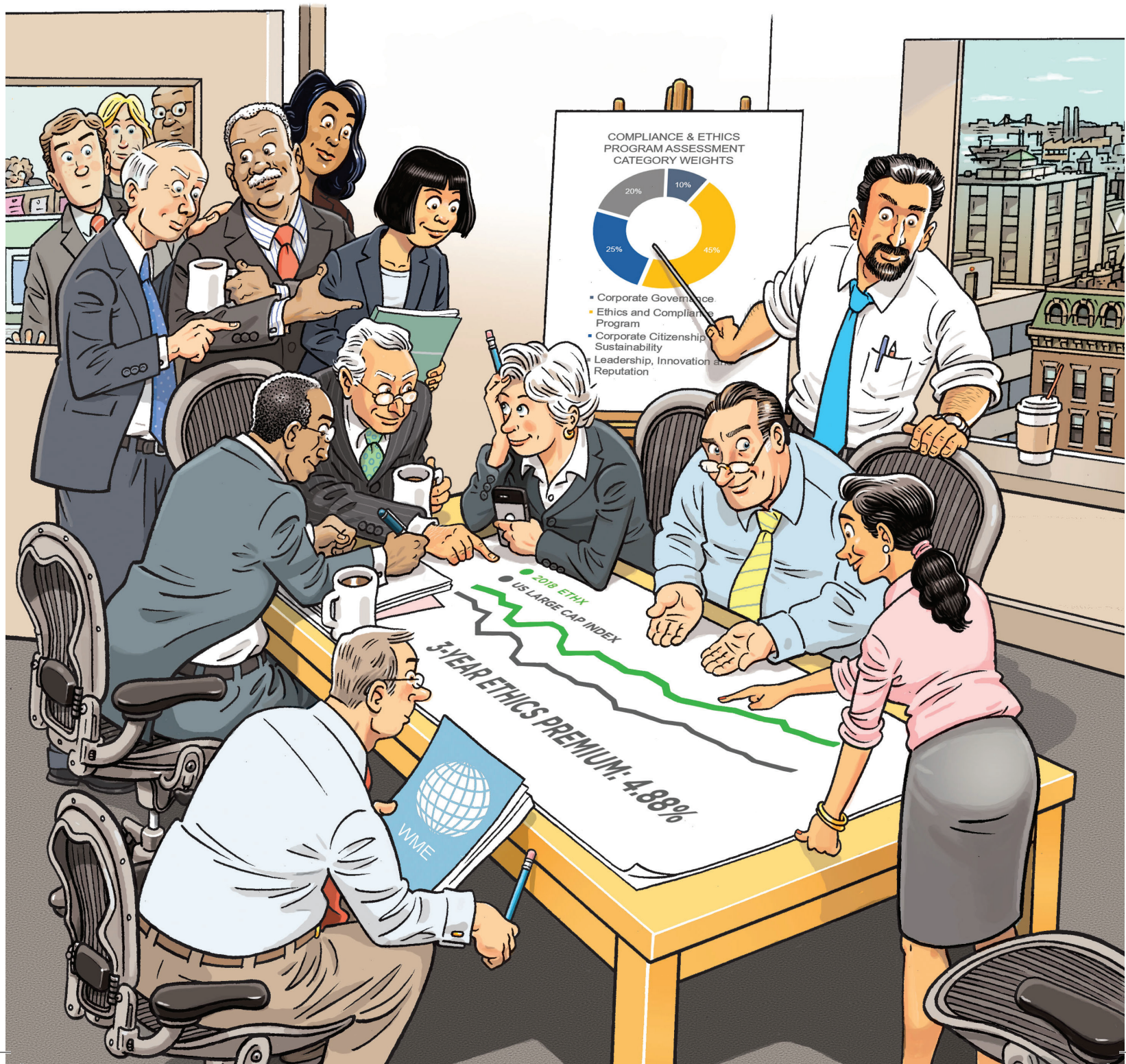


# ETHISPHERE®

2019



GOOD. SMART. BUSINESS. PROFIT.®

# ETHISPHERE®

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## Our Mission Statement

The Ethisphere® Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success. We have a deep expertise in measuring and defining core ethics standards using data-driven insights that help companies enhance corporate character. Ethisphere believes integrity and transparency impact the public trust and the bottom line of any organization. Ethisphere honors superior achievements in these areas with its annual recognition of The World's Most Ethical Companies®, and facilitates the Business Ethics Leadership Alliance (BELA), an international community of industry professionals committed to influencing business leaders and advancing business ethics as an essential element of company performance. Ethisphere publishes *Ethisphere Magazine* and hosts ethics summits worldwide.

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



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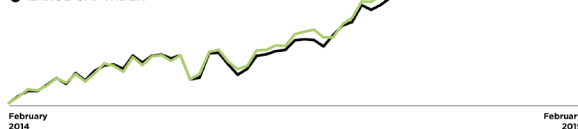
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### FIVE-YEAR ETHICS PREMIUM: 14.4%

Performance of the listed 2019 Honorees as compared to the Large Cap Index from February 2014 to February 2019

● 2019 ETHX  
● LARGE CAP INDEX



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# THE 2019 WORLD'S MOST ETHICAL COMPANIES

AND THE HONOREES ARE...

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The World's Most Ethical Companies® outperform their peers when it comes to promoting ethical business standards and practices both internally and externally. These standards create a culture that enables their executives, managers and employees to make good choices for the companies and their communities in which they operate. The World's Most Ethical Companies are shaping future industry standards by introducing tomorrow's best practices today.

As in years' past, applicants were asked to provide information across each category with supporting documentation which Ethisphere evaluated qualitatively.

The following pages list the 2019 World's Most Ethical Companies, outline Ethisphere's methodology and selection process, and highlight stories from some of this year's honorees.



his year, 128 organizations are recognized as World's Most Ethical Companies, spanning 50 unique industries across 21 countries. These organizations earned the distinction after a comprehensive application and review process.

The 2019 application year brought significant revisions to each assessment category. These changes reflect increasing sophistication of practices among leading companies, feedback received from the business community, and input from Ethisphere's Methodology Advisory Panel.

Examples of the changes include: (i) additional focus on levels of board engagement and depth and breadth of oversight with respect to sustainability, culture and human capital, (ii) the extent companies are embarking on root cause analyses following investigations, (iii) ethical risk management throughout the supply chain, (iv) the extent to which ethical culture is measured and shared across the enterprise, (v) demonstrations of ethical leadership among a company's highest-ranking members, and (vi) efforts to be more transparent generally, and specifically about ethical issues raised and how they are addressed.

The following is a breakdown of the assessment categories considered, and their weighted impact on an application's score, as part of Ethisphere's methodology to determine the World's Most Ethical Companies:

#### **Ethics & Compliance Program (35%)**

This category examines an organization's program put in place to ensure compliance with applicable regulations, as well as conduct that complies with the highest ethical standards. The criteria used for this category are fully aligned to incorporate best practices, relevant case law and the "hallmarks" of an effective compliance and ethics program, as outlined by the Federal Sentencing Guidelines, including:

- 1. Program structure, responsibility and resources;**
- 2. Program oversight and tone at the top;**
- 3. Written standards;**
- 4. Training and communication;**
- 5. Due care;**
- 6. Detection, monitoring and auditing; and**
- 7. Enforcement and discipline.**

#### **Leadership, Innovation & Reputation (10%)**

This category measures an organization's legal compliance, litigation, environmental, and ethical track record, along with the strength of its reputation in the marketplace. While Ethisphere considers awards and accolades earned, the category

also examines concrete examples of corporate leadership in local, national, industry and/or global initiatives that promote business ethics, responsible/sustainable business practices, environmental stewardship, good governance, transparency and social responsibility. The category seeks organizations that are out in front leading and creating positive change, not standing on the sidelines and joining in once others have paved the way.

#### **Governance (15%)**

This category examines the availability and quality of systems designed to ensure strong corporate governance (as defined by the US Sentencing Commission, Securities and Exchange Commission and other regulatory bodies), including oversight, governance principles, and risk management. Governance criteria are modified as needed and as is appropriate when reviewing publicly traded companies compared to private companies, partnerships, non-profits, etc..

#### **Corporate Citizenship, Sustainability & Responsibility (20%)**

This category reviews a wide range of an organization's performance indicators associated with sustainability, citizenship and social responsibility. It specifically includes such areas as: environmental stewardship, community involvement, corporate philanthropy, workplace impact and well-being, and supply chain engagement and oversight. The quality and efficacy of the initiatives are considered, in addition to stated and measurable goals, accountability and transparency.

#### **Culture of Ethics (20%)**

This category examines the extent to which an applicant promotes an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Specifically, the category measures an organization's efforts and success at establishing an ethical tone at the top of the organization and then the steps taken to communicate, reinforce and monitor the effectiveness of that tone throughout every level of the organization. Ethisphere considers steps taken to establish an ethical culture as well as those to measure, evaluate and improve the culture.

Note that there is not a specific set of questions on this subject; rather, Ethisphere considers the organization's responses to questions from throughout the survey that relate to the organization's underlying culture.



## ■ AEROSPACE & DEFENSE

Noblis, Inc. // USA

## ■ APPAREL

H & M Hennes & Mauritz AB // Sweden  
VF Corporation // USA

## ■ AUTOMOTIVE

Activ PLC // United Kingdom  
Cummins // USA  
Oshkosh Corporation // USA  
Volvo Cars // Sweden

## ■ BANKING

BMO Financial Group // Canada  
Fifth Third Bank // USA  
Old National Bancorp // USA  
Teachers Mutual Bank Limited // Australia  
U.S. Bank // USA

## ■ BUSINESS SERVICES

Dun & Bradstreet // USA  
Premier Inc. // USA  
Vizient // USA

## ■ CHEMICALS

Eastman // USA  
Ecolab // USA

## ■ CONGLOMERATE

DCC plc // Ireland  
Sony Corporation // Japan

## ■ CONSTRUCTION & BUILDING MATERIALS

Cementos Progreso, S.A. // Guatemala  
Geostabilization International // USA  
Granite Construction Incorporated // USA  
Owens Corning // USA

## ■ CONSULTING SERVICES

Accenture // Ireland  
Capgemini // France  
Genpact // USA

## ■ CONSUMER PRODUCTS

Colgate-Palmolive Company // USA  
Hasbro, Inc. // USA  
Kimberly-Clark Corporation // USA



## Rich Templeton

**Chairman, President &  
Chief Executive Officer**  
*Texas Instruments, Inc.*

### Semiconductors

Although the list of World's Most Ethical Companies honorees has grown significantly over the years, a small number of firms hold the distinction of being thirteen-time honorees. These companies have earned the designation every single year that it has been given, staying on the list through their steadfast commitment to exemplary conduct toward their communities and their employees. Texas Instruments is one of those companies.

For Texas Instruments CEO Rich Templeton, that consistency is a point of great pride. "The test of great companies," he explains, "is not whether we have issues or challenges; it's how we respond with speed, thoroughness, and thoughtfulness when issues arise. The key to our culture is that we act when we see those things." In a variety of ways, Texas Instruments has set itself apart in the way it does business.

One of the major areas where Texas Instruments stands out is its significant corporate social responsibility efforts in the communities where it operates. "For more than 85 years, TI leaders have been committed to building strong communities where we live, work, and play," Templeton says. "It's in these communities that our employees go about their daily lives, so it's important to us that we do our part to make our communities strong." This commitment manifests in a number of different forms, including direct philanthropy, employee volunteer hours, and conservation efforts, and the company is laudably transparent in its attempts to quantify its impact through public reports.

TI also excels in its efforts to engage its numerous stakeholders. "We realize that we serve a variety of stakeholders and that it is important to periodically monitor our relationships with them in today's dynamic environment," Templeton said. Stakeholders include "senior management, shareholders, employees, customers, suppliers, investors, community leaders, and industry representatives," according to Templeton—a very broad group to which it remains accountable.

Of course, TI's longevity on the World's Most Ethical Companies list has required more than just good deeds and engagement with a broad group of stakeholders. From the highest levels on down to every employee, the company has consistently chosen to commit to doing business the right way. Templeton explains, "Every Tier—at every level of the company—has a role in making sure we behave ethically, treat each other with respect, conduct business the right way, and speak up when we see something wrong." That attitude will hopefully keep Texas Instruments operating ethically, and on the World's Most Ethical Companies list, for another thirteen years.



**Darryl White**

**Chief Executive Officer,  
BMO Financial Group**

*BMO Financial Group*

**Banking**

Although BMO Financial Group has only been a World's Most Ethical Companies honoree for two years, the company's CEO, Darryl White, describes the recognition as a natural part of a much longer history. "Our company has been around 202 years," he says, "and on the occasion of our 200th anniversary we spent a lot of time learning about our past. Ethics have been alive for centuries at our bank, in different forms and different ways."

As White sees it, in many ways the rest of the public and the business world is catching up to this two-hundred-year-old ethos. "It probably has never been more relevant to be among a growing list of companies who stand for so much more than their P&L and the financial outcome they deliver to shareholders." Of course, even though BMO and all of the other firms on the World's Most Ethical Companies list fit that description, White makes the point that companies have more work to do in changing public perception. "It's a story that we as a business community probably need to do a better job telling," he remarks.

One of the areas in which BMO is a particular leader is their commitment to diversity and inclusion. White lays out the company's laudable gender diversity metrics, saying, "Our commitment to diversity and inclusion, we think, stacks up as well as anybody's. Fifty-six percent of our employees are female, and 40 percent of our senior leaders are female." In an industry like financial services that is not known for its gender parity, that achievement is all the more remarkable.

Of course, BMO did not end up with such a diverse organization merely by chance: the company set ambitious goals for itself, identified metrics for improvement, and then publicized their progress toward those goals. "You have to be clear, consistent, and persistent over time," White says. "We started writing whitepapers on diversity and inclusion 25 years ago. We've been at this for a very long time, both for the human necessity and the business imperative.

"We can benchmark, compared to banks and even beyond financial institutions," he says. "We track and pay attention to our progress with indigenous people, minorities in senior roles, and persons with disabilities." As we often say at Ethisphere, what gets measured, gets better, and BMO's stunning performance on diversity metrics is a prime example of that maxim in action. Other companies seeking to create a more welcoming atmosphere for a more diverse, and ultimately more effective, workforce would do well to follow their lead.

**DIVERSIFIED MACHINERY**

Rockwell Automation // USA  
Schneider Electric // France

**ELECTRONIC COMPONENTS**

Avnet // USA  
TE Connectivity // Switzerland  
Western Digital // USA

**ENERGY & UTILITIES**

Avangrid, Inc. // USA  
Capital Power // Canada  
EDP - Energias de Portugal, S.A. // Portugal  
Iberdrola, S.A. // Spain  
NextEra Energy // USA  
The AES Corporation // USA

**ENGINEERING & DESIGN SERVICES**

Fluor Corporation // USA  
Parsons Corporation // USA

**ENVIRONMENTAL SERVICES**

Republic Services, Inc. // USA

**FINANCIAL SERVICES**

Principal // USA  
Prudential Financial // USA  
Thrivent // USA  
TIAA // USA  
Voya Financial, Inc. // USA

**FOOD PROCESSING & DISTRIBUTION**

GRUPO BIMBO // Mexico  
Kellogg Company // USA  
Mars, Incorporated // USA

**FOOD, BEVERAGE, & AGRICULTURE**

illycaffè // Italy  
Ingredion, Incorporated // USA  
PepsiCo // USA

**FORESTRY, PAPER & PACKAGING**

International Paper Company // USA  
Weyerhaeuser Company // USA

**FOR-PROFIT HEALTHCARE PROVIDER**

HCA Healthcare // USA



## HEALTH & BEAUTY

Kao Corporation // Japan  
L'Oréal // France  
Natura // Brazil

## HEALTH INSURANCE

Blue Shield of California // USA  
Cambia Health Solutions // USA  
CareFirst BlueCross BlueShield // USA  
Health Care Service Corporation // USA

## HEALTHCARE PRODUCTS

Henry Schein, Inc. // USA

## IMAGING TECHNOLOGY

Canon U.S.A. // USA

## INDUSTRIAL MANUFACTURING

3M // USA  
Johnson Controls // Ireland  
Milliken & Company // USA  
The Timken Company // USA

## INFORMATION TECHNOLOGY SERVICES

IBM // USA  
Leidos // USA  
Wipro Limited // India

## INSURANCE

Aflac // USA  
Allstate Insurance Company // USA  
MassMutual // USA  
Pacific Life // USA  
The Hartford // USA  
USAA // USA  
Wisconsin Physicians Service Insurance Corporation // USA

## INSURANCE BROKERS

Gallagher // USA

## INTEGRATED HEALTHCARE SYSTEM

Kaiser Permanente // USA  
UPMC // USA

## LEISURE & RECREATION

Royal Caribbean Cruises Ltd. // USA

## LODGING & HOSPITALITY

Hilton // USA  
Wyndham Hotels & Resorts // USA



## Abidali Neemuchwala

### Chief Executive Officer and Executive Director

*Wipro Limited*

**Information Technology Services**

Naturally, Wipro Limited's CEO Abidali Neemuchwala is quite proud that the company he leads has been named a World's Most Ethical Companies honoree once again. "It's a matter of pride for people to work for an ethical company," he says. For Neemuchwala, Wipro is all the more remarkable as an Indian company on the list, "founded decades ago in an environment where it was difficult to do business ethically." Now the company is an ethical leader, both in India and around the world.

Neemuchwala strongly believes that the ethical reputation that Wipro has earned gives it numerous advantages in its dealings with various stakeholders. For one, he says, "We are very quality conscious. Partners and suppliers understand, because we are an ethical company, that we have high standards for the right reasons." These high expectations ensure suppliers deliver high-quality products to Wipro, which raises the bar elsewhere, too. "The value chain is really like a pool," Neemuchwala explains, "and we see positive ripple effects from us being in it, as an ethical company."

Hiring a 21st century workforce is also significantly easier for a company like Wipro with a demonstrated commitment to ethics, Neemuchwala observes. "The people we are recruiting today give much more importance to the values of the companies they work for," he says, "to how those companies are perceived on ethics, corporate governance, and their overall values systems." He believes that Wipro's unwavering commitment in these areas has directly helped the company attract the best talent, customers, and investors, both in India and abroad. In terms of new graduates, he says, "The number-one reason given for joining Wipro is 'the spirit of Wipro'—our Values, what we stand for ethically, and our way of doing business."

At Wipro, being a good corporate citizen can't be narrowly defined simply as sustainability, or diversity programs, or any other set of easy metrics. According to Neemuchwala, "Being a 'good corporate citizen' has a comprehensive definition. I think that's what Wipro is about: being a genuine and integral part of the community, rather than just supporting one or two aspects of it."

Given recent innovations, ensuring that Wipro—and all technology companies—have ethical reputations strikes Neemuchwala as vital. "Trust in technology will be an extremely important matter in the next three to five years," he says. "Artificial intelligence, automation, data privacy—all of these advances mean that being trusted by your employees, customers, and the community will be a major concern." With Wipro's demonstrated commitment to doing the right thing, its customers can know they're in safe hands.



## Ignacio S. Galán

### Chairman & Chief Executive Officer

Iberdrola, S.A.

Energy & Utilities

As countries and companies around the world reorient their operations around sustainability, seeking to reduce waste and emissions, power generation companies play a large role in that transition to a greener future. For Iberdrola, S.A.'s Chairman and CEO Ignacio S. Galán, being the head of a major energy company means not only ensuring his company succeeds, but that the entire system changes for the better.

"Iberdrola has been leading the transition to a more sustainable energy system for twenty years," Galán says. The multinational utility, based in Bilbao, Spain, is now a six-time member of the World's Most Ethical Companies® honoree list. Throughout its history, the company has striven to be a leader in sustainable power generation while simultaneously upholding rigorous standards of ethical conduct. As Galán says, "Our team of over 34,000 people across the world are committed to playing their part in delivering cleaner and healthier energy for all."

For Galán, that mission also involves working with those outside of his own organization to advance sustainable energy solutions. "Externally, I work with other CEOs and policymakers to make the case for a sustainable energy future," he explains. "We take our social and environmental responsibilities very seriously across all areas of the business."

For Iberdrola, social responsibility also involves spreading its ethical best practices to other partners, which impacts a significant number of individuals and organizations. "Our global procurement provides jobs for over 400,000 people across the world, so our suppliers are a core part of our business operations," he says. "We want to work with people who share our values, beliefs, and way of doing things. All of our suppliers are scored in terms of the corporate social responsibility policies that they have in place, and these criteria are important when we select the companies that we work with."

To that end, for several years Iberdrola has held a Global Supplier of the Year Awards ceremony, recognizing companies operating in its supply chain across twelve categories of excellence, including Environment, CSR, and Diversity and Equality. Given that Iberdrola's contracts totaled more than €8 billion last year, these awards go a long way toward encouraging ethical conduct and innovation in the countries where it operates. "With our suppliers we are addressing the important challenges posed by the UN Sustainable Development Goals. Companies are making a key contribution to the realization of the new agenda," Galán said of the awards.

On the whole, Galán is optimistic about Iberdrola's future, and the future of society as a whole. "I know that Iberdrola is moving in the right direction," he says. "I also know that we will continue to adapt and improve to ensure that our role in society remains a positive one."

#### LOGISTICS & TRANSPORTATION

BDP International // USA

#### MACHINE TOOLS & ACCESSORIES

Lincoln Electric // USA

#### MEDICAL DEVICES

Edwards Lifesciences // USA  
Elekta AB // Sweden

#### METALS, MINERALS & MINING

Schnitzer Steel Industries, Inc. // USA  
TATA STEEL LTD // India

#### NON-PROFIT BUSINESS SERVICES

AARP // USA

#### NON-PROFIT HEALTHCARE PROVIDERS

Baptist Health South Florida // USA  
Cleveland Clinic // USA  
Covenant Health // Canada  
Greater Hudson Valley Health System // USA  
Northwell Health // USA  
University Hospitals // USA

#### OIL & GAS, RENEWABLES

PKN ORLEN // Poland

#### PAYMENT SERVICES

Mastercard // USA  
Visa, Inc. // USA

#### More Information

The full list of the 2019 World's Most Ethical (WME) Companies, as well as the list of previous years' WME Companies honorees, can also be found online on Ethisphere's website at [www.ethisphere.com](http://www.ethisphere.com).

Further details on the WME application process, including information on the Ethics Quotient™ score and answers to Frequently Asked Questions, are available online at <http://worldsmoethicalcompanies.ethisphere.com>. The application process is not open until August, 2019.



## ■ PHARMACEUTICALS

Eli Lilly and Company // USA

## ■ REAL ESTATE

CBRE, Inc. // USA  
DTGO Corporation Limited // Thailand  
JLL // USA  
Realogy Holdings Corp. // USA

## ■ RETAIL

Best Buy Co., Inc. // USA  
Kohl's // USA

## ■ SCIENTIFIC & TECHNICAL SERVICES

RTI International // USA

## ■ SEMICONDUCTORS

Intel Corporation // USA  
ON Semiconductor // USA  
Texas Instruments Inc // USA

## ■ SOFTWARE & SERVICES

CA Technologies, a Broadcom Company // USA  
Salesforce // USA  
Teradata Corporation // USA

## ■ SOURCING SERVICES

William E. Connor and Associates Limited // Hong Kong

## ■ STAFFING & OUTSOURCING SERVICES

ManpowerGroup // USA  
Paychex, Inc. // USA

## ■ TECHNOLOGY

Dell Inc. // USA  
Hewlett Packard Enterprise // USA  
LinkedIn // USA  
Microsoft // USA

## ■ TELECOMMUNICATIONS

Deutsche Telekom AG // Germany  
Nokia // Finland  
T-Mobile US, Inc. // USA  
Telefônica Brasil S.A. // Brazil

## ■ WATER & SEWERAGE UTILITY

Northumbrian Water Group // United Kingdom



**Steve Milligan**

**Chief Executive Officer**

*Western Digital*

**Electronic Components**

Every year, Ethisphere has the pleasure of welcoming a few new companies into the fold as first-time honorees on the World's Most Ethical Companies list. This year, Western Digital is one such firm. CEO Steve Milligan was pleased to accept the honor, saying, "It's a testament to our employees because it acknowledges their daily commitment to our Code of Conduct and Western Digital's values."

For Milligan, creating and supporting an ethical culture is a vital part of his role as CEO. He explains, "A CEO has a responsibility to lead a profitable enterprise, and in my view a company's ethical approach and reputation are central to achieving long-term business success." To that end, making money isn't enough for Milligan, who pays "a great deal of attention to how we achieve results."

The challenge of creating and maintaining an ethical culture across the organization has been particularly acute at Western Digital in recent years, as the company has acquired several other firms that all had to be integrated into its culture of ethics. That successful integration has required a robust compliance program. However, as Milligan notes, "We are not interested in building a compliance infrastructure just to look good in an audit. This is about helping employees make better decisions. You build and evolve cultures one individual at a time."

Given that goal of reaching every individual with the company's values and bringing them into Western Digital's culture, the company devotes a full month each year to re-engage its workforce in ethics. "Some companies have Compliance Day or Compliance Week, but we designate an entire month to showcasing this important aspect of our business," Milligan states. "The celebration touches all of our facilities across the globe, with spirited contests at many of our major campuses." This month-long effort, combined with a focus on incentives rather than consequences, means that last year Western Digital achieved an impressive 99.9 percent completion rate for training by the end of the month. As Milligan aptly notes, "I think we're doing something right."

At the end of the day, however, being an ethical company for Western Digital is about more than employees just completing their training—it's about doing right by everybody the company touches. "I think of corporate social responsibility as an unwritten, informal understanding that companies will act as good community citizens while also meeting shareholder requirements," Milligan explains. "I believe attracting and retaining core customers and great employees is easier for companies that operate honestly and ethically."

# FIVE-YEAR ETHICS PREMIUM: 14.4%

Performance of the listed 2019 Honorees as compared to the Large Cap Index from February 2014 to February 2019

● 2019 ETHX

● LARGE CAP INDEX

February  
2014

February  
2019

## BY THE NUMBERS

### The World's Most Ethical Companies Edition

Written by: Doug Allen

Ethisphere has long believed that we all advance when companies do well by doing good. And this year's World's Most Ethical Companies® honorees bear that hypothesis out: in tracking the stock prices of publicly traded honorees against the U.S. Large Cap Index, we found that listed World's Most Ethical Companies outperformed the large cap sector over five years by 14.4 percent and over three years by 10.5 percent.

The 128 honorees—representing 21 countries and 50 industries—include 16 first-time honorees and eight organizations that have been named to the list every year since its inception in 2007. For this edition of “By the Numbers,” we focus on what the data is telling us about how these companies do the critical work of developing and advancing their compliance and ethics programs. Here you will find insights into areas where we saw appreciable change or interesting developments during this year's WMEC process.



#### Transparency: Open Lines of Communication

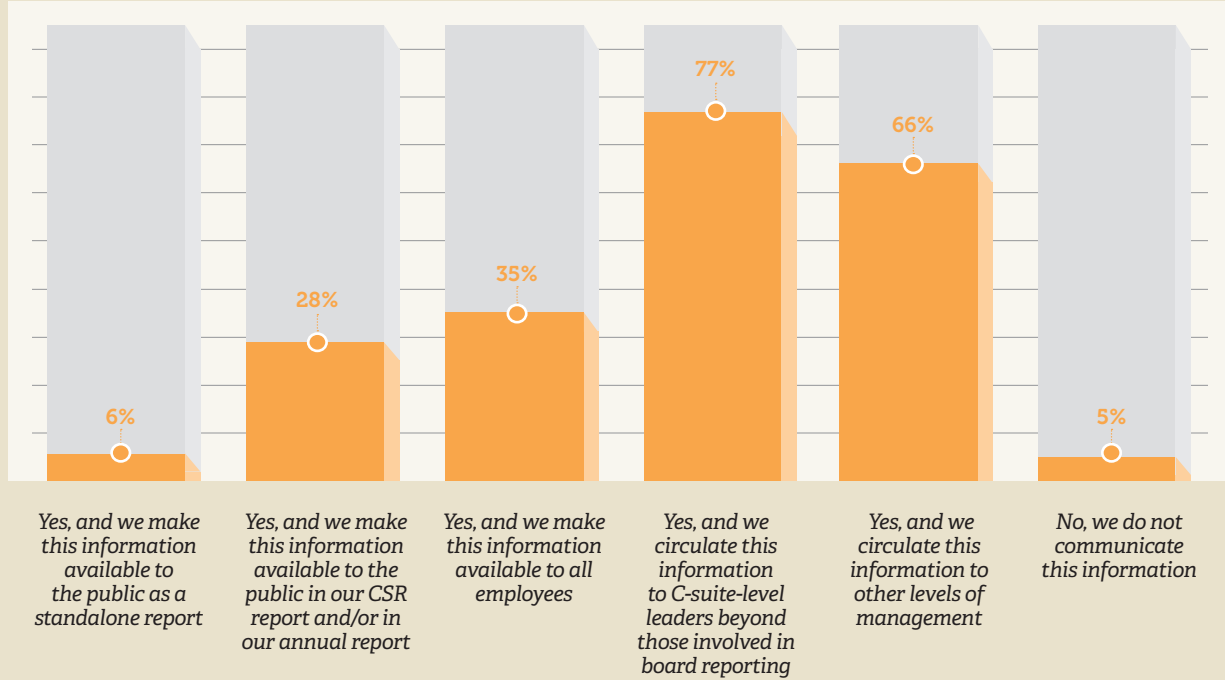
Ethics and compliance is complicated. Companies with a global workforce have a lot to manage—both internally and with external shareholders and stakeholders. Transparency and open discourse are themes that runs through the practices of the World's Most Ethical Companies.

- Nearly one-third (32 percent) of honorees communicate publicly about how many compliance and ethics concerns were reported, the types of concerns reported, and the substantiation rates from corresponding investigations. This figure represents a noticeable increase over 2018, as less than a quarter of that year's honorees communicated such information publicly. (fig. 1)
- Ninety-one percent of honorees are using events that have happened inside their organization in their ethics and compliance communications (with identifying details removed). This number has steadily increased over the past few years as companies have figured out how to balance maintaining confidentiality with showing the reality of the issues that are reported at the company and how they are addressed. (fig. 2)



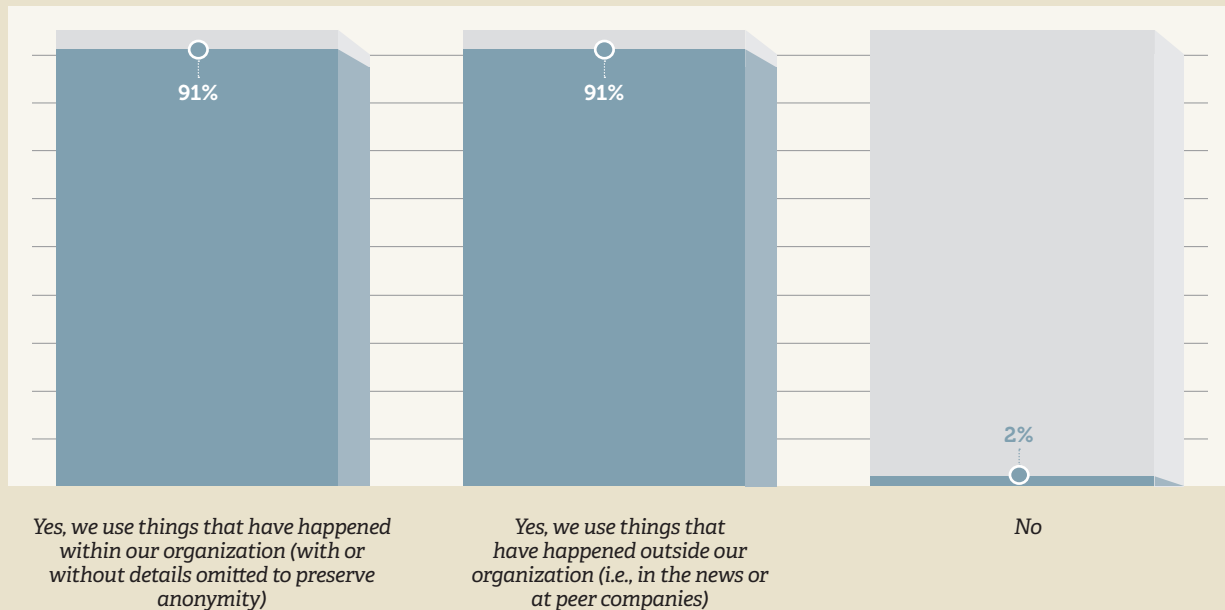
### Facts & Figures

**Figure 1** - Separate from reports to the Board or other governing authority, does your organization communicate how many concerns were reported, the types of concerns reported, and the results of reports and investigations? Please select all that apply.



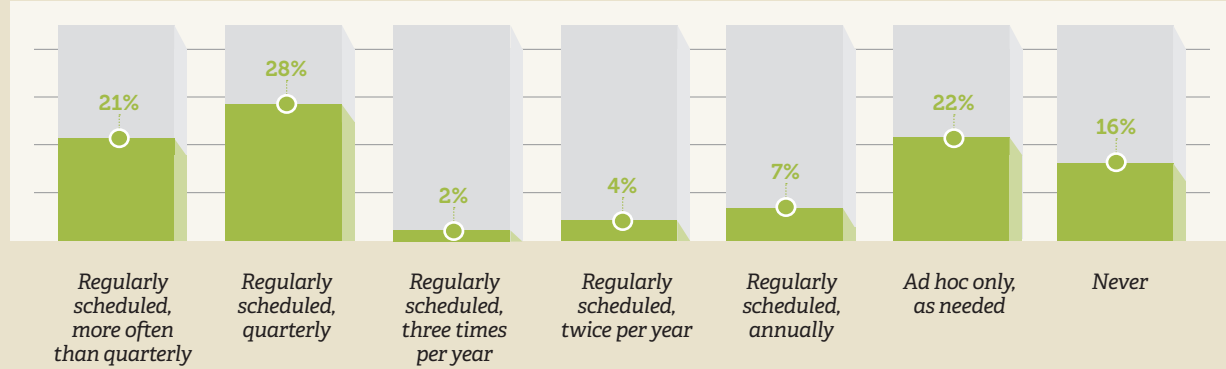
### Facts & Figures

**Figure 2** - Does the ethics and compliance function include examples of real world ethical or compliance dilemmas or issues in their communications? (Multiple select)



## Facts & Figures

**Figure 3 -** Separate from reports to the Board or other governing authority, does your organization communicate how many concerns were reported, the types of concerns reported, and the results of reports and investigations? Please select all that apply.



This trend toward open communication is not limited to employees or other stakeholders either.

- An overwhelming majority (84 percent) of honorees provide executive/closed door sessions between ethics and compliance program owners and members of the Board (most often the committee responsible for overseeing the program). Forty-nine percent provide such opportunities to meet at least quarterly. (fig. 3)

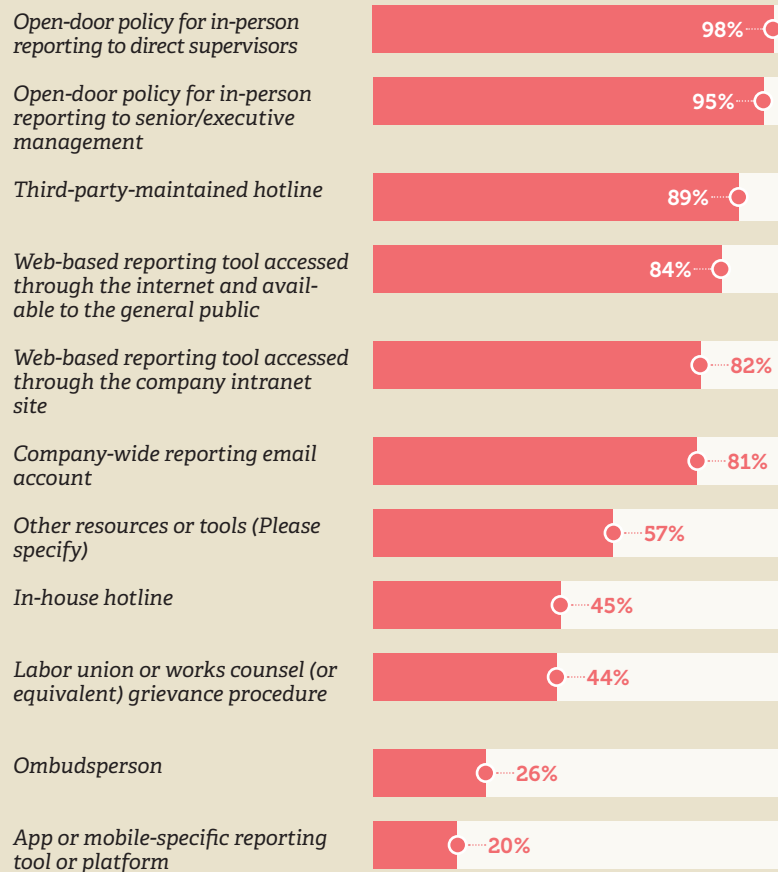
### Trust: Fostering an Ethical Culture

The data shows that the 2019 class of honorees is among the most sophisticated ever in cultivating a culture of integrity. When selecting modalities for reporting misconduct and raising concerns, it is important to meet your employees where they are, in a format they are comfortable with. Similar to years past, honorees in 2019 indicate that they make a diverse portfolio of resources and tools available for reporting misconduct and raising concerns. (fig. 4)

- Of the ten available reporting resources presented (excluding "other"), honorees were most likely to select seven different resources or tools.

## Facts & Figures

**Figure 4 -** Indicate the resources or tools available for reporting misconduct and raising concerns at your company. Please select all that apply.





In addition, honorees are increasingly leveraging the most frequently used channels in broader ways, including giving managers the ability to log issues raised by their direct reports into the case management system. This is sensible, and a trend we anticipate will continue, as Ethisphere's Ethical Culture and Perceptions Assessment data set shows that 66.4 percent of employees who reported an issue took it to their manager. Without adequate systems in place to capture that reporting, a company's ability to track and resolve misconduct across the organization is limited. (fig. 5)

Leading companies recognize that measuring culture effectively requires input from multiple modalities. The median number of methods selected to measure culture among the 2019 honoree class is six.

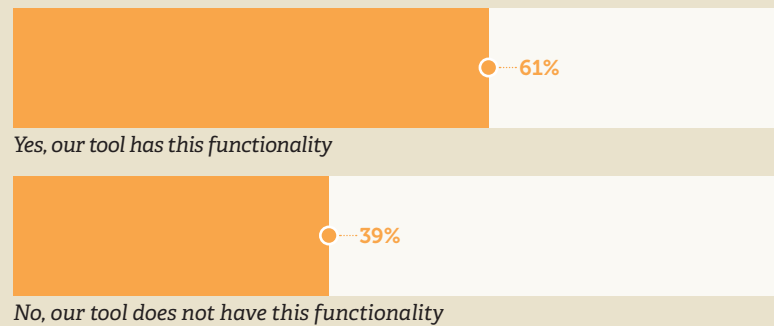
Among the fastest growing methods to gauge culture are visits by the ethics and compliance team to sites outside of headquarters. Only a few years ago, among the 2016 World's Most Ethical Companies, only 53 percent reported that the ethics and compliance team made regular site visits. In a remarkable example of how quickly best practices spread, 92 percent of the 2019 honorees report that their ethics and compliance program conducts site visits. Of that 92 percent, half do so at least every two months. Site visits have gone from a practice barely half of our honoree population utilized, to one that nearly half of honorees conduct six or more times a year. The speed of this shift emphasizes the need for ethics and compliance teams to be aware of the practices of other leading companies, and to benchmark against them—a compliance program that is standing still is actually falling behind.

Finally, honorees continue to focus on culture—measuring whether employees are comfortable speaking up, view leadership as trustworthy, and take personal ownership in making sure the company is an ethical place to work. For those using surveys to measure ethical culture:

- Ninety-three percent of honorees ask whether employees are comfortable reporting
- Eighty-seven percent ask whether executives maintain a strong tone from the top
- Seventy-six percent of honorees ask about the peer environment and culture of the organization

## Facts & Figures

**Figure 5 -** Does your company's system or tool to manage reports and subsequent investigations allow a manager outside the ethics and compliance function to log a concern received from employees into it? Such a system or tool may be referred to as open-door reporting.



## Facts & Figures

**Figure 6 -** Which topics are included within your organization's survey primarily developed to measure employee perceptions of ethical culture or the compliance program?

Whether the employee is comfortable reporting misconduct	93%
Employee's awareness of compliance resources (e.g. hotline awareness, Code of Conduct awareness)	93%
Employee's opinion of manager's ethical leadership or mood from the middle	89
Employee's opinion of executive ethical leadership or tone from the top	87%
Whether the employee has observed misconduct	83%
Employee's perceptions of organizational justice (e.g. whether the company acts fairly)	81%
Employee perceptions of the ethics and compliance function	77%
Employee perceptions of the effectiveness of compliance training	77%
Employee perceptions of his or her peer environment and culture	76%
Whether the employee feels pressure to commit misconduct	73%
Employee's perception of the effectiveness of the Code of Conduct	66%
Employee perceptions of the effectiveness of policies	60%
Perceived frequency with which managers discuss ethics - or compliance-related issues	48%
Other topics (Please specify)	37%

### Effectively Assessing the Ethical Tone: The Best Strategies Leverage Face Time

Honorees recognize that measuring culture effectively requires multiple techniques. Among the 2019 honoree class, the median number of methods used to measure culture is six.

### Setting the Ethical Tone at the Top

Recognizing the impact of ethical culture on performance, retention, and engagement, the Boards of honoree companies are paying increasing attention to how culture is managed within the enterprise. Nearly every 2019 honoree (98 percent) indicated that their Board maintains some level of oversight responsibility over the company's culture. A small contingent of honoree company Boards also include input from outside parties on their overall culture, a trend Ethisphere is watching closely.

### Commitment: Leading from the Board and C-Suite, through the Company and Communities

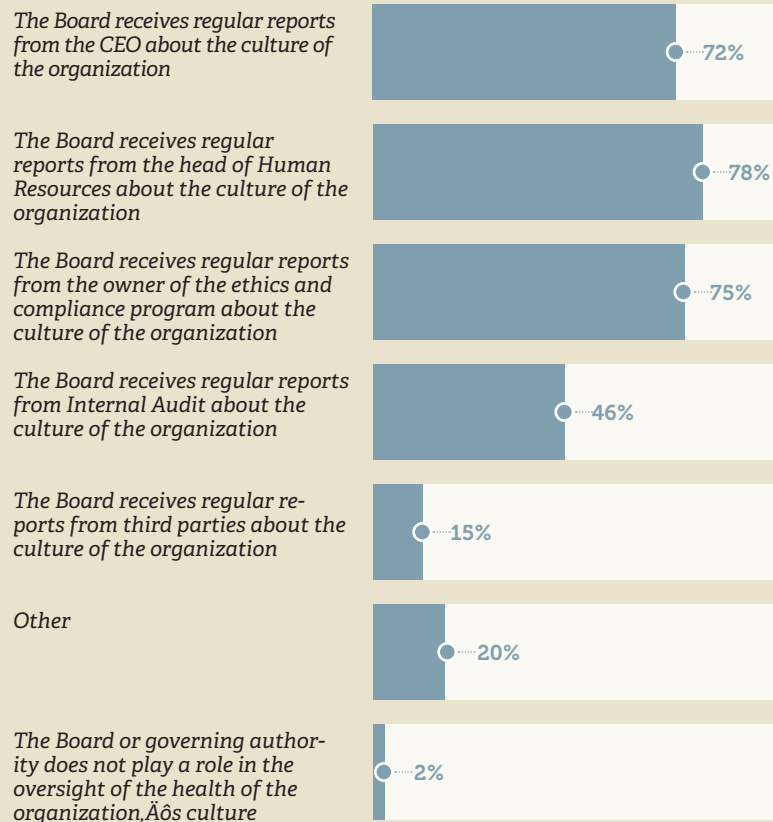
How do these companies embed a culture of ethics and compliance across their enterprise and into their communities? A few data points from this year's group of honorees:

- Fifty-four percent have specifically charged a Board committee with oversight of sustainability/social responsibility activities
- Three-quarters of honorees are using multiple mechanisms to keep the Board updated on the health of the organization's culture. This is an especially important topic today in light of State Street Global Advisor's letter about the importance of aligning corporate culture to corporate strategy.

Honorees also continue to pave the way for more inclusive workplaces. Among the 2019 honorees, women hold over a quarter (28.1 percent) of director positions. This proportion is striking when comparing the gender gap relative to other companies. Among the S&P 500, women hold only 21 percent of Board seats, while 15 percent of all Board seats globally are held by women, according to Deloitte's most recent study of Women in the Boardroom. (fig. 8)

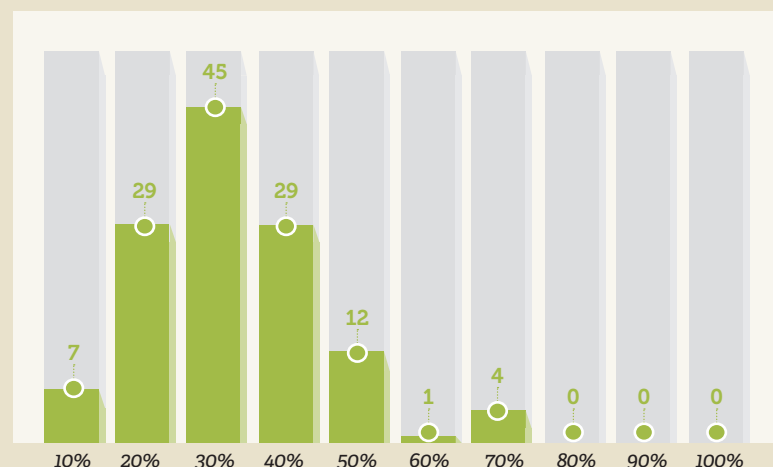
### Facts & Figures

**Figure 7 - What role does your company's Board play in the oversight of the health of the organization's culture? (Multiple select)**



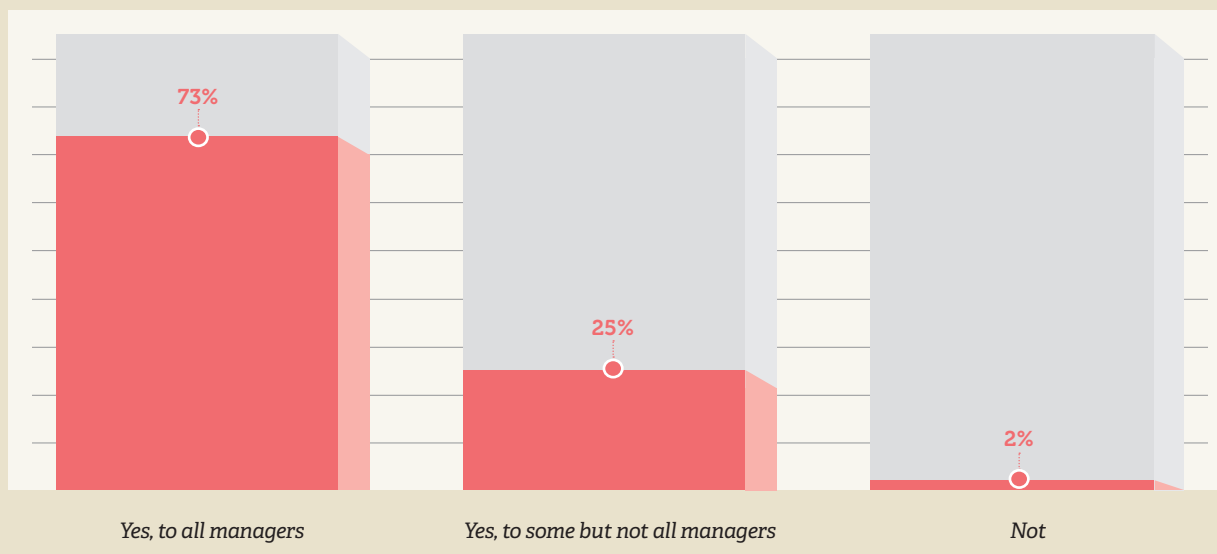
### Facts & Figures

**Figure 8 - Distribution of Honorees According to the Proportion of Women on their Boards**



## Facts & Figures

**Figure 9** - Does your company provide managers training on their special responsibilities with regards to encouraging and supporting compliant and ethical conduct?



### Managers Continue to Matter

As noted, the majority of employees take concerns to their managers. This is understandable and natural, and in many cases encouraged by a company's code of conduct. However, it is critical to ensure that managers are trained to understand and handle employee issues, and honorees acknowledge this fact through a continued focus on manager training. Seventy-three percent provide special training about ethics and compliance responsibilities to all managers, and 98 percent now provide training to at least some. This number has grown steadily over the years, from only 88 percent of honorees providing specialized manager training in 2015. (fig. 9)

- Similar to 2018, promoting a culture of ethics is the most common topic provided in manager-specific training (as indicated by 98 percent of honorees)
- Two-thirds of honorees who provide such training educate managers about active listening techniques
- Interestingly, only half train managers about conducting interviews—missing a valuable opportunity to ensure those coming into the organization are good ethical and cultural fits at the outset

Managers have a tremendous responsibility for setting the right tone across the enterprise. The near-universal adoption of manager-specific ethics training implies that honorees understand that, in order to encourage a culture of integrity, managers must have the right skills to create the right environment.

Effective manager-specific training also requires topical content, a consistent and frequent distribution schedule, and adequate infrastructure to support managers in their day-to-day efforts to cascade the message of integrity across their teams.

- Four out of five honorees (82 percent) review and refresh their manager-specific training at least every two years
- Seventy-eight percent of honorees track training completion rates, and nearly one-third (29 percent) tie training completion to a manager's performance evaluation
- Three-quarters (74 percent) of honorees introduce managers to their obligations to encourage and support compliance and ethical conduct by providing training during the new manager orientation process, either as new hires into the organization or as a result of promotion
- A strong majority (70 percent) conduct this training periodically, exposing managers to the material at least once every two years
- In supporting managers' efforts to promote ethics and compliance within the company, 80 percent of honorees maintain ethics and compliance communication toolkits, with resources such as sample emails, newsletters, responses to common questions, and case studies

### Final Thoughts

We hope you have found these data points intriguing, and maybe even take away

something to use in your own organization. Ethisphere will be doing much more data-sharing over the coming months as we parse through the insights gathered from this year's record-setting applicant pool. We will release our annual Insights from the 2019 *World's Most Ethical Companies*® report at our Global Ethics Summit, which will build upon the snapshot provided here. We will also be doing a webcast in April and more writing on the data gleaned from this process. We welcome your participation in our continuing data conversation throughout the year.

If you are interested in benchmarking your own practices against those of our honorees, or obtaining more information on our process, be sure to sign up for our mailing list at <https://ethisphere.com/email-subscription/>.

### Expert Biography

**Douglas Allen** is a Managing Director in Ethisphere's Data and Services group, where he leads efforts to measure ethical culture, benchmarking, certification and partnership efforts. Previously, Douglas spent six years providing compliance- and ethics-related advisory services. He is available at [douglas.allen@ethisphere.com](mailto:douglas.allen@ethisphere.com).





## TRUST AT WORK

### A More Trusting World Begins with Employers

Written by: Stephen Kehoe

Fostering the trust of stakeholders has always been at the heart of ethical business leadership. Customers and consumers want not only a partner that will provide them with innovation, expertise, and value, but also one they can trust—a partner that behaves honestly, acts responsibly, and is guided by a set of solid values.

But in today's world of disinformation, disruption, and populist sentiment, this critical work of building trust has become more difficult. The 2019 Edelman Trust Barometer, our firm's 19th annual study of trust in societal institutions, can help us understand the growing challenges to trust—and what businesses striving for ethical leadership can do to best meet them.

The past two decades have seen a progressive destruction of trust in societal institutions, a consequence of the Great Recession, fears about immigration, and economic dislocation caused by globalization and automation. Today, people are unhappy and uncertain. Only one in five globally believe the system is working for them. In developed markets, there is a pronounced sense of pessimism that things will be better in five years' time. And fears of job loss remain high, with 55 percent of employees globally worried about the threat of automation and 59 percent worried that they lack the training and skills necessary to secure a good-paying job.

Who, if anyone, do people trust? The answer—the relationships that are closest to us—has important implications for companies looking to operate with integrity.

#### **"My Employer" Is the Most Trusted Institution**

People have low confidence that societal institutions will help them navigate a turbulent world, but they have remarkably high trust in one critical institution: their employer. Seventy-five percent of respondents trust "my employer" to do the right thing—19 points more than business in general and 27 points more than government. That number is even higher—80 percent—for US respondents.

This strong trust comes with conditions, however. Employees' expectation that prospective employers will join them in taking action on societal issues (67 percent) is nearly as high as their table-stakes expectations of personal empowerment at the workplace (74 percent) and job opportunity and career development (80 percent).

This remarkable shift in the expectation that employers will serve as social actors reflects a wider public view that business has a critical role to play in creating a better future. Seventy-three percent agree that a company can take specific actions that both increase profits and improve the economic and social conditions in the communities where it operates—a nine-point increase from 2018.

## The Role of the CEO

The expectation also extends to leadership. In last year's Edelman Trust Barometer, we noted that the expectation on CEOs to speak up and lead change was up to a record high of 65 percent. Our advice then was to take advantage of the moment to project leadership and maximize the business benefits of doing so.

A few CEOs did seem to take up this call to action, from Paul Polman's push to organize the business response to climate change, to Satya Nadella's support for DREAMers and stance against family separations—but not enough.

This year, the call to action appears to be yet more urgent—a rise by 11 points in the public's expectation that CEOs will speak up and lead change. Today, some 76 percent of respondents believe CEOs need to step up. Indeed, people agree that CEOs can create positive change on issues ranging from pay equity (65 percent), to prejudice and discrimination (64 percent), to training for the jobs of tomorrow (64 percent).

And stepping up proactively is required. Importantly, our data shows that whereas there is a trust "advantage" of some 19 points for "my employer" (75 percent) versus business in general (56 percent), the same trust advantage is only seven points when comparing the credibility of "my CEO" (54 percent) versus CEOs in general (47 percent). In other words, employee trust in employers should not be assumed to be an endorsement of the CEO.

### Building Trust from the Inside Out

The employer-employee relationship is one of the strongest pieces of evidence that ethical leadership has a bottom-line impact. The public views a company's treatment of its employees as one of the best indicators of its overall level of trustworthiness (78 percent). That perception will have a direct impact on sales, since 67 percent agree that "a good reputation may get me to try a product, but unless I come to trust the company behind the product, I will soon stop buying it."

In this climate, then, how can a company's leaders boost stakeholders' trust in them to do the right thing? The data reveal a clear mandate to begin at home, by building Trust at Work:

- First, companies must fulfill the expectation of employees and the public to lead change: address societal, political, national, and industry-specific concerns; help to define the organization's core values; and demonstrate the organization's vision for the future, its mission, and its purpose. Companies must

define and deploy their ethical mandates, communicate those mandates internally and externally, and then deliver on their promises.

- Second, empower employees by giving them a voice in corporate decision-making, create opportunities for shared action, and build meaningful channels to share credible information. The Edelman Trust Barometer shows that the top communication topics for increasing employees' trust are "societal impact"—what the company is doing to make a difference in the world—followed by "values," "the future," "purpose," and finally "operations," including decisions that affect employees' jobs.
- Third, start locally. Begin your efforts to solve problems at home; improve societal conditions in the local communities in which you operate.
- And fourth, lead from the front with the CEO. As the most visible face in the organization, a company's CEO must live the company's values, engage directly with employees and key stakeholders, and continue to be visible by showing a personal commitment inside and outside the organization.

Ultimately, this imperative—to focus on the local by building Trust at Work—provides ethical companies with a roadmap for making the most immediate impact on their closest stakeholders: their employees. It is also the marker of a fundamental shift from a world of top-down control to one that emphasizes employee empowerment. In a full-employment economy, an employee has more freedom to choose the kind of workplace they are now coming to expect, one where values and the power to make change are a given.

This is the path that business must follow to help restore trust in our societal institutions, the greatest moral challenge of our era. The critical work of building a better future for all begins in the workplace.

### Author Biography



**Stephen Kehoe** oversees Edelman's global practices, sectors and intellectual property. Stephen's experience spans 25 years at the forefront of international communications and reputation management. He joined Edelman from Visa Inc., where he was Senior Vice President of Global Financial Inclusion.

## Facts & Figures

### EMPLOYEES TRUST CEOs

For the last few years, the Edelman Trust Barometer has found a growing percentage of the population agreeing with the idea that CEOs should take the lead on change, rather than waiting for government or other institutions to act. In 2019, 76 percent of respondents agreed with the idea. However, the public does not necessarily think that CEOs can impact all issue areas equally.

**In which of the following areas do you think CEOs can have significant impact or create the most positive change?**



Equal pay



Training for the jobs of tomorrow



The environment



Sexual harassment



Fake news

**Conclusion:** While the public increasingly wants CEOs engaged, they have more confidence in business leaders' impact on issues such as job training or equal pay, which can be addressed within an individual company with systematic programs and attention. Other issues, such as combatting "fake news," may be seen more as a societal issue rather than one that individual leaders can greatly impact.

**Source:** 2019 Edelman Trust Barometer Global Report





## CEOS SPEAKING UP ON ETHICS

Benchmarking Ethics in Marketing and Communications

Written by: David Herrick

A major priority for companies committed to ethics is fostering cultures and brands with ethics at their core. Chief Marketing Officers, Chief Communications Officers, and other corporate marketing and communications leaders play a significant role in developing corporate culture and communicating corporate values. In an effort to identify and codify best practices for ethical companies when it comes to marketing and communications, Ethisphere and EthicOne looked at data from all 135 companies in the 2018 World's Most Ethical Companies community.

We also conducted a deep dive into a select group of eight leading companies that agreed to provide detailed information about their marketing and communications practices related to ethics, values, trust, and transparency. This work culminated in a report that gives us a starting point for understanding the marketing and communications practices of leading companies, as well as a benchmark for all companies to follow.

### The CEO as Chief Ethics Spokesperson

One of the major trends in the marketing and communications practices of the World's Most Ethical Companies is the degree to which top leaders are deeply engaged with the work of communicating about ethics and values. Boards of Directors are following ethics and compliance very closely, and management teams are giving it a larger share of their attention.

Every single respondent to our survey agreed that their CEO, C-suite, and Board of Directors were either "more engaged" or "significantly more engaged" than they had been three years ago on issues of ethics, values, trust, and transparency. In every case, management provides their Boards of Directors with reports on ethics and compliance at least quarterly, with several providing monthly updates via dashboards and other mechanisms.

Of our focus group of select companies, 100 percent reported that their CEO "acts as chief spokesperson/voice for communicating the company's values, culture, and ethics expectations." In an era when the public increasingly wants CEOs to be taking stands and leading on societal issues, that is a welcome development. These companies also reported a variety of roles supporting the CEO as ethics spokespeople, including most prominently the General Counsel/Chief Legal Officer, the Chief Human Resources Officer, business unit leaders, and the Chief Compliance Officer.

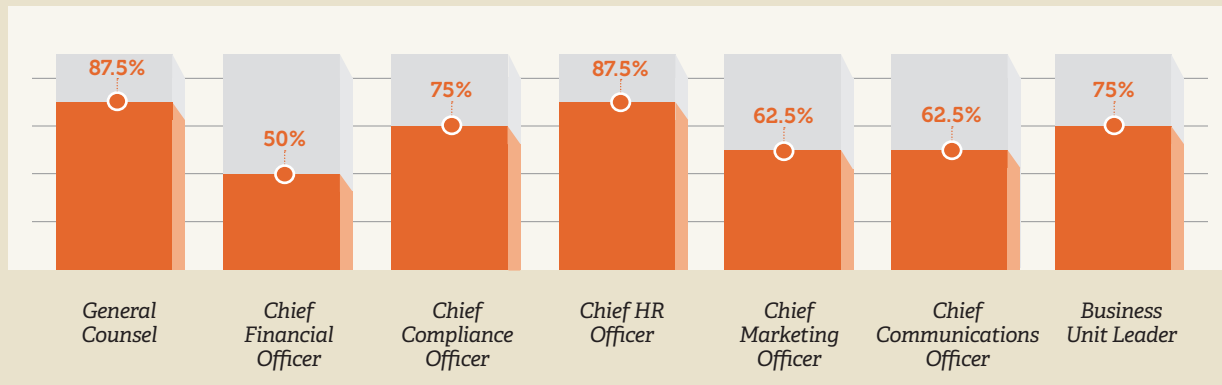
Having the CEO take the mantle of chief ethics communicator, with strong support from others, is only the beginning. Of the 2018 World's Most Ethical Companies, 96 percent maintain a documented compliance and ethics communication plan to direct their efforts. Our select survey group provided more information about the cadence of communications from senior executives to the employee base: of that group, 75 percent said that a C-suite leader or a business unit leader communicates at least monthly with employees, with the other respondents reporting that these leaders do so at least quarterly.

The CEOs of respondent companies are heavily engaged with marketing and communica-



## Facts & Figures

**Who are the primary supporting spokespersons/voice for communicating the company's values, culture and ethics expectations?**



tions leaders on matters of transparency, trust, and values. More than half of respondents report daily or weekly interactions between their CEO and their Corporate Communications/Public Relations leader, and between the CEO and the Marketing/Brand leader, on these issues. However, only one of the Corporate Communications leaders and none of the Marketing/Brand leaders at our select group of companies reported directly to the CEO. Nevertheless, every respondent said that CEOs engaged these leaders at least on a monthly basis around ethics topics, and they also generally have regular interactions with the company's Board of Directors.

### Communications Mechanics

Given that senior leadership, including the CEO, are engaged in communications around ethics topics, how are the various companies in our survey group approaching those communications? All of the companies we spoke to are employing a variety of modalities, with three-quarters of our survey group citing at least eight methods of communicating ethics expectations to employees.

Of those methods, every respondent company employed live communications opportunities (such as town hall meetings), as well as video communications from executives, as ethics communications channels. Other popular modes of communication included emails to the workforce and internal meetings with senior leadership.

Of our select group, every single respondent company had both its values and its ethics policies codified in writing and readily available to employees. At this point, having a written and accessible code of conduct and related documents is simply a basic necessity to operating as an ethical company. All companies also require employees to read and assent to ethics policies, with seven of the eight respondents requiring renewed commitment once a year. All companies also had a codified process for dealing with misconduct or ethics issues that is accessible to all employees.

Companies also ensure that important ethics documents and trainings, such as the code of conduct, receive the added endorsement of the CEO or another business leader by featuring a personal message from them as an introduction to the code or at the outset of a compliance and ethics training. Seven of the eight companies in our select group employ both communications tactics to underscore the importance of doing business in accordance with the code and trainings.

More and more leading companies are having senior executives include personal examples of ethical dilemmas from their own careers in their communications with employees. Among the 2018 World's Most Ethical Companies, 84 percent reported that their leaders did so. Such stories may be more relatable for employees than hypotheticals, and they reinforce that ethics decisions can face any employee, including those who have reached the very top of the organization.

### Conclusion

It should be no surprise that positioning the CEO as the company's chief spokesperson on ethics matters is a leading practice: ethics and compliance professionals have been preaching the importance of "tone at the top" for years. Clearly, these companies have heeded that advice. However, the numerous ways that leading companies support that executive messaging, with different communications modalities, numerous feedback channels, and responsible policies around communications data, are all important insights for companies seeking to become ethics leaders.

As more companies adopt the practices endorsed by the World's Most Ethical Companies, we're confident that the honorees will continue to innovate, raise the bar on transparency and communications, and in the process build stakeholder confidence that companies can do well and do good.

### Author Biography

**David Herrick** is Managing Principal of EthicOne. As a senior executive in the marketing communications industry and as a counselor to C-suites, Boards of Directors, and brand marketing executives, David's strategies have powered and managed the reputations of many of the world's leading companies. His experience includes corporate, consumer, employee, and issues communications for brands ranging from U.S. Bank, Walgreens, and Bristol-Myers Squibb to Samsung, Subaru, and Ford Motor Company. Herrick also serves as Chair of the Board of Directors for the American Diabetes Association, the world's most respected leader in the fight against diabetes.

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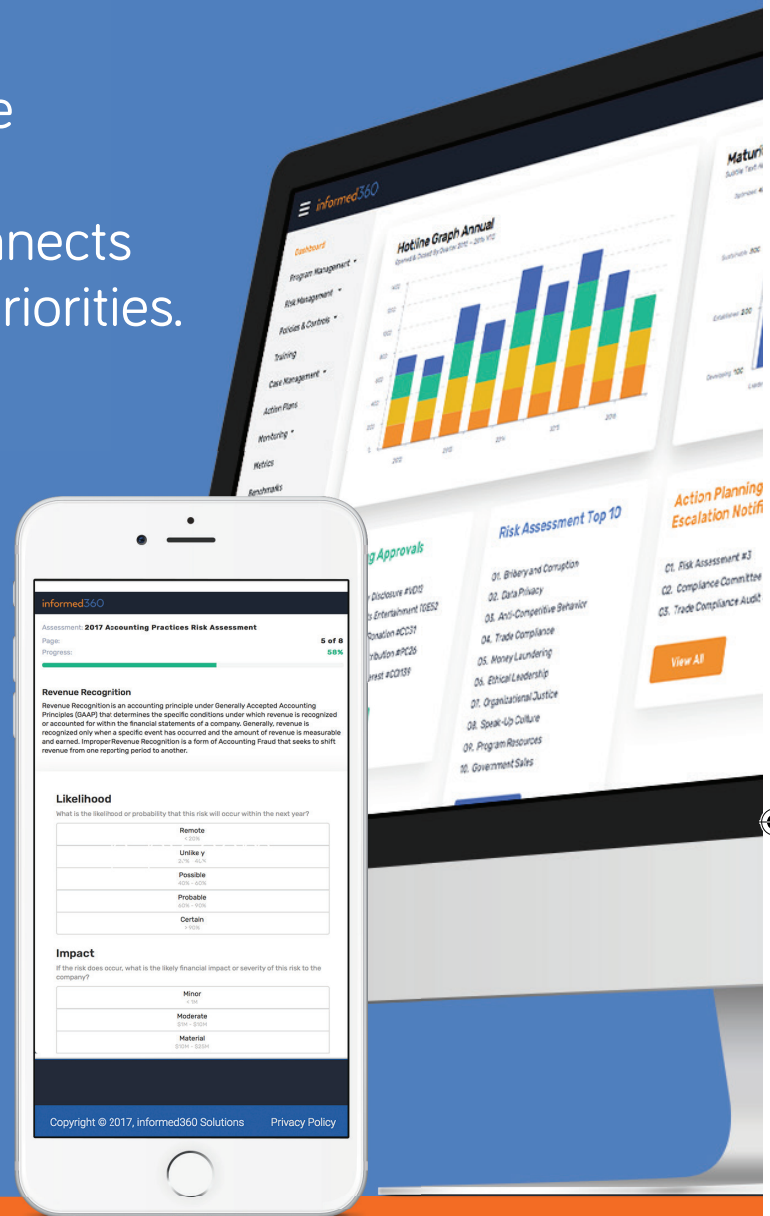
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