: It is extremely varied. There are some proactive organizations that have established very formal structures for thinking through their fraud risks, and they follow best practices really well. There are others that don't have a clear risk progress assessment structure in place.

Fraud can be deceptive; you often don't know how much fraud you might have. A lot of times, organizations think they don't have a problem with it until there is a big fraud event. I always say that organizations that haven't given a lot of thought to fraud risk management likely have much higher fraud losses than those who have.

In conjunction with large-scale data breaches, we are seeing a big rise in fraud schemes perpetrated through cyber channels using stolen identities. Many organizations have been caught flat-footed by the sophistication of those fraudsters, the tools they are using, and the speed with which they're able to adapt to changing technology.

The pandemic also hastened social engineering—people falling victim to a fraud scheme through some sort of personal deception, such as phishing, fooling someone into clicking a link and downloading malware, getting them to share personal data, etc. We're also seeing a lot of real-time payment schemes rising in the banking community, as people are being fooled into authorizing fraudulent payments, believing that they are real. When the world transitioned to a remote working environment, we saw a lot more of these schemes, since people were further away from their IT departments, and maybe were not getting patches downloaded to their systems. And because there was such anxiety in the world as a result of the pandemic, people are much more susceptible to falling prey to social engineering schemes than what we had seen in the past.

For example, we've seen companies conduct phishing testing where they send a very, very authentic-looking email at 7:00 am on a Monday morning to see if employees are not paying close enough attention and fall victim to the phishing attack. Companies found their employees were three times more likely to click on a suspicious link because they were so distracted–for example, they're getting ready for work, maybe trying to get their kids ready for school, and are checking email in between different tasks.

So, we have this environment where people's attention is very much divided. When you have people in that distracted environment, they are going to be more susceptible to social engineering schemes, which is an example of how important it is to think about what new fraud risks might exist, and how you should adapt to them.

Paul Sobel: I think the bad guys out there recognize that people were perhaps a little more vulnerable and feeling a little more stressed or uncertain because they are working from home. The frequency and creativity of some of the email messages that came through probably made it easier for individuals to slip up, think that something sounds right, and click on something they shouldn't have.

Another area that bears watching relates to ESG reporting. In other parts of the world, sustainability reporting is more common compared to the United States. We have some likely SEC requirements coming down the path. This is non-financial information, and I think companies are probably less prepared to make sure that this information has the same veracity and internal controls as financial information. As a result, there will be more potential for intentional misreporting because companies are getting pressure from shareholder groups in this area, so they decide they better put a good foot forward in the ESG area.

Linda Miller: In June, we went live with a guide on ESG fraud that Grant Thornton jointly published with the Association of Certified Fraud Examiners. I completely agree with Paul. It's a very significant, growing threat to companies that most people have not really given a lot of thought to from a fraud risk perspective.

How would you say that emerging risks have affected how companies have approached their fraud risk management practices and programs?

Paul Sobel: A lot of things accelerated during the pandemic, including the increasing vulnerability to fraud risk. The more mature companies are certainly realizing that you can't just conduct fraud risk assessments once a year and have that be sufficient, just like a once-a-year business risk assessment is no longer sufficient.

Companies are realizing that this must be more of a continuous process. That doesn't mean every second of every minute of every hour, but you need to have people looking for signposts or indicators of change that show you may be vulnerable to a new and emerging fraud risk that you weren't vulnerable to the month

HOW TO PREVENT ESG FRAUD TODAY

In June, Grant Thornton and the Association of Certified Fraud Examiners jointly published ESG Fraud: New Solutions for New Risks, which outlines a proactive approach to mitigating ESG (environmental, social, and governance) fraud.

This report details how organizations can understand the role that ESG plays in their success, how to define and recognize ESG fraud, and how to develop strategies to mitigate ESG fraud.

You can download a copy of a report here.

before. That is causing companies to think about this on a more regular basis and try to be more proactive.

COSO will be publishing an update to its 2016 FRM Guide later this year. That is no small task. What was the impetus for undertaking such an update?

Paul Sobel: For those who aren't familiar, the 2016 fraud risk management guide was co-authored by COSO and the ACFE, and it has been very widely recognized and received. It takes the COSO internal control framework and maps it to five key fraud risk management principles, which have become broadly recognized as well.

That guide is very good and still relevant, but as the COSO board, we've been thinking about which parts of our past guidance needed updating. So, I reached out to the ACFE to see if we could try and bring it a little bit more into the current world. For example, there is now an ESG component in there, and there is much more about data analytics than what was in the 2016 guide. Data analytics is a key way to monitor changing risk factors that could lead to fraud.

We've also simplified some of the appendices and are making it a little bit more user-friendly. It is a very large task. This is something that's been underway for a year, and it will be more than 100 pages. We're still working through it with the ACFE, but we are very excited about having something fresh and more current out in the marketplace, hopefully by early Fall of 2022.

What should companies think about as they adopt the suggested changes from COSO's updated fraud risk management guide?

Linda Miller: I was working on the COSO FRM guide update with the ACFE, and companies are going to be encouraged to consider some of these new threats we were just talking about through the new guide. It used to be that things like account takeovers were a big fraud threat for the banking industry, but they weren't looking at the different types of synthetic identity-based fraud risks. There wasn't a lot of guidance on how they could use data to identify fraud and patterns in their in their data. The guide is much more relevant today to the kind of fraud environment that we live in currently.

"You can spend tons of money to bring in a big vendor that does really sophisticated AI kinds of things, but if you overlook the easy stuff then you miss opportunities for quick wins. That's really important."

Linda Miller

I spent a year as the Deputy Executive Director of the Pandemic Response Accountability Committee, and we saw some very creative fraud being perpetrated in pandemic spending programs. And so we incorporated how we worked closely with the Inspector General community to look at PPP, unemployment assistance, and other types of Small Business Administration loan frauds. We have really revamped the government appendix in the new COSO guide to make it more relevant to today's fraud risks. Some of those government agencies were operating on quite antiquated IT infrastructure, and the guide helps every kind of organization consider how they can modernize, use data more effectively, and start to anticipate some of these more emerging fraud threats.

Grant Thornton's Anti-Fraud playbook also provides a comprehensive review of fraud risk management activities: fraud risk governance, fraud risk assessment, fraud control activities, fraud investigation and corrective action, and fraud risk management monitoring activities. Companies can't do them all equally, at the same time, so what areas should they prioritize?

Linda Miller: No, they can't. They are kind of chronological, and they do align with the same five risk management principles from the COSO and ACFE fraud risk management guide. You could just do an ad-hoc fraud risk assessment, but without a structure in place, some accountability mechanism, and people whose job it is to consider fraud holistically across the organization, then it's not going to be nearly as effective as it could be. So, the first component for establishing a culture in structure and governance is very important.

The fraud risk assessment piece is vital to being able to develop controls that are effective. If you put in place anti-fraud controls without the benefit of considering where your biggest risks are, you may be spending money on controls that you don't really need. You may also be leaving some large gaps uncontrolled.

If you had to pick what is the most impactful of those five areas, it's the third, implementing the proactive preventative controls. I say this all the time when people talk to me about it, everybody can find some low hanging fruit to put some controls in. Even if you don't know where to start, you could do some analytics on areas such as purchase card data. We recently did some basic data visualization for a client, and we looked at the number of employees who had 12 or more purchase cards; and the client asked, why would an employee have 12 purchase cards? We said, we didn't know, but 27 employees had 12 purchase cards. And the client didn't know that; they had never looked at their data in that way.

You can spend tons of money to bring in a big vendor that does very sophisticated AI solutions, but if you overlook the easy pieces, then you miss opportunities for quick wins—and that's really important. Data is the key in all of this, and the control environment is about using data more effectively than most other organizations. There are a few organizations, primarily in the financial services industry, that do that well; but most companies struggle to understand even the most basic challenges that they have because they're not using their data the way they could be using it.

Do you see a significant difference in how companies prioritize their fraud risk management activities based on company size and/or program maturity?

Paul Sobel: I think so. Typically larger, better-funded companies with more mature fraud risk programs are going to be looking at all five of those fraud risk management activities more comprehensively as opposed to just focusing on the third area on fraud control activities, and in particular, fraud risk assessment. Those are not easy to do. They require some commitment of time and expertise to facilitate the discussion. A lot of the less mature, and often smaller, companies don't bother with that step. They jump to the risk areas and put controls in place, so they're probably more vulnerable to the less obvious. I think that's just the nature of the beast; larger, better-funded companies are going to spend more money on this, and money does make a difference, no question about it. But it also makes them a little bit more proactive in understanding and addressing the risks, whereas smaller, less mature organizations are probably much more reactive. That can work for a time. You can get lucky for years, but when your luck runs out, you're probably going to pay a heavier price than if you had been more proactive to begin with.

What should companies keep in mind as they implement monitoring activities as part of their FRM programs?

Linda Miller: Using data in the smartest way possible. A lot of internal audit groups, for example, have an enormous amount of data that they could be using to monitor their progress if they understood how that data could be useful. It goes back to what data we collect, and how we can use that data to understand how our fraud risk environment might be changing.

There's a lot of specific data elements around basic operational processes, and you can start to see anomalies if you look at that data regularly. If you know what to expect, then it looks different when it's deviating from the expected patterns. Again, it goes back to keeping track of how things are going in a normal environment. You have a baseline, and then being able to look for spikes and changes in that baseline with basic things like Benford's Law, which is an old tool in the fraud examiner's toolbox. Are you going back and looking at your invoices on a regular interval to run some very basic analyses to see if there is anything unusual? Why did one vendor charge you five times more at the end of a particular month, or why, on the third day of each month, are you seeing unusual spikes in some of your invoices? One question I always ask is, are people being required to go on vacation?

These are the kinds of monitoring activities that can keep you out of major fraud events if you're smart about it. But if you're being reactive, as Paul was saying, it could go months or years before you discover that you have an internal fraud scheme that has been growing and growing.

What advice would you have companies that are looking to strengthen their overall FRM programs?

Linda Miller: Structure is extremely important. If you're thinking holistically about how you can improve your fraud risk management program, one of the very first things you need to look at is if you have a structure that will allow you to be successful. Do you have people whose roles and responsibilities are dedicated to fraud risk management, and do they understand that discipline? Do you rely on your first line of defense group—the people who interact with your customers—to manage fraud or do you have a second line of defense that allows you to receive input from the first line, and to communicate and guide their activities? To be honest, there are a lot of people that don't have any kind of background in fraud, and they don't really understand how fraud manifests itself.

"The companies that are more proactive and trying to anticipate how their fraud risk may change are more likely to prevent it in some cases, or certainly detect it in a more timely manner and then deal with it in a more cost-effective way."

Paul Sobel

I've had clients who will spend a 40-hour customer service training session for their new hires, and only one of those hours is on fraud. Not that the training should be 39 hours on fraud and only one hour in the other direction, but a lot of organizations aren't thinking about fraud. Fraud 'is not baked into their culture, and they're not considering it. They're thinking much more about customer service and lowering the friction for their customers. You'll go out of business if you don't think about your customers, but you'll also go out of business if you put your customers or your own bottom line at risk.

Paul Sobel: I think one of the biggest things that organizations can do is to be a little bit more continuous in how they assess fraud risks and how they monitor emerging fraud risks in the marketplace. Even the more mature organizations still tend to do only an annual risk assessment of fraud. That that can get you by maybe for financial reporting fraud, but not for a lot of these other types of frauds. Organizations are having to realize that you need to divide and conquer so different people monitor different aspects in the environment. But they also need to have some way of bringing that information together on a more continuous basis so that you can reassess fraud as you need to, as opposed to, whenever the calendar happens to flip the page.

A lot of businesses that took a hit during COVID are trying to make up for lost ground financially now. Do you see that as a possible vector for fraud?

Linda Miller: I think there's going to be an increase in financial statement fraud coming out of the pandemic. We thought that would happen all along, because if you're feeling under the gun, and you're not performing well, you're going to be under pressure to manipulate your financial reporting. Coming out of the pandemic, I also think there is a higher risk of internal actors colluding with external actors. You saw how easy it was to commit fraud using stolen identities on the dark web. It was a game that just about everybody got into. You didn't have to be a sophisticated fraudster to learn how to use an onion router, you get on the dark web, and you are in business.

A lot of these people cut their teeth on these fraud schemes during the pandemic, and now they're going to be more emboldened to do that going forward. There's a lot of fallout in the post-pandemic landscape. Especially since I think a lot of people aren't going to go back to the office permanently. Remote work is going to be the new normal, and how our businesses adapt to that will be a lot of our growing pains over the next couple years.

Final thoughts?

Paul Sobel: Try to be more proactive than reactive. It's very easy, particularly in challenging times, to be reactive, but that is pennywise and pound foolish. It's going to catch up with you at some point. The companies that are more proactive and trying to anticipate how their fraud risks may change are more likely to maybe prevent it in some cases, or certainly detect it in a more timely manner and then deal with it in a more cost-effective way.

Linda Miller: There's a difference between fraud loss and fraud risk. Fraud risk is what could happen. Fraud loss is what you know has happened. And it's important to understand the difference. That often gets conflated in people's minds, and so they think that because they haven't discovered a fraud, it didn't happen. Or, they have had historically low fraud losses, so their environment is not at high risk for fraud. That is a fallacy. The point of a fraud risk assessment is to think about the different ways that you may be defrauded right now, but you just haven't identified or detected it yet.

This interview was facilitated by the Center for Audit Quality and Anti-Fraud Collaboration, and stems from the work done by the BELA Fraud Risk Management Working Group, which concluded in May 2022. That Working Group's paper can be found in the BELA Member Hub. Need access? Email bela@ethisphere.com ■

ABOUT THE EXPERTS

Linda Miller, *Principal, Advisory Services for Grant Thornton LLP is a nationally recognized expert in fraud risk management. From 2020-2021, Miller served as the Deputy Executive Director of the Pandemic Response Accountability Committee (PRAC), where she helped stand up a brand new, fully virtual government agency tasked with overseeing $5 trillion in pandemic relief in the midst of a global pandemic. While at the Government Accountability Office, Miller led the development of the Framework for Managing Fraud Risks in Federal Programs. Miller also helped draft the Fraud Reduction and Data Analytics Act of 2015 and served on the task force that developed the COSO Fraud Risk Management Guide, which guides the private sector in fraud risk management. An accomplished elite athlete, Miller competed at the Olympic Games in 2000 in the sport of rowing.*

Paul Sobel, *Chairman, the Committee of Sponsoring Organizations (COSO), is widely recognized as a leading expert on governance, enterprise risk management, compliance, and internal control. He was a key member of the Advisory Council that provided input for the 2017 update to COSO's ERM Framework, Enterprise Risk Management—Integrating with Strategy and Performance. Prior to joining COSO, Sobel was the Chief Risk Officer and Chief Audit Executive for Georgia-Pacific, LLC, a privately-owned forest and consumer products company based in Atlanta, Ga. Sobel was inducted by The Institute of Internal Auditors (IIA) in the prestigious American Hall of Distinguished Audit Practitioners; was awarded the IIA's Bradford Cadmus Memorial Award for outstanding contributions in research, education, and other activities related to internal auditing; and was selected as one of the 100 Most Influential People in Finance by Treasury & Risk Magazine. He is a sought-after speaker and a prolific author.*

Your Legal Budget Can Promote DEI Across the Broader Legal Profession

Veta T. Richardson, CEO, Association of Corporate Counsel

David Perla, Co-Chief Operating Officer, Burford

The legal profession has had a long-running DEI problem, especially within the professions biggest and most influential law firms. But how Biglaw spends its money can be an especially powerful tool in helping to redress historic imbalances and create diversity, equity, and inclusion for all.

Diversity, equity and inclusion (DEI) has become a priority for most industries, particularly in recent years. Nonetheless, the legal profession remains woefully lacking in diversity, especially within the upper ranks of many corporate law departments and most Biglaw firms.

While many corporate law departments have their own distinct struggles with representation and need to proactively advance greater inclusion within their ranks, most companies' legal hiring needs are not as robust as those of law firms. As a result, for general counsel seeking to ensure greater diversity among the lawyers who represent the company, paying attention to the diversity of their outside counsel can yield results. In-house law departments have a tremendous opportunity to effect long-lasting impact on diversity in the legal profession. Since most law departments recruit from Biglaw, it is in their best interest to ensure the talent pipeline is robust and reflects these values. In-house counsel should not underestimate their "power of the purse" to promote diversity at the law firms they hire. Because money drives change, companies should not refrain from using their legal buying power to effect meaningful change. In addition to internal, economic tactics to spur greater diversity among corporate executives and in-house counsel, leveraging legal spend to promote DEI goals reflects the rising expectations of customers, employees and shareholders worldwide to invest in underrepresented and historically disadvantaged groups.

WOMEN AND PEOPLE OF COLOR FACE SYSTEMATIC BIASES IN BIGLAW

Although many sectors of the legal profession have made public DEI commitments, law remains one of the least diverse of any professions, particularly at the top rungs of Biglaw. Women make up little more than a quarter of partners at 10 of the largest firms on either side of the Atlantic. In the U.S., the number of racially diverse partners is just 10%. Research also shows that intersectionality (the intersection of disadvantaged characteristics—such as female gender and underrepresented racial status) compounds work-based inequalities: Only 3.9% of partners in the AmLaw 100 are women of color.

General counsel can and should award more of their work and the dollars associated with it to diverse lawyers. That means more than paying attention to who is billing to the account; it also means paying attention to who is financially rewarded for doing the work. How origination credit is awarded to billing attorneys represents a key factor in the enduring diversity problem in law. Bringing in new business is imperative for long-term success, higher levels of remuneration and ultimately career advancement in Biglaw. What percentage of your company's external spending with law firms resulted in origination credit for law firm partners or senior associates who are not white males? However, origination credit is too often awarded in perpetuity. Essentially, historically advantaged groups who benefited from mentorship, sponsorship and inherited client relationships may receive credit for new matters from legacy clients that they never brought into the firm and for client contacts that they may not have even met. That this reinforces the status quo, benefiting historically privileged groups and harming historically underrepresented groups, is evident in the fact that origination credit disputes are common among partners who belong to one or more underrepresented groups. A sobering 75% of white female equity partners and 84% of women of color report such disputes to fight for a share of the origination credit for client relationships that they grow, serve and retain.

ORIGINATION CREDIT: CLIENTS DON'T ASK AND LAW FIRMS DON'T TELL

When it comes to how credit is awarded, law firms don't tell, and most in-house legal departments don't ask. According to Diversity Lab's 2019 Inclusion Blueprint Report, fewer than 40% of law firms track how origination credit is distributed to underrepresented populations such as white women, lawyers of color and LGBTQ+ attorneys, and only 50% have documented processes for obtaining origination credit.

Further, as revealed in research conducted with GCs and other senior in-house lawyers for Burford's 2020 Equity Project study, nearly two out of three GCs (64%) don't regularly ask their law firms about origination credit, often citing a reluctance to dig too deeply into the inner workings of their panel law firms. As one GC put it: "We understand it and want the proper lawyers to receive credit, but we don't ask. We want to avoid stepping on the partners to interfere with the firm's operations." But when clients don't ask about origination credit, they cannot influence a change in an untenable status quo.

The extent to which GCs are not leveraging their power of the purse as they could to promote diversity is evident in the fact that Burford's research also revealed that over half (52%) of GCs said they were entirely unaware of how origination credit is awarded at the law firms they work with. Many GCs naturally assume that origination credit sits with the relationship partner: "I would assume

VETA T. RICHARDSON

DAVID PERLA

the origination goes to the partner with whom I have a relationship." But as we know, this is not always the case.

Not asking the question about how credit is allocated is a missed opportunity. As the purchasers of legal services, legal departments can—and should—have a significant impact on law firm DEI (including who receives credit for their matters) by using their legal budget as an economic incentive.

ECONOMIC INCENTIVES HAVE PROVED EFFECTIVE AT PROMOTING DIVERSITY

We have seen in other industries that putting money behind diversity requirements has real impact. Nearly all of Europe's major banks now link executive pay to DEI targets, and financial institutions increasingly offer discounts on loan facilities tied to Environmental, Social and Governance (ESG) targets.

For example, last year The Carlyle Group launched a $4.1 billion private equity revolving credit facility linked to ESG criteria. This was the largest ever US-based ESG-linked credit facility and the first to exclusively tie the price of debt to a goal of 30% diverse board of directors across its portfolio companies. Asset managers like T. Rowe Price and BlackRock use their shares in listed companies to influence corporate behavior through their proxy voting at shareholder meetings. These initiatives have been proven to create higher levels of diversity, bringing more perspectives to boardrooms and greater value to shareholders.

ECONOMIC INCENTIVES CAN PROMOTE DEI IN THE LEGAL INDUSTRY

It stands to reason that economic incentives can also work in the legal industry. Companies can use their purchasing power to hold their providers, including law firms, more accountable for hitting DEI goals. Some in-house law departments are already doing this: Microsoft, HP and Freddie Mac, among others, have provided stringent diversity expectations for external counsel.

In fact, a recent study by FTI Consulting showed that 87% of GCs and CLOs are involved in human resources issues including DEI, but only 10% of in-house lawyers reported any kind of yearly progress on diversity and inclusion. However, companies have more tools at their disposal than they may be aware of. The ACC Foundation's DEI Maturity Model is designed to help legal departments benchmark the maturity of their DEI efforts to evaluate and identify improvements to strengthen their DEI programs. The DEI Maturity Model is a living tool, developed by the ACC in consultation with an advisory committee of DEI experts from the legal and business communities, and includes a section on how to measure and set goals externally for law firms.

Burford Capital's Equity Project is another such tool. The Equity Project was launched in 2018, with $50 million earmarked to back commercial litigation and arbitration led by women. In the project's first three years, Burford received 133 qualifying requests for Equity Project funding and committed $56.7 million as of December 31, 2020. The Equity Project is clearly making a difference above and beyond capital commitments to date: Women lawyers have said that the mere existence of the capital has helped them as they pursue leadership of complex matters.

Building on this success, The Equity Project was expanded in October 2021 with an additional $100 million pool of legal finance capital to fund commercial litigation and arbitration led by female and racially diverse lawyers, which legal departments can use to incentivize outside firms to appoint diverse teams to represent them.

In-house legal departments may use Equity Project capital for matters they award to law firms on the proviso that a female or racially diverse lawyer is receiving origination credit or leading the case. This stipulation enables companies to use The Equity Project as part of their ongoing ESG and DEI efforts.

As a further benefit to companies' commitments to ESG and DEI, a percentage of profits from successful Equity Project-backed matters will be contributed to organizations focused on advancing the careers of female and racially diverse lawyers. This will help to create a virtuous cycle through which women and racially diverse lawyers gain opportunities for leadership and origination credit that in turn help them to build their books of business and win new clients.

LEGAL SPEND HAS AN IMPACT

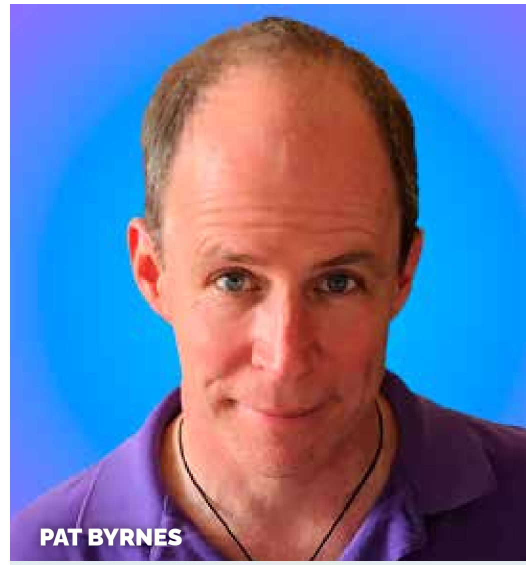
Ultimately, companies have high-value legal needs and must choose providers that reflect the priorities of their own customers and stakeholders to be successful. Initiatives like these will help legal departments to better leverage their legal spend to ensure diverse lawyers receive opportunities to advance, appropriate compensation, and origination credit for their client relationships. It is no longer enough for Biglaw to demonstrate good intentions; incentives are needed to really move the needle. ■

ABOUT THE EXPERTS

Veta T. Richardson *is the president and chief executive officer of the Association of Corporate Counsel (ACC). Headquartered in Washington, D.C., ACC is the world's largest legal association dedicated exclusively to serving the interests of in-house counsel.*

David Perla *is Co-Chief Operating Officer at Burford, the leading finance firm focused on law and the only to be listed on the NYSE and LSE. David is responsible for Burford's global marketing, origination, and underwriting activities and is a member of the Management Committee.*

Panel by Panel: How The Drawing Board Uses Cartoons to Help Advance Great Ethics Programs



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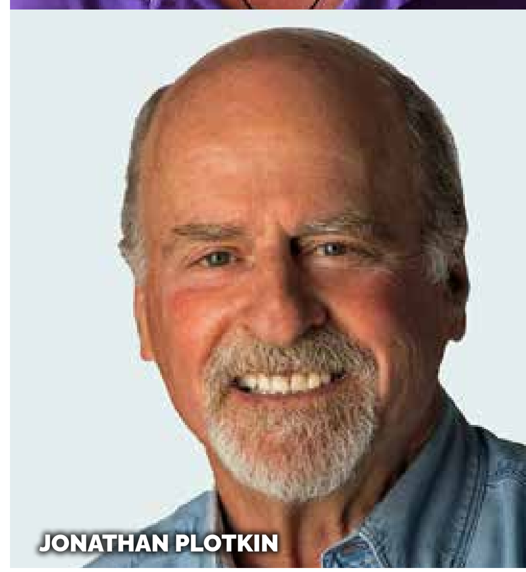


JONATHAN PLOTKIN

Interview by Bill Coffin

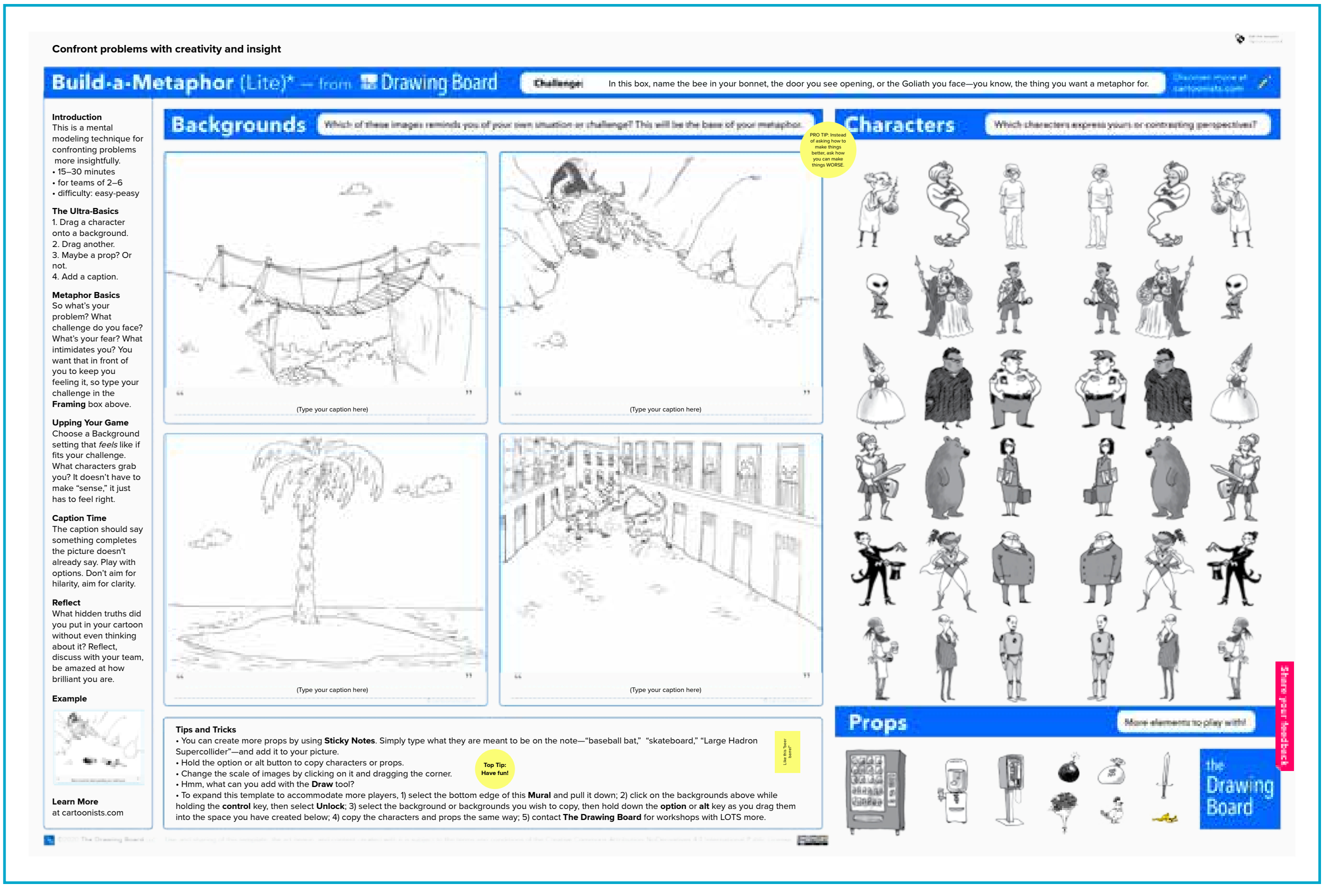
Ask any ethics or compliance officer, and they will tell you that capturing people's attention and getting them to engage is one of the most difficult things they do. But does it have to be that way? The Drawing Board co-creators **Pat Byrnes** and **Jonathan Plotkin** share why cartooning is such an effective method for getting people to think differently about ethics, compliance, integrity, and culture. And, how the art and craft of wielding humor as a means to bring people together can work in ways that no other form of outreach can.

There is nothing quite like a *New Yorker* cartoon. The late film critic Roger Ebert was such a fan that he entered the magazine's Cartoon Caption Contest one hundred and seven times without winning. It got so bad for him that in 2009, he griped on his own blog that he'd like to win the contest just once, and see his caption printed in the magazine. All this, from a nationally recognized, Pulitzer Prize-winning journalist. Eventually, Ebert prevailed and won Cartoon Contest #281 in 2011. Interestingly, a first-time applicant won Cartoon Contest #282, which is either a stroke of magnificent luck or the editors having some fun with Ebert. Either way, the story underscores just how universally appealing and compelling the *New Yorker* style of cartooning—a single panel, often with a single-line caption—really is.

Jonathan Plotkin well knows the power of *New Yorker* cartoons. As a nationally published editorial cartoonist himself, he and Pat Byrnes, a long-time *New Yorker* cartoonist, co-founded The Drawing Board, a consultancy that employs a team of *New Yorker* cartoonists to teach people in business how to think creatively and "confront problems more insightfully."

They do this through their Build-A-Metaphor workshop, a three-hour team exercise in which cartoonists from The Drawing Board lead the participants on a series of creative thinking exercises. A common warm-up exercise is for people to break off into small groups and imagine they are stuck on a desert island. With nothing else to aid them, what special skills does each person in the group have to ensure the group's survival? Plotkin says that simple form of conversation, which takes people far outside of their professional selves, does a lot to get people to see each other in different ways, and to lower their guard, which prepares them for the real star of the event, the Build-A-Metaphor exercise.

For this one, the groups collaborate on whiteboards that feature a selection of different pre-drawn elements of a *New Yorker*-style cartoon. (At the moment, the whiteboards are digital because Build-A-Metaphor is still being conducted remotely because of COVID-19, but Byrnes and Plotkin



hope to resume holding the workshops in person again soon.) There might be as many as 20 different backgrounds, from a castle to an office building, to a playground, to a deck of a boat. There might be a dozen or more character archetypes, as well as images of props, like a banana peel or a vending machine.

The participants choose a background, then drag and drop elements onto it, building a cartoon like how one might have played with Colorforms as a child. Before the exercise, The Drawing Board meets with the client for a series of interviews to develop the mural template to be used in the workshop. This ensures that the cartoon elements to be used will align with particular topics the client wants the workshop to address, such as conflicts of interest; anti-bribery; diversity, equity, and inclusion; environmental, social, and governance; or building a culture of integrity.

The Drawing Board facilitators encourage participants to have fun with the exercise, and to think about situations where things are likely to get worse not better, and to think about an outcome the opposite of what is desired. Usually, the final touch is the caption the group decides on to bring the cartoon together. By the time it's over, the group will have created their own cartoon that speaks to a truth within the ethics and compliance space, or more broadly, life in the business world.

To be fair, not every cartoon created is a masterpiece. Single-frame cartooning is not an easy discipline to master, since so many story elements need to be expressed at once, in carefully crafted harmony or disharmony with each other. Still, some of the workshop cartoons are pretty funny.

"We had a great one recently that came out of one of the Ethisphere workshops we ran during the Global Ethics Summit," Plotkin recalls. "There was a CEO in a suit standing next to another executive in the company, on a desert island, and the caption was, 'It's pretty quiet. Things must be going well.' It's a silly cartoon, but it actually represents the separation that sometimes happens between the C-suite and everyone else. When you find a way to share a common experience, you have almost guaranteed someone's ability to be present in the conversation."

That is why cartoons are actually a terrific way of reaching an audience. And this matters for ethics and compliance leaders, who are searching for ways to increase levels of engagement with their internal stakeholders.

HUMOR, EMPATHY, AND METAPHOR

One of the big deliverables of the Build-A-Metaphor workshop is to teach its participants how to think like a cartoonist. But to understand what that means, first, it pays to understand not just that cartoons work, but why. And how.

Cartoons are effective because they employ a sophisticated form of camouflage, explains Pat Byrnes. A winner of multiple national awards for cartooning, Pat deeply understands what makes a good cartoon, and why our brains so eagerly receive them. It all begins with humor, which Byrnes will admit, is not something people typically associate with the world of ethics and compliance. And yet, humor works here as well as anywhere else. Perhaps better, even.

"When you first look at a cartoon, you have to make a three to five second investment of your time, but the potential return on that investment is great," Byrnes explains. "You might get a little chuckle or a wry grin, but if you get a laugh, that's huge. People will spend an hour chasing a laugh. So for the three to five seconds it takes to look at a cartoon, the risk to reward ratio is negligible, and the reward to risk ratio is enormous. That's why I am such an evangelist of humor."

"Sure, bribery is a slippery slope, but not as slippery as the slopes on this all-expenses-paid ski trip."

By making us laugh, Byrnes says, cartoons slip around our emotional defenses. By the time we realize that, we have already absorbed what they are saying, which is a good thing when trying to deliver a message about a prickly topic like bribery, conflicts of interest, or money laundering.

"The other thing that makes cartoons a wonderful way to break through is if you embed a message in a little story you remember, it stays in your head," Byrnes says "It might have just been a cartoon about a princess and a dinosaur, but when you come up to some circumstance in your life and you realize what that cartoon was a metaphor for. Metaphors work on the level of lived experience. They work their way into our neural networks and they get processed as if we actually went through them. There is something in us that that recreates that experience, which is why they help you understand something deeply and with feeling. That is what makes them such powerful things."

Cartoons also trade on our sense of empathy, which Byrnes points out, is closely connected to the mirror neurons in our brains. In order to understand a cartoon, he says, the reader must look at each character and understand what they are thinking, feeling, doing in just a second or two. Then they read the caption, which takes another three seconds to digest a complex story that has a surprise ending.

When all of that slams into the brain, he says, it creates a powerful experience. When we feel for the characters and feel their pain or their embarrassment, we build a bond with them, however fleetingly, and see ourselves in them.

"When you hit that self-realization in a way that you actually enjoy, that leads to be behavioral change," Byrnes says.

THINKING LIKE A CARTOONIST

The big deliverable for The Drawing Board's workshops is to train its participants to think like a *New Yorker* cartoonist. The idea is that literalism and fastidious, rules-based thinking are the antithesis of a strong ethics and compliance because it promotes compliance through compulsion rather than compliance through compassion.

"In our workshops, we give people some basic skills for making visual associations and thinking metaphorically so they can find the unexpected connections between things and then put it all together in funny story that touches a critical moment," Byrnes says. "When you start thinking like that, and developing an eye for things that are a little bit off, it is a wonderful way to develop your empathy."

Cartoon-based thinking leads to compliance through compassion, Byrnes says, because it taps into our empathy, thoroughly engages our values, and creates a rewards-based learning format. We remember how a cartoon made us laugh, and the resulting positive feedback in our brain makes us more receptive to insight. That creates a virtuous cycle and enriches our understanding of something.

Tim developed some novel strategies to avoid getting caught doing side-work.

According to Plotkin, thinking like a cartoonist will be a valuable skill for ethics and compliance officers, since organizations are trying desperately to manage the process of training their own people to be more aware, to be more open-minded, and to act in accordance with the rules and regulations with their own rules and those that have been instilled by regulators.

"All this stuff kind of rains down on compliance officers, so we are trying to reimagine it in ways that would be more interesting and sticky. That's why we use visual metaphor and cartoons to speak to any of these kinds of scenarios. Because let's face it, a lot of this training is not fun."

Plotkin recalls talking with one compliance officer who said she felt like a police officer at work, that her colleagues would whisper about her when she walked by. It's a familiar story, and one Plotkin would like to address through the humor, empathy, and metaphor that cartoon thinking promotes.

"If people freeze up the moment a compliance officer walks into the room, that compliance officer is working with one hand tied behind their back, Plotkin says. "But if we can bring a sense of empathy into the conversation, and working with compliance officers becomes something people look forward to, instead of avoid, that would be great."

For The Drawing Board, an ideal outcome is a session that reframes traditional ethics and compliance issues into a context that people can understand more deeply and more easily, especially if they are not ethics and compliance professionals themselves.

"We're not compliance trainers, but we make compliance training easier, more engaging and, at the end of the day, more worthwhile," Plotkin says. "We think this is a good collaboration that can be meaningful and can help our clients be better at what they do." ■

ABOUT THE EXPERTS

Pat Byrnes *is Co-Founder and Executive Creative Director of The Drawing Board. He is a cartoonist best known for his work in The New Yorker, as well as for his comic strip, Monkeyhouse. He received the 2001 National Cartoonists Society Advertising and Illustration Award and the 2017 National Cartoonists Society Gag Cartoonist of the Year Award. He can be reached at www.cartoonists.com and at www.patbyrnes.com.*

Jonathan Plotkin *is Co-Founder and Strategic Business Manager of The Drawing Board. He is a nationally published editorial cartoonist and illustrator who brings a 35-year career in business development to the Drawing Board team. Jonathan is a standing member of the National Cartoonists Society and the Association of American Editorial Cartoonists. His art can be found on the pages of the Chicago Tribune, American Bystander and other national print and online publications. He can be reached at www.cartoonists.com and at www.spontoonist.com.*

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For information on how to obtain Ethitoons for use within your own organization, please contact Anne Walker at anne.walker@ethisphere.com.

The Top Four Indicators of Spend Risk

By Mihnea Rotariu

Corruption and fraud is a constant challenge for companies regardless of their size and scope. It can cost companies significant sums each year and devastate the bottom line. It can seriously hurt a company's reputation and lead to negative publicity and lowered employee morale. And most importantly, it can prompt regulatory investigations and otherwise unwanted scrutiny from law enforcement.

Understandably, effective compliance processes are a top priority for any company looking to avoid these issues. Having controls in place ensures that companies and their employees are behaving ethically. However, deciding where to start can be easier said than done. There are several factors to consider when determining what parts of a company are most prone to corruption and fraud, and it is critical to have a clear idea of where your company's most significant risks lie when developing and executing your compliance processes. Analyzing every potential indicator of spend risk in your company without context is an exercise in futility. But by focusing on these top four indicators of spend risk, your company can better position itself to prevail in its ongoing fight against corruption and fraud.

INDICATOR #1: MARKET-BASED RISK

Understanding what segments of your company's operations pose the highest risks is foundational for every effective compliance program. There are several ways to categorize these risk areas within your company:

Geographic Locations. Many companies operate in multiple states, countries, or continents. Your company's compliance professionals must understand the unique challenges and regulatory expectations that come with working in various locales.

Geographic location is important on two levels: First, your company must be aware of the different compliance laws and regulatory expectations in each location. For example, if a company is headquartered in the United States but has a branch office or employees based in Germany, that company would still be obligated to implement specific due diligence procedures. For example, they would need to comply with Germany's Supply Chain Due Diligence Act when the law goes into effect in 2023.

Second, it is essential to understand that each geographic region may pose varying levels of risk and be subject to additional oversight. Jurisdictions that have AML/CFT (Anti-Money Laundering and Combating the Financing of Terrorism) deficiencies are considered high-risk and are subject to increased monitoring. Therefore, a company operating in even a limited capacity in jurisdictions such as The Bahamas, Pakistan, and Uganda, among other locations, may need to pay particular attention to risk-based policies, procedures, and practices.

Business Entity Types. Different industries are more susceptible to fraudulent activity. Therefore, compliance professionals need to be cognizant of the types of business entities with whom they are engaged. For example, according to Occupational Fraud 2022: A Report to the Nations, the retail industry faces a higher level of fraud than average due to inventory theft. In contrast, the healthcare, banking, and financial services industries have to contend with fraudulent billing schemes more frequently than other sectors. Understanding which businesses your company partners with and paying particular attention to those in higher-risk fields can help your company avoid unnecessary problems.

High-Risk Company Segments. Beyond your company's geographic footprint, consider the business operations within your organization that pose higher risks. Different departments within your company are likely to face higher odds of fraudulent activity. Examples include a companies' sales and channel partner management functions, which can be at a higher risk of corruption, bid-rigging, sanctions, or conflicts of interest, given their incentives to enable sales and the temptation to use inappropriate methods to do so.

A company's IT teams could also be considered high-risk due to the rising threats of data theft and other cybersecurity issues. Ideally, all employees within your company will receive appropriate compliance training and new monitoring tools will be implemented wherever necessary. Still, understanding which aspects of your company are most prone to risky activity can ensure that your compliance resources are focused on the correct departments.

INDICATOR #2: DOMAIN RISK

Negligent or malicious behavior from a company's employees and the third parties with which the company engages is one of the most common indicators of spend risk. There are a handful of likely behavioral issues that compliance and audit teams should keep an eye on, including:

Unethical Employee Actions. Employees who perform unethically can generate significant spend-related issues for their companies. Consider employee attendance: If an employee is supposed to be working 40 hours a week but frequently clocks in or out early, they would effectively cheat their employer out of time owed. Attendance is one example of how unethical employee actions can adversely impact a company.

Another example to consider is employees' potential conflicts of interest. Conflict of interest scandals can permanently damage a company's reputation and, in the worst case, open the company up to legal scrutiny, both of which can have drastically negative impacts on a company's bottom line. For example, an opinion writer for a financial website who holds stock in a specific company may not disclose that ownership when writing about that company. If publicized, this ethical breach could cause severe reputational damage to the individual and the website. Companies need to communicate to their employees the importance of disclosing conflicts of interest and ensure that they have processes in place that enable employees to do so without fear of reprisal.

Third-Party Behaviors. Engaging with third parties is necessary for many companies, but doing so poses a wide variety of risks, many of which can impact a company's finances. Consider a third-party distributor that is compensated on a commission basis that is incentivized to sell more in order to earn a higher commission. An example would be if the distributor is presented with a large contract opportunity to sell to a Government Entity only if the distributor would cover the construction of a vacation home for the Government Official in charge of the Procurement Commission; if the company would go ahead with the transaction they would be exposed to a significant corruption risk of tainting all of the transactions with the Government Entity.

Third parties can pose spend risks in other ways. Third parties are susceptible to data breaches, which can pose a variety of issues for the companies with which they do business. Furthermore, the nature of their work can change over the course of their relationship with a company, which traditional due diligence processes cannot detect. For example, a third party designated as low risk during the due diligence process may have been misclassified, or the scope of their work may have changed over time. If that entity engages in risky behavior over time without oversight, it could cause the company to be adversely impacted, such as via costly legal cases or reputational damage. Traditional methods of compliance—namely, processes that can't monitor third parties after the initial due diligence process—can struggle to detect long-term wrongdoing and anomalies in a third party's behavior. However, compliance processes that feature continuous spend monitoring can help companies ensure that the third parties they are engaging are behaving ethically throughout their relationship.

INDICATOR #3: POLICY AND TOOL RISK

Some company policies and tools can be prime targets for exploitation. These abuses do not always stem from your employees intentionally acting maliciously. For example, phishing scams, such as emails that trick employees into sharing their system passwords or otherwise sensitive information, are common cybersecurity risks that can cause myriad issues for companies. Compliance teams should ensure that their companies have safeguards in place and appropriate training courses to ensure that their colleagues are armed with the knowledge to avoid these issues. Beyond that, there are several kinds of company policies that can be indicators for spend risk:

Automatic Approvals. Automated approval processes, such as systems that automatically approve PTO requests and time clock systems, are prime targets for exploitation by employees seeking personal gain, cheating companies out of time and money. Be sure to implement monitoring systems to detect abnormal requests and prevent potential abuse by employees.

Expense Policies. Similarly, expense software is a typical company tool that can be manipulated by bad actors; an employee who submits a $10,000 meal reimbursement request is likely abusing the system. Having robust checks and monitoring in place can ensure that such activity does not go undetected.

Gifts. Companies need to ensure they have firm guidelines on gift-giving to avoid bribery issues, and they must effectively communicate those guidelines to employees. For example, a company's compliance system should be able to track the number and frequency of gifts given to a government official and understand the acceptable limits and norms to avoid a potential bribery scandal.

INDICATOR #4: STATISTICAL RISK

Companies have a wealth of data spread across enterprise platforms such as Human Resources, Enterprise Resource Planning, and Travel & Entertainment systems. Compliance and audit teams must be able to locate risk indicators within their data sets, including statistical indicators of spend risk.

Spend Anomalies. Abnormal transaction data within a company is one of the most frequent indicators of risky activity. As previously noted, an employee who expenses a $10,000 meal is a prime example of anomalous spend activity. Companies should have clear guidelines for what kinds of transactions—and the frequency of those transactions—are considered normal and communicate that information to their employees while monitoring against those guidelines. Being transparent about the types of transactions regarded as abnormal, while automating monitoring processes, can make it easier for companies to prevent and detect anomalous activity.

In theory, detecting abnormal transactions in your data is a simple concept, but data is often siloed in disparate systems across companies. This can make it difficult to detect fraudulent activity, especially if bad actors take steps to avoid notice. If siloed data prevents your compliance and audit teams from having a holistic view of transactions, consider investing in compliance systems that can effectively pull together and contextualize siloed data sets.

Suspicious Patterns and Trends. One of the most important aspects of data to monitor for spend risk is suspicious patterns and trends. For example, if a company working with a third party notices a pattern of unusual payments, it could be an indicator of corrupt activity. Similarly, if an employee is filing expense reports for a $100 meal (rather than the $10,000 meal above) but doing so with an unusual frequency, that trend could also indicate potential fraudulent activity.

An effective compliance program should be able to assign risk scores to individual transactions based on a company's risk appetite. If there is a trend where transactions are continuously outside a company's threshold for acceptable risk, that aspect of the business could require additional attention.

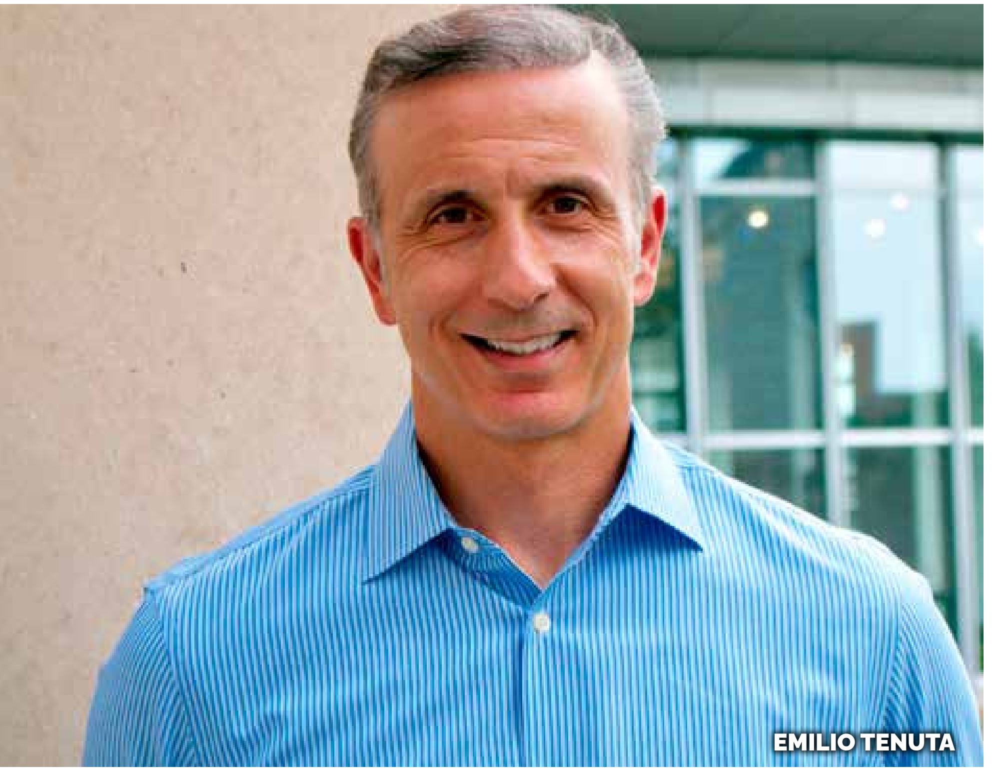
Completeness and Accuracy of Data. Compliance and audit teams need to understand the completeness and accuracy of their company's data sets, as well as the limitations. While some data—such as the number of hotline reports in a given time frame or the percentage of employees who completed a training program—is not directly related to spend risk, these metrics are often used to gauge the success of a company's compliance processes, and it is important to recognize their limits. We discussed the importance of having training programs for other spend risk indicators, but just because a high percentage of employees have completed their mandatory training does not necessarily indicate that the training is being followed or understood. Similarly, a company might see a drop in year-over-year hotline reports, but that does not guarantee that less suspicious behavior is happening. It only means that less suspicious behavior is being reported. Understanding the limits of these data sets and taking steps to contextualize the data will aid compliance and audit teams in better understanding spend risk within their company.

CONCLUSION

There are different compliance processes and tools that can help compliance and audit teams ensure that the aforementioned spend risk indicators are receiving appropriate attention. Attempting to track each of these spend risk indicators manually can be an overwhelming task, and a significant financial and manpower drain for organizations. That said, technological advancements in compliance are providing new opportunities for companies to effectively track these indicators and form more holistic views of risks across their enterprise. ■

ABOUT THE EXPERT

Mihnea Rotariu *is Risk and Compliance Analytics Director with Lextegrity, a leading provider of innovative enterprise data analytics and automation technology for compliance and audit professionals at leading global companies. Mihnea has over 14 years of leadership experience in matters involving bribery and corruption, monitorships, forensic accounting, regulatory compliance, data analytics, and due diligence. His expertise spans multiple industries, including life sciences, technology, hospitality, and industrial products. If you have additional questions about methods to monitor the top spend risk indicators that companies face, reach out to Lextegrity today.*


EMILIO TENUTA

Actions Speak Louder Than Words: Why We Need to Address the Say/Do Sustainability Gap

by Emilio Tenuta

A lot of companies are talking good talk when it comes to Environmental, Social, and Governance issues. But walking the walk? That's another story. If companies want to be taken seriously on ESG, they need to set tangible goals, align internally to achieve them, and be prepared to show their work.

Sometimes it seems as if the world has been turned upside down. We're facing so many global challenges at once – geopolitical, supply chain and inflationary – that it's hard to stay focused on the most pressing challenge of our time, namely climate change.

But it's essential that we keep our eyes on the ball and maintain our focus because the news around climate is not getting better. It's getting worse. And as we learned coming out of COP26, there is a growing chorus of consumer and stakeholder outcry about corporations making pledges without a defined path to achieve them and, as a result, falling short of their goals.

That's no surprise given the urgent need to address this issue and the dire consequences of inaction. The recent Intergovernmental Panel on Climate Change (IPCC) report warned that the world faces "unavoidable multiple climate hazards with global warming of 1.5oC (2.7oF)." And that temporarily exceeding this warming level will result in "severe impacts, some of which will be irreversible."

After a slight reduction in global carbon dioxide emissions during the COVID-19 pandemic, CO_2 emissions rebounded when economies and production bounced back. In 2021, global energy-related carbon dioxide emissions rose by 6% to 36.3 billion tons, their highest level ever and the largest increase in global CO_2 emissions in absolute terms, according to the International Energy Agency (IEA).

Couple that with the fact that the planet continues to get hotter, with this year so far ranked as the fifth warmest ever, according to the National Oceanic and Atmospheric Administration (NOAA).

And let's not forget, water. Climate change, population growth and economic development have led to increased competition for water resources. As a result, water has become scarcer and costlier and that will continue in the years to come – with a projected global freshwater deficit of 56% by 2030, according to the World Resources Institute (WRI).

In many ways, water is the number one physical risk that companies will face in a changing climate.

Businesses also need to prepare for the proposed SEC ruling to enhance and standardize climate-related disclosures for investors. The rule would require public companies to provide detailed reporting of their climate-related risks, emissions and net-zero plans, including emissions from direct (Scope 1), indirect (Scope 2) and upstream and downstream activities in their value chains (Scope 3) beginning in 2023.

Clearly, there are a lot of reasons why it is incumbent on businesses to do more, faster. But the primary one, quite frankly, is that it's the right thing to do.

For many companies, there is a disconnect between commitments and actions, something that we refer to as the "Say/Do gap." This inability to move the needle on sustainability actions is an obstacle toward progress and the source of so much consumer and stakeholder frustration.

Among the questions these groups want businesses to answer are:

- What is your current baseline?
- What is your ambition?
- What is your roadmap for getting there?
- And how do you measure your progress?

It's imperative for businesses to have clearly defined action plans with achievable goals and support from the highest levels of their organizations to ensure that they can achieve their objectives.

At Ecolab, we're working to advance a sustainable future together with our customers. In 2021, despite the many challenges facing us, we made tremendous progress toward our ambitious customer outcome goals. We've also made great progress in our efforts to achieve a net positive water impact and tackle carbon emissions. As a result, we're on a glide path toward achieving our 2030 impact goals.

Recent highlights include:

- Our progress as founding members of the Water Resilience Coalition, a CEO-led movement to work collectively to address global water challenges
- Receiving Alliance for Water Stewardship (AWS) certification for two additional manufacturing sites in Mexico and our first-ever platinum certification for our facility in Taicang, China
- Signing a virtual power purchase agreement in Finland that will enable us to achieve 100% renewable energy by 2030, instead of by 2050
- Launching an employee-led Global Sustainability Network to accelerate Ecolab's growth and impact

I'll be the first to say that it isn't easy for a company to achieve sustainability goals while simultaneously growing its business and creating value for stakeholders. But it can be done. First, companies need to develop a culture that enables them to achieve and operationalize ambitious sustainability goals. It also takes:

- An unwavering commitment from senior leadership
- Alignment with business strategy
- Readiness of an organization to act

At Ecolab, we've learned that having our CEO and executive leadership committed to supporting us on our sustainability journey is critical. And what helps get senior management on board is understanding the implications to our business strategy in terms of risks and opportunities. If we don't address the challenges posed by water scarcity and climate change, we can't continue to succeed and grow.

The journey isn't an easy one and the challenges are many, but when the course is set by leadership, we can achieve seemingly unsurmountable tasks. We have a lot of work to do to overcome the gap between where we are today and where we need to be in the not-so-distant future. But with a leadership commitment, a timeline and clearly articulated goals, it can be done. And when that happens, everyone will benefit – businesses, people and the planet.

ABOUT THE EXPERT

Emilio Tenuta *is Senior Vice President and Chief Sustainability Officer, Ecolab. His 37-year tenure at Ecolab includes 25 years of technical, marketing, and business management experience in various industries including Food and Beverage, Pharmaceutical, Lodging, Healthcare, Primary Metals, and Automotive. In the past 11 years, Tenuta has led Ecolab's strategic sustainability journey focused on corporate responsibility, internal environmental stewardship, and helping customers operate more sustainably. He is actively involved in advancing global sustainability practices, with a significant focus on water stewardship and climate action. In recent years, he's become a leader in environmental, social, and governance (ESG) practices and reporting and has collaborated with a number of large impact investors. He sits on the board of directors of the World Environment Center, a global non-profit, non-advocacy organization, and the leadership council of the Corporate Eco Forum.*

Making Diversity, Equity, and Inclusion a Reality

Interview led by Catherine Hanaway

Husch Blackwell's Chair **Catherine Hanaway** is joined by **Larry Leverett**, Johnson Controls, **Inderpreet Sawhney**, Infosys, and **Alan Nevel**, The MetroHealth System, to discuss ways to institute enterprise-wide DEI efforts, the various stakeholders involved, and strategies to engage them and recruitment and retention activities. This Q&A features excerpts from the 2022 Global Ethics Summit panel session "Making Diversity, Equity, and Inclusion a Reality."

Catherine Hanaway: There has been a lot of focus on DEI initiatives and activities recently. Could you speak to how we can make DEI matter across our platforms? How can we move the emphasis on DEI from its own lane to be part of the culture of an entire organization? And finally, is this a moment or a movement? What can we do to make our DEI efforts persist throughout the entire organization?

Alan Nevel, The MetroHealth System: We have started to look at how we market and brand ourselves to reflect our mission. The MetroHealth System has focused on solving the social determinants of health since our founding. If you don't have adequate housing or lack gainful employment, or you live in a food desert, research shows you are going to be sick. Within our organization we feel we have a moral obligation, not just to get our house in order, but to engage other organizations. The only way to change the narrative and to make a lasting impact is to bring all industries together.

Larry Leverett, Johnson Controls: DEI efforts need to be about culture instead of discrete programs and initiatives. How do you build culture? One of the most fundamental ways that I've seen success is a very simple tool called 'talking about it'. Change and transparency is driven by communicating openly and intentionally about these issues and building out vernacular and vocabulary around issues the collective body knows are important. At Johnson Controls, we launched a program called "Perspective Sessions" about 18 months ago. I participated in the inaugural session featuring a panel of people with different backgrounds where we simply talked about being dads. I shared a story about my son during that session, and people still talk to me about him. Open conversations such as these drive a level of transparency, normalize people's stories, and create vocabulary. This helps us all see who we are and see ourselves as under the same tent – that's the way we drive culture. That's the way we transform this opportunity from something that happened, to how we do things, to this is our culture.

Inderpreet Sawhney, Infosys: We're a technology company, and we feel that if we can get people upskilled and reskilled to become part of the technology workforce, whether they come to work for us or go work for someone else, that is probably the best way we can make a difference to people who would otherwise not have access to those skills. Internally we ran a program called 'I am the Future' with the idea to take the top 300 women across the organization and provide them with career support and feedback. Similarly, we just did a partnership with the Thurgood Marshall College Fund to hire people from historically black colleges and universities so that we are bringing in another group of people who otherwise might not have joined our organization. We have made training material available to whoever wants to participate and reskill themselves. These little programs are like puzzle pieces, and hopefully there will be so much conversation happening in different parts of the organization that the bigger picture will start to look like what we want to see: diversity, equity and inclusion.

Catherine: In 2019, The Business Roundtable kicked off a hyper-focus on ESG by stating that the purpose of business was no longer solely to benefit shareholders, but to look out for the benefit of all stakeholders. How have your organizations reacted? Who are your stakeholders? And where have you been feeling pressure to accelerate and invest in your DEI efforts and culture, since that's what we're all shooting for, a culture that is diverse, equitable and inclusive?

Alan: Employees have choices, and we are now fishing for talent differently than we have in the past. This has been demonstrated by the 'Great Resignation'. A lot of able-bodied folks who were not of retirement age decided to follow their hearts and do something different. We are now looking for talent in non-traditional schools and organizations. Due to the competitive nature of the job market, we have to be tied into stakeholders to survive.

Inderpeet: We view our stakeholders as customers – who are going through the same process and are asking about our ESG efforts – and employees. The Millennials for whom we are vying are concerned with our efforts. Investors are asking as well, and every organization needs to be reactive to them. Vendors are asking if their supply chain – which we are part of – consists of organizations that they want to partner with. Finally, the community that we operate in. Companies are responding, and those that are not won't continue to flourish.

Catherine: We are also experiencing that from clients – a demand for legal services teams to be diverse and inclusive. These diverse teams are a good thing for clients, for creativity, for problem solving. A space we're in competition with many others is in the war for talent, both recruiting and retaining talent. You both previously made points that this generation is different and is looking for economically rewarding careers that also provide a sense of purpose and mission. Many younger people in the workforce want to be sure the organizations they devote themselves to are similarly committed to a sense of purpose and mission. What advice do you have to best attract, retain and promote diverse talent?

Larry: Three things come to mind in response to your question. 1) Be credible, be the type of organization that the talent you're trying to attract wants to work in. The younger generation will ask questions and have higher standards on work culture. 2) Pay attention, engage people and help them be the authors of their own careers. 3) Loosen up where you go, that is, go to where the diverse talent is. Additionally, go into communities to engage future workers when they're young. I have a son who is 12, and when he does think about college, Morehouse will be on his list because he has uncles and family friends who all went to Morehouse. From the time he was a little boy, it has had a presence in his life. If he ends up going to a different school, they will have to persuade him away from Morehouse. Companies can use that same model. Be a presence in communities. Be a brand that diverse communities recognize and where members aspire to work. Catch them before they join the workforce, and then be credible and pay attention when you get them into your organization.


CATHERINE HANAWAY

Inderpreet: When you go to where your talent is be honest about your demographics. Don't send every African American in your organization. Be honest and show you'll be welcoming. Once you've invited them into your organization, make sure they are involved and not simply sitting at the edge of room. Make sure you're giving them a seat and a voice at the table; otherwise, you'll just be ticking boxes instead of breaking boxes. If your intent is to be truly diverse, then a seat at the table has to be one that is empowered in order to create representation and form magnets of people to attract others from those same communities into your organization.

Larry: That's inclusion. What you just described is the inclusion piece. When people feel included, when they feel empowered, when they don't just have a seat at the table, but a voice that matters it starts to beg the question "why would I leave?"

ABOUT THE EXPERTS

Catherine Hanaway *is Chair of Husch Blackwell. A former U.S. Attorney and Missouri House Speaker, Catherine defends clients nationwide, helping resolve their toughest and most sensitive legal issues.*

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Culture of Integrity—The Key to Creating an Ethical Business Beyond Compliance

By Mini vandePol, Henry Chen, and Christine Cuthbert

A culture relying solely on "ethical compliance" is not sufficient to protect against failures. Rather, it comes down to personal integrity shown by leaders and employees to "walk the talk." In our experience, there are four key pillars to creating a value-driven and ethical business culture: Transparency, Leadership, Communication, and Response.

Environmental, Social and Governance (ESG) continues to be a key strategic priority for corporate boards. For many, the United Nations' Sustainable Development Goals (SDGs) have become a tangible means through which to move their ESG initiative. In fact, according to our report, [From Strategy to Action—Advancing ESG in Asia Pacific], 68% of respondents say they embed SDGs into their strategic planning. However, this figure varies across the region, with businesses in Japan and Australia leading ahead (99% and 98% respectively), followed closely behind by Singapore (89%), India (83%), Hong Kong and Indonesia (each with 64%). With ethics being implicit across all 17 SDGs, companies are placing greater emphasis on being recognized as having a strong ethical culture.

In a professional context, ethical culture is characterized by honesty, fairness, and equity. It also respects the dignity, diversity, and rights of individuals and groups of people. However, do companies that espouse their ethical practices consistently satisfy all these criteria, or is it merely a strategic aspiration? Can an ethical culture in a corporate context be measured, and what is the impact on this culture when there is an integrity failure? These are the questions we consider in the context of a recent case from Australia.

ETHICS AND INTEGRITY

In the corporate context, ethics and integrity are used interchangeably when discussing a company's culture. However, it is unwise to treat these two concepts as one and the same. A person with integrity will have the qualities of being honest and fair. This highlights that it is a personal choice. Corporate ethics, however, can be imposed on a person to guide their behavior—whether they agree or not—in the form of laws or codes of conduct. Integrity cannot be imposed; it has to come from within. A person with integrity will be self-motivated towards the correct action because it is the right thing to do.

The difference in outcomes between these two concepts was illustrated during a recent inquiry conducted by the New South Wales gaming regulator examining whether The Star Casino—operated by The Star Entertainment Group Limited, an Australian listed company—should continue to hold its Sydney casino license. As of late May 2022, the 36-day inquiry has only recently concluded and a decision is yet to be delivered. However, the evidence provided by various senior executives and in house lawyers of Star is germane to the question of what constitutes ethical business practice and how it is impacted by the personal integrity failure of its most senior leaders and advisors.

The Star inquiry considered allegations that the casino disregarded anti-money laundering procedures to avoid China's strict capital flight and anti-gambling laws. While giving evidence in the inquiry, the former Star CEO acknowledged that Star repeatedly failed to manage risk and regulation, describing it as a "secretive and not transparent" company that followed the "letter of the law and not the spirit of the law." The inquiry heard evidence that the former CEO personally approved a single high-roller to withdraw more than AU$22 million over three days without any anti-money laundering (AML) checks. Evidence was also submitted that Star acted "as an ATM" for some guests, falsely disguising over AU$900 million of gaming transactions as hotel expenses such as food, beverage and room charges. The former CEO conceded that it was a "fundamental failing" of Star to allow the practice.

How a business deals with grey areas provides a key insight into whether it has a strong ethical culture. This culture, however, may be destroyed if leaders lack the integrity to speak up or make tough decisions at a critical juncture to uphold the spirit of the law. The Star Entertainment Group holds itself as upholding and enhancing standards in ethical behavior across all areas of their business. However, Counsel assisting the inquiry suggested that all three of Star's senior lawyers, who have since resigned, at times displayed unethical and dishonest conduct, singling out the former General Counsel for what she described as "deliberate obfuscation."

The evidence given by Star senior executives and in house lawyers demonstrates that a culture relying solely on ethical compliance is not sufficient to protect against failures. Rather, it is the personal integrity shown by its leaders and employees which is the essential factor.

In our experience, there are four key pillars to creating a value-driven and ethical business culture: **Transparency, Leadership, Communication,** and **Response.**

TRANSPARENCY

Transparency is a key driver of an ethical business culture. It is through transparency that a company is able to ensure its leaders and employees are accountable for their actions both personally and on behalf of the company. It also discourages secrecy and limits the opportunity to act in the shadows—the very "secret and not transparent" company behavior that Star's ex-CEO suggested led to the company's AML issues.

But what does transparency look like? It does not mean that every decision made by the board needs to be open to public scrutiny. However, it does require the company to ensure it has in place the policies and procedures to reinforce its values, and sufficient checks and balances on the other end to ensure nothing is slipping through the cracks. Those responsible for administering the various components of the policies and procedures do need to be held accountable, but they also need to feel empowered to raise issues—not just policy or legal issues, but also those where their personal integrity calls them out—without worrying about retaliation.

LEADERSHIP

Tone at the top and leadership buy-in is crucial in creating and maintaining a culture of ethics. Despite the strong words of commitment to ethical business in annual reports and town halls, the perception of personal integrity of leaders remains weak. In fact, the honesty and integrity of business leaders surveyed by Gallup Polls over many years had 21% of poll respondents rating executives highly or very highly in 1991 however this has dropped in 2021 to just 15%.

The Board and the C-Suite of the company must "walk the talk" to demonstrate that ethics is a priority, and that integrity is valued as at least as importantly, if not moreso, than financial performance. For example, management needs to allocate sufficient resources and employees for the review of alleged ethical failures so that the issues are not casually disposed of but are instead effectively and independently probed using credible investigation processes. For this reason, it is important for the Board to have direct oversight of the ethics and integrity function to resolve conflicts when considering fairness, diversity and inclusion, transparency, and personal privacy and making the most appropriate choices when formulating company policies.

The 2022 World's Most Ethical Companies® honorees report that their Board or a committee of the Board is charged with overseeing the health of the organization's culture. The Honorees also arm their ethics and compliance programs with senior leaders, with 76% of them assigning the program ownership to a Chief Ethics and/or Compliance Officer.

The qualities required in ethical leadership was discussed by [Kenneth Polite], the Head of the US Department of Justice's Criminal Division. Mr. Polite noted that the Division, when evaluating corporate compliance programs, will look at the "qualifications and expertise of your compliance personnel and other gatekeeper roles." He warned against those who still believe it is enough to paste an exalted title onto some junior person and call that person a "compliance officer" without independence, authority, or status. We should add personal integrity to these qualities—after all, empowerment without integrity may simply result in the kind of failure highlighted in the Star inquiry.

COMMUNICATION

Companies, especially those with many thousands of employees across the globe, also face challenges in creating a cohesive culture after setting the correct tone at the top. Periodic training is one of the top-down ways to ensure that the integrity messages are conveyed to all employees. In terms of compliance and ethics, it is as important to ask whether the employees let down the company as it is to ask whether the company lets down the employees. Another equally important way is to facilitate open discussions. Most of the 2022 World's Most Ethical Companies Honorees leveraged managers to broadcast ethics and compliance messages to their respective business units. In fact, Ethisphere's [ethical culture data] has shown that transparency and communication go hand in hand—employees' perceptions of organizational justice, courage in speaking up, and perceived willingness to report, closely tie to whether and how often their immediate manager is engaging with them on these topics.

RESPONSE

The approach taken by a company in response to an ethical failure is directly related to the strength of its culture of ethics. How resourced is the response team? Is it empowered and funded by management to take appropriate steps? Is the same level of focus given to internal ethical failures and those involving external parties? While failures involving external parties may attract more immediate public scrutiny and reputational and monetary damage, internal ethical failures are potentially even more corrosive as they eat away the confidence of employees, contractors, investors, and other stakeholders. Acquiescence to an isolated breach may give a wrong signal to employees, leading to further systematic failures. Where the issue has arisen through a whistleblower hotline, compliance audit, or other reporting mechanism, a failure to properly address and remediate the breach also sends a signal about the ineffectiveness of such mechanisms, reducing the likelihood that they will be used or taken seriously in the future. Companies that have a credible ethical culture focus on long-term compliance sustainability over short-term success, and call out unethical behaviour even when it has a detrimental financial or other business impact.

Our Investigations, Compliance & Ethics Group in Asia has seen first-hand how, ethical failure can be avoided by valuing and fostering personal integrity. However, when failures occur, this provides the perfect opportunity to test the mettle of companies and improve their culture. In many cases, where the allegation does not immediately implicate a breach of law or policy, companies may be reluctant to conduct an investigation. However, this is a further ethical failure demonstrating leadership integrity weakness and possibly exacerbating future failures such as those identified in the Star inquiry. In light of the higher expectations of regulators and stakeholders and the strategic priority placed on ESG, it is time for companies to stop conducting a box-ticking exercise or taking advantage of legal grey areas, but instead adopt the key pillars of Transparency, Leadership, Communication, and Response to support and value both ethics and integrity within their business.

This article is an edited version originally ran in [The BELA South Asia Culture Issue].

ABOUT THE EXPERTS

Mini vandePol *is the Head of Baker McKenzie's Asia Pacific Investigations, Compliance & Ethics Group, after successfully completing three years as the Global Chair. Mini focuses on anti-bribery and corruption, trade sanctions, fraud, and other senior executive misconduct investigations across Asia, but most particularly in Hong Kong, China, and India. Mini has more than 30 years of experience and is the trusted advisor to the boards and audit committees of Baker McKenzie's most significant global clients.*

Henry Chen *is Senior Counsel with FenXun Partners (Baker McKenzie's joint operation platform in China), in Shanghai. Henry has more than 15 years of experience in handling cross-border compliance matters. As a US- and PRC-trained lawyer, he has advised many multinational corporations on compliance and risk management in a variety of areas, including anti-bribery and corruption, and anti-money laundering.*

Christine Cuthbert *is a special counsel in the Hong Kong disputes practice of Baker McKenzie. She specializes in corporate crime and investigations. She has over 10 years of experience in all forms of contentious work, including cross-border investigations and litigation, as well as other corruption-related matters.*

Calibrate Risk Globally

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INVESTIGATIONS, COMPLIANCE & ETHICS

By the Numbers

ESG ADDS UP

Ethisphere's proprietary data set on the World's Most Ethical Companies® offers a trove of insight into the best practices of leaders in the ethics & compliance space. Below are some intriguing numbers on how these companies approach their environmental, social, and governance (ESG) programs. Click here for an infographic with further data points on program structure, culture, corporate governance, and more.

72%

Utilize the Global Reporting Initiative (GRI) Standards to evaluate and report on global impacts

60%

Tie materially important ESG risks and opportunities into their risk management processes

86%

Formally engage with internal and external stakeholder groups to identify ESG risks

83%

Release publicly available ESG goals and targets

The Final Word

Paying It Forward

Business that do well do a lot for others. But businesses that do *good* create greatness far outside of themselves. I believe this deeply. And it's at the heart of what we do here at Ethisphere, where we live by the conviction that good ethics is strong business.

And yet, there are interesting things afoot in these frantic and troubling times. Earlier this year, the 2022 Global RepTrak 100 report noted that for the first time since 2018, corporate reputations have decreased. This reflects what RepTrak calls *"the public's disappointment in the corporate sector on a global scale,"* driven largely by perceptions in APAC and Europe.

This is not great news, but there *are* a lot of companies making extraordinary efforts to practice good, to give back, and to **pay it forward**. At a time when people see evidence of the opposite, it matters even more to showcase the companies that are stepping up.

Take **Colgate-Palmolive**, for instance. At the end of July, they launched the **Colgate Smile Fund** to invest in initiatives that will help kids in systemically under-resourced schools across the U.S. succeed. It's all part of an even larger drive to boost optimism itself. After all, you can't show off your nice, clean teeth if you don't have a reason to smile, right?

In early May, **Dell Technologies** announced its partnership with Computer Aid, Intel, and Microsoft to launch 25 solar-powered community internet hubs across three continents. These hubs will be built with communities' unique needs in mind as they deliver access to education, economic training, and healthcare. The first hub, in Boa Esperanca, Brazil, will help the local community address local deforestation.

In late 2021, **illycaffè**—a company whose certified B Corp status speaks to its commitment to sustainability—announced its plans to implement regenerative agriculture initiatives in Guatemala and Ethiopia that would produce high-volume, high-quality coffee in a way that significantly decarbonizes their production process. It's just the latest in the company's global reforestation efforts since 2013. And guess what? On August 1, illycaffè announced a 21 percent year-over-year growth in net revenue.

And finally, **PepsiCo** recently announced it will build a new manufacturing plant in Denver that will implement entirely renewable electricity, reduced use of virgin plastic, and most of all, best-in-class water efficiency technologies that are part of the company's stated goal to become *"net water-positive"* by 2030. This matters enormously at a time when we are in the midst of a global water crisis, and much of North America is rapidly drying out from a colossal drought that hasn't let up since 2020.

All of this is just the tip of the iceberg. There are so many great companies finding their own way to do good on behalf of people who need some kind of help. For those of us who champion the power of values-based leadership, these are fine examples of what good looks like. Now, let's go make some more of them. The world is counting on us.

TIM ERBLICH
CEO, Ethisphere