

# THE CORPORATE PURPOSE ISSUE

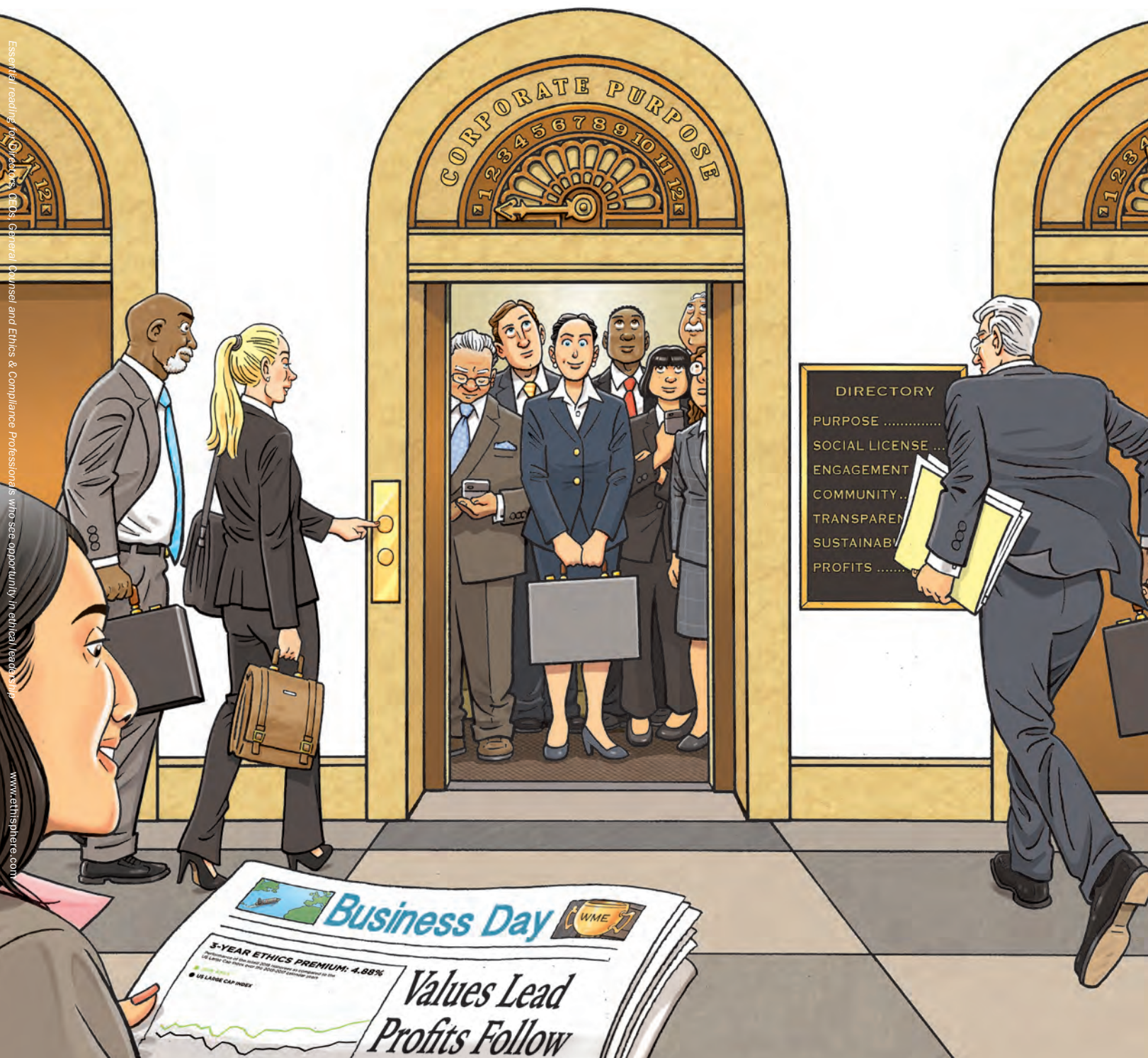
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FALL // 2018







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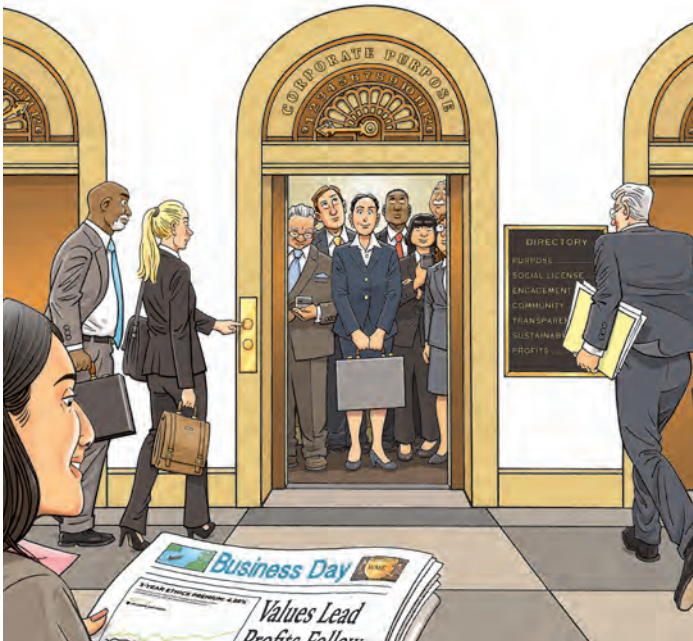
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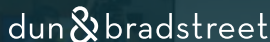
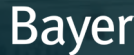


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## A collage of various icons and images. At the top left are icons for a hard hat, a ghost, a globe, and a gear. Below these is a row of blue chevrons pointing right. In the center is a large blue Twitter bird. To the left of the bird is a globe icon inside a blue circle. Below the globe is a vintage television set. To the right of the television is a red speech bubble. Below the speech bubble is a black and white image of the Golden Gate Bridge. To the right of the bridge is a circular portrait of a woman with glasses. Below the portrait is a red hexagon with two black silhouettes of people. To the right of the hexagon is a vertical stack of yellow chevrons pointing up. Below the chevrons is a circular portrait of a man with glasses. To the right of the portrait is a red circle with a white person icon. Below the portrait is a green gear icon. To the right of the gear is a bar chart with four bars of increasing height (green, red, orange, blue). To the right of the bar chart is a yellow circle with a white letter 'B'. At the bottom right are three hexagons, each containing a black silhouette of a person, with different colored backgrounds (blue, orange, yellow). Several circular portraits of people are arranged in a vertical column on the right side of the collage.

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# ETHISPHERE®

**Chief Content Officer** Stefan Linssen  
**Executive Director of Communication** Aarti Maharaj

**Executive Editor** Tyler Lawrence  
**Creative Director** Chip Cole

**Contributing Editor** Greta Baranowski  
**Illustrations & Art** RJ Matson: Cover

## Contributors

S. Fernando Alanis Ortega, Octavio Alvidrez, Leslie Benton, John Blazey, Deborah Dixson, Tim Erblich, Antonio Fernandez, Todd Hartman, David Herrick, Duane Holloway, Chris Murphy Ives, Rohan Kohli, Aarti Maharaj, Ray Martinez, Kevin McCormack, Evan Norris, John Page, Veta Richardson, Emily Rickaby, Ginni Rometty, K.C. Turan

## CREATE COMPLIANCE LEADERSHIP ETHISPHERE LEADERSHIP

**President and CEO** Pamela Passman  
**Executive Director** Alex F. Brigham

**Vice President** Leslie Benton  
**Chief Executive Officer** Tim Erblich

**Chief Operating Officer** Craig Moss  
**EVP, Governance & Compliance** Erica Salmon Byrne

**Director, Marketing and Communications** Anne Walker  
**EVP, Ethisphere Services** Jonathan Whitacre



**Main Office Phone** 480-397-2655 **Write To Us** [info@ethisphere.com](mailto:info@ethisphere.com)  
**Office Address** Ethisphere, 6991 E Camelback Road, Suite B-350  
Scottsdale, Arizona 85251

## Subscriber Services/New Subscriptions

Please email us at [info@ethisphere.com](mailto:info@ethisphere.com). You can also call us at 480-397-2655 or write to **Ethisphere Magazine** at 6991 E Camelback Road, Suite B-210 Scottsdale, Arizona 85251

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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.*



This magazine is printed on recycled paper.

# SPEAKING UP

## »»»»» THIS ISSUE'S LETTER FROM THE EDITOR «««««



### Dear Readers,

One of the central questions for centuries of thinkers has been, "What is man's purpose?" The quest for direction and meaning in the lives of individuals is fascinating, and in every sense beyond my or Ethisphere's ability to help you, unfortunately.

However, whether or not you agree with Mitt Romney that "corporations are people too," it is certainly a positive development that we have reached a point in our society when many companies are asking themselves the exact same set of questions individuals have for centuries: what is their purpose? Beyond just making money, why do they exist?

Although the concept of a purpose-driven company is hardly new, it was given renewed urgency by Blackrock's chairman and CEO Larry Fink, who charged in his annual "Letter to CEOs" that all companies ought to have a purpose. Purpose-driven companies will not only deliver superior returns, Fink argued, but they will also have more social license to do their work. In fact, Fink goes so far as to say that those who do not actively build social license through a broader purpose will eventually lose it, by losing the trust of consumers.

At Ethisphere, we see this development as a logical next step for any company already succeeding in operating ethically. As our CEO Tim Erblich outlines later in this issue, while ethics involve following pre-defined rules, finding purpose requires creating some of your own. For many companies, their purpose work manifests in their relationship with the communities in which they operate, as discussed in contributions by Boeing and Peñoles. For IBM, their purpose comes through in their numerous partnerships to help build and empower the workforce of tomorrow. For other companies, such as EVERFI, a strong purpose has served to motivate the company from Day One.

Other contributions to this issue include a section exploring the ways various companies are reorganizing and integrating their control functions as their organizations evolve, a trend over the last few years that seems likely to continue. In light of Ethisphere's expanding work around the world, we also have pieces featuring voices from Latin America and South Asia.

As we draw to the close of another year here at Ethisphere Magazine, I want to pause to reflect on the wide array of topics that we have covered. The expansion of our online-only special reports series has allowed us to address topics of the day such as the one-year anniversary of the #MeToo movement, as well as participate in perennial conversations around diversity and inclusion. We have also released publications focused specifically on our colleagues in South Asia and Latin America. I encourage readers to visit our new website at <http://ethispheremagazine.com> to read any content from this year that they may have missed.

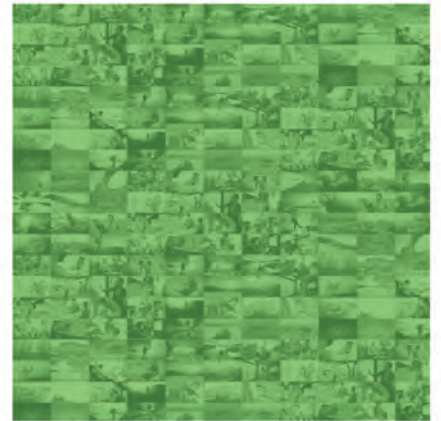
A handwritten signature in black ink, reading "Tyler Lawrence".

**Tyler Lawrence**  
**Executive Editor**  
Ethisphere Magazine



Our mission is to empower every person and every organization on the planet to achieve more.

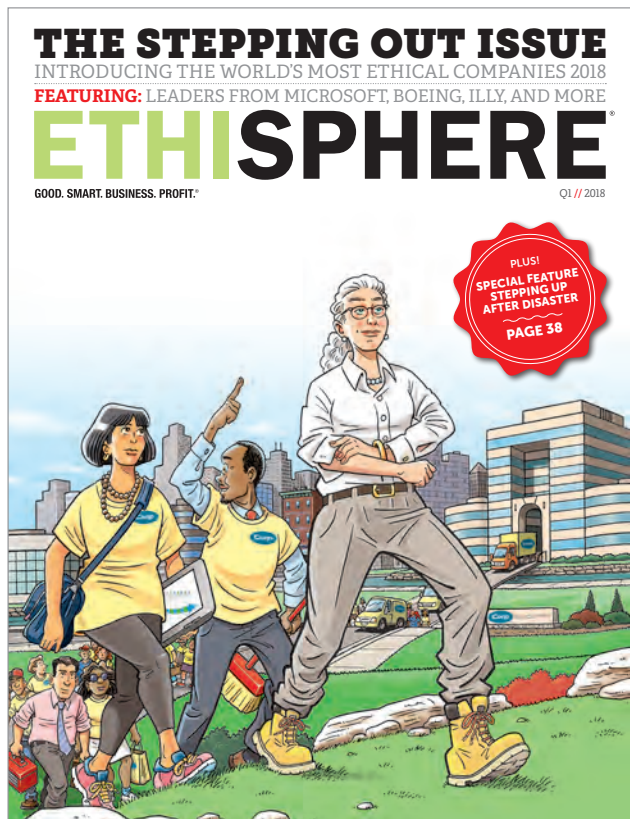
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# MOUTHING OFF

## » THIS QUARTER'S LETTERS TO THE EDITOR «

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



### ★ RESPONSES TO ETHISPHERE MAGAZINE'S STEPPING OUT ISSUE

#### "Consumers Prefer Ethics"

The research by Voya Financial into consumer preferences for ethical companies was fascinating. I know that my company is a World's Most Ethical Companies® honoree, but we don't advertise it well. How would we do that? – **Nancy L.**

**Ethisphere Response:** Ethisphere licenses the World's Most Ethical Companies logo to all recipient companies for internal and external use. For more information, please email Clea Nabozny at [clea.nabozny@ethisphere.com](mailto:clea.nabozny@ethisphere.com).

#### "Companies Stepping Up"

I was tremendously impressed by the good work done after the hurricanes last year by Royal Caribbean, Bass Pro Shops, and Anheuser-Busch. It's interesting to read about the ways the rose to the moment, and I shared the article with several other executives within my company to get people thinking about how we might do the same in our communities if the need arises. – **Anne Clark R.**

#### "Finding A Voice"

I don't necessarily agree with every stance that the company has taken, but it's fascinating to read about how Microsoft has thought about which issues it will take a public position on. More of our companies ought to go through the same sort of process. – **James L.**

### ★ RESPONSES TO ETHISPHERE MAGAZINE'S SPECIAL REPORT ON LATIN AMERICA

It was so refreshing to read not just an article, but an entire publication from Ethisphere on compliance outside of North America and Europe. Is Ethisphere planning more? – **Robert Y.**

**Ethisphere Response:** We're glad you appreciate our content, Robert. In addition to the Special Report, Ethisphere also released an entire edition of Ethisphere Magazine this fall devoted to South Asia in conjunction with our Business Ethics Leadership Alliance chapter there, available online.





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# BY THE NUMBERS

»»»» PURPOSE IS KEY, BUT TRICKY TO IMPLEMENT ««««

## GAP BETWEEN NEED AND EXECUTION

A survey conducted by EY and the Harvard Business Review earlier this year of 474 global executives about purpose found that the vast majority believed that purpose-driven companies had clear advantages. Far fewer believed that their own companies had successfully integrated a sense of purpose into their operations, however.

84

About five in six executives (84%) said that business transformation would be more successful if the transformation was purpose-driven.

80

A large majority of respondents (80%) agreed with the statement, "An organization with shared purpose will have greater customer loyalty."

50

However, only half (50%) believed that their organization's strategy reflected their purpose...

37

...and two in five (37%) believed that their business model and operations are actually aligned with the purpose.



Source: *The Business Case for Purpose*. Harvard Business Review and EY, 2018.



# THE GOOD AND THE BAD

## »» PAPER BAGS AND PROFIT PROPELLERS ««

### HOW IT WORKS



Paper Bags are given to companies and organizations that are involved in, or have attempted to cover up, scandals, violations or other embarrassing events.



Profit Propellers are awarded to companies and organizations that have recently done something interesting, innovative or brave in the area of ethical leadership.



Outdoor goods retailer **Patagonia** gets a **profit propeller** after closing all of its U.S. stores and giving employees paid time off for Election Day, which is not a national holiday in the U.S., so they could vote. Employees not being given time off to vote is cited by some as one driver of low turnout rates in U.S. elections.



Investment banking giant **Goldman Sachs** earns a **paper bag** for continuing revelations about its dealings in Malaysia with Jho Low and two ex-bankers in an alleged money laundering scheme. All three have been indicted, and federal prosecutors are pursuing other leads.



Cloud service provider **Salesforce** receives a **profit propeller** for its \$18 million donation to organizations in San Francisco, where the company is based, and the surrounding area. Most of the funds will go to local schools, combatting a persistent homelessness epidemic, and to local parks.



American media conglomerate **CBS Corporation** earned a **paper bag** after an investigation revealed numerous allegations of sexual misconduct against longtime CEO Leslie Moonves, as well as a culture that allegedly protected harassers at the expense of their victims. Although at first a pliant board seemed to shield Moonves, in September he resigned with a large severance.



**XPO Logistics** nets a **paper bag** for a history of failing to accommodate the needs of pregnant employees in its warehouses, which handled Verizon products, as uncovered by a New York Times investigation. Multiple women allege the company's failure to adjust their work caused them to miscarry.

Both **Home Depot** and **Lowe's** earned **profit propellers** for doubling their commitments to disaster relief this year after the devastation to the Gulf Coast by Hurricane Michael, which caused dozens of deaths and billions of dollars in property damage.

Do you know of a recent news story you feel should be awarded a Paper Bag or Profit Propeller? Send your ideas to [tyler.lawrence@ethisphere.com](mailto:tyler.lawrence@ethisphere.com)

# AROUND THE CIRCUIT

GES 2019: A VIEW FROM EXPERTS RAISING THE BAR ON CORPORATE ETHICS



The Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, today announced that a selection of leading General Counsels from major multinationals are set to share leading perspectives and drive robust conversations at Ethisphere's 11th Annual Global Ethics Summit on March 13-14, 2019, at the Grand Hyatt in New York City.

Among the standout leadership at this year's Summit are:

- Damien Atkins, Senior Vice President, General Counsel, and Secretary, **The Hershey Company**;
- Inderpreet Sawhney, Group General Counsel & CCO, **Infosys**;
- Jeffrey A. Taylor, Deputy General Counsel and Chief Compliance Officer, **General Motors**;
- Michael R. (Mike) Kolloway, Senior Vice President and General Counsel, **Parsons Corporation**;
- Greg Nixon, Senior Vice President, General Counsel, and Corporate Secretary, **DynCorp**;
- Carolyn Herzog, Executive Vice President and General Counsel, **Arm**;
- Kirkland L. Hicks, Executive Vice President and General Counsel, **Lincoln Financial Group**;
- Stacey Hanna, General Counsel, Ethics & Compliance, **Lonza**;
- Michele Brown, SVP, Chief Ethics & Compliance Officer, and Deputy General Counsel, **Leidos**;
- Gloria Santona, Of Counsel, **Baker McKenzie** and former Executive Vice President, General Counsel, and Secretary, **McDonald's Corporation**

"Few corporate leaders are as uniquely situated as the General Counsel to drive change and culture at the company. They frequently have a pipeline into the board and executive teams while also having their hand on the pulse of compliance or complete ownership of it," said Kevin McCormack, Vice President, Global Thought Leadership, Ethisphere. "The Global Ethics Summit frequently places the General Counsel at the center of a





variety of conversations, tapping into the myriad of disciplines, talents, and styles needed to serve the company and its many stakeholders effectively. From the General Counsels involved each year, we see that while they may represent very different organizations and industries, there is a shared purpose and ongoing commitment to raising the bar on corporate integrity.”

“Doing well by doing good is a concept that is embedded in the fabric of Hershey. As a company whose reputation is wholly dependent upon providing edible joy for people across the world, we are always exploring innovative and impactful ways to further guide our efforts,” said Damien Atkins, Senior Vice President, General Counsel and Secretary, The Hershey Company. “As such, we place the highest focus on our purpose-driven culture, which is the foundation of our ethics and compliance program. I am honored that Ethisphere has offered us the opportunity to share our practices, and I look forward to this conversation at the 2019 Global Ethics Summit.”

“Parsons is synonymous with innovation, which means that we are frequently breaking barriers in the pursuit of making the world a better, safer, and more sustainable place,” said Mike Kolloway, Senior Vice President and General Counsel, Parsons Corporation. “Our six principles by which we conduct business—safety, quality, integrity, diversity, innovation, and sustainability—are the bedrock for how we have built and maintained a strong reputation that is an asset to our overall business plan. We look forward to sharing our story at the Summit.”

The Global Ethics Summit is Ethisphere’s flagship event where CEOs, Board Members, Chief Legal Officers/General Counsels, Chief Ethics and Compliance Officers, and other business influencers representing a diverse set of experiences gather to inspire best practices in building ethical businesses through purpose-driven strategies.

“From pioneering advancements in AI to data security, our mission at Arm is to provide business solutions that matter, and in today’s environment where corporate image is an extremely powerful catalyst or detriment to business, we recognize that the decisions on how we commit to ethics, including ethics in AI or protecting customer data, are part of a digital social contract we have with our customers and partners—and society as a whole,” said Carolyn Herzog, Executive Vice President and General Counsel, Arm. “The Summit is always a gathering of great minds in the ethics, CSR, and compliance space, so we are proud to take part as a presenter at the 2019 Global Ethics Summit.”

Now in its 11th year, the Summit is expected to bring together over 500 delegates from a diverse set of industries and will offer participants the opportunity to engage in candid and interactive sessions. Attendees will receive:

- Practical insights from some of the most respected company leaders in both plenary and breakout sessions
- Access to an important mix of information about topics including harassment/#MeToo, data analytics, due diligence, influencing global stakeholders, cyber risk in the value chain, and more
- Peer-to-peer workshops offering a closely held exchange of ideas and practices
- Expanded networking opportunities to connect with over 300 different distinct companies from the US, Europe, Asia, and Latin America

Registration is now open for the 2019 Global Ethics Summit, with special rates for tickets still in effect. To learn more and to register, visit <https://globlethicssummit.ethisphere.com>.

# *Continuing Carver's legacy...*

## **Botanist. Scientist. Inventor. Entrepreneur.**

More than 120 years since scientist and inventor George Washington Carver accepted Booker T. Washington's invitation to campus, Tuskegee University continues to embrace Carver's enterprising research spirit that produced more than 100 products — all from the simple peanut.

Today, that spirit serves as the foundation for Tuskegee's robust research and outreach enterprise, which spans the STEM disciplines and the liberal arts. These efforts solve real-world problems and make it a top producer of minority graduates in architecture, biological and physical sciences, health sciences, business, engineering and veterinary medicine — just to name a few.

Rooted in a rich legacy of knowledge, leadership and service, Tuskegee's highly regarded faculty, small class sizes and historic campus heritage help equip its students of today to be the George Washington Carvers of tomorrow.



# RISK & REORGANIZATION



The place of legal, ethics and compliance departments within organizations has been in flux for several years. Data from Ethisphere, as well as outside organizations such as the Association of Corporate Counsel, have illustrated the changes. Lately, the pace of that change seems to have accelerated.

On the one hand, an increasing number of general counsels and chief legal officers report directly to the CEO, a reflection of their growing importance to an organization's strategic direction. However, more and more organizations are also coming to understand that compliance does not exist in a vacuum: compliance departments can inform the work of other control functions, as well as risk assessment, and vice-versa. That recognition breeds cooperation and, in an increasing number of companies, full scale integration that sees risk, compliance, and security functions all rolled into a single vertical.

Seeking to understand this shift, we have interviewed senior executives at three companies undergoing profound shifts in their organization or entire business models. First, a current and a former Best Buy executive have a conversation about their slow evolution towards an integrated risk and control function. Then, we have interviews with K.C. Turan of UPMC Insurance Services and Duane Holloway of U.S. Steel. Turan gives us his view on compliance and risk as a partner to the business, and Holloway emphasizes the importance of transparency and communication in times of change.



### TOPICS COVERED

#### // *Integration & Security*

**Tyler:** Can both of you quickly introduce yourselves and your roles, and briefly overview Best Buy's transition to an integrated risk management function?

**Todd:** I was Best Buy's first Chief Compliance Officer in 2006. They gave me a pretty open canvas to create what I thought we needed, which started out focusing on corporate governance and some baseline legal compliance, especially in the securities area, and then evolved from there into what we might call a more classic corporate compliance department. In August of last year, we reorganized, and now I serve as the Chief Risk and Compliance Officer for the company.

**Deb:** I began my career at Best Buy in the IT department, with responsibility for the retail and dot-com payment systems. With a focus on putting the customer in the middle of everything that we did, I proposed the creation of a team focused on protecting the data of our customers. After a major retail data breach became public, I got the job as the first CISO and the responsibility to build a team and grow the function.

I retired in February, but part of a vision that I'd always had was pulling the often-disparate functions that deal with various components of risk inside of an organization under one umbrella to help make it more efficient from an operational and a financial perspective. The combined capabilities would provide the Executive Team, the Audit Committee, and the Board a more cohesive picture of where risk sits. So, Todd and I partnered on the creation of this Enterprise Risk & Compliance organization.

**TH** After some companies were in the spotlight for putting too much pressure on short-term incentives, leading to illegal behavior and eroding customer trust, I approached my bosses to say, "We need a function that is truly focused on compliance, not compliance as just an extension of the legal job." I'd become convinced that legal support is fundamentally different from compliance work. Studying other institutions helped me better understand the way chief risk officers normally operate, and I said, "This is almost exactly how a fully empowered compliance officer should operate." What also made sense to me was that we couldn't deliver what the company now needed unless we had the resources to take compliance risk management seriously, and that combining compliance with Deb's Information Security

## INTEGRATING RISKS & ADDING VALUE

### A Conversation with Best Buy Executives

Written by Tyler Lawrence

In this wide-ranging discussion, Best Buy's current Chief Risk and Compliance Officer Todd Hartman, along with the company's former Chief Information Security Officer Deb Dixon, chat with Ethisphere Magazine about Best Buy's evolution on cyber security, compliance, and risk over the last decade, which culminated in the integration of all three into a single, centralized risk function.





*Best Buy employees in Puerto Rico after Hurricane Maria. The company chartered a cargo plan to deliver them supplies in the storm's immediate aftermath.*

Organization would put us in the best position to manage risk.

**DD** The heart of so much of what the security team looks at is the data. It made sense to pull teams together to have a shared view of comprehensive data sets to be able to follow, as opposed to the previous model, with separate reports, independent of each other, being presented to the Audit Committee and expecting that they could figure out the interplay of one risk to another. I believe that a holistic risk management approach enables the company to take on greater risks because it has a clearer picture of what the greatest risks are and where they sit.

**TH** An illustrative example of exactly what Deb was talking about in terms of the confusion that can be created when Boards are presented multiple competing risk voices is the tension between security and privacy. It can be difficult to brief a board on information security without them automatically assuming the privacy realm is covered somehow; however, privacy is a separate function, with separate concerns. With our current structure, we're in a much better position to be able to show all of those risks in balance with each other.

**TL** It sounds like in some way, bundling compliance into a broader assessment of risk, and then bundling information security into that as well, makes each of those three functions seem less like a control function, which people tend to think of as a barrier to business opportunities, and it makes you more of an asset to the business.

**DD** Yes, absolutely. We've seen a shift in various business teams bringing us in much earlier in the process, which is what you want

as a valued business partner. And because we've got this bundle, as you call it, being able to consolidate that, it's far more efficient for the business partners, and therefore they want to bring us in early.

**TH** Being able to provide them that full picture has enabled this group to be a strategic value to the enterprise as opposed to a gatekeeper. And frankly, it is much easier to have a risk organization that leaders go to for all the traditional risks. Information security risks, privacy risks and compliance risks are considered within the context of business processes, enabling leaders to make well-informed, holistic risk-based decisions.

**DD** Another advantage is that when you have a larger, more diverse group of folks working closely together, you provide the people on the team opportunities to be cross-trained or to recognize ways to approach solving problems differently. They've got growth opportunities on a bigger scale than they would have had siloed in their individual disciplines, and they are more engaged because they are contributing to a greater mission and vision

**TL** What trends led you to toward this reorganization?

**TH** In terms of the trends we felt we were capitalizing on, combining compliance and enterprise risk management has been a trend that we've seen at several different companies. The other trend we've seen is compliance becoming a separate function from legal, and that's always been important in, say, a financial services industry, but we're seeing it across others. That means being able to focus on transparency and accountability without having to worry about litigation defense and strategy, which may be at odds with compliance goals.

The final trend is information security needing to be independent from the information technology organization. For us, it seemed obvious and very much something that we would think all companies would trend towards, given the metrics by which you would measure an IT organization versus the metrics by which you'd measure a security environment.

**TL** And particularly the way that info-sec risk has exploded for companies in recent years.

**TH** And I think you're seeing a separate trend at work that could be productive, which is CIOs see security as being so critical that it's harder for them to separate security concerns from the rest of their job, which is a good thing. But it also enables companies to say, "Well I've got a CIO who is incredibly concerned about security, so I am comfortable having them combined". While it might help enable security by design a little bit better, IT and Information Security are a dangerous combination as a governance matter. Speed, cost and innovation are always going to have tension with security and compliance.

**DD** Any time in an organization where you have a role that's dependent on that human being's personality to reach beyond probably what they're incentivized to be responsible for, that represents a risk in and of itself.

**TL** Looking forward, what do you all think that the next steps will be, in terms of the evolution of this integrated risk role? Where would you like to see the function two years from now, in terms of growth and evolution within the organization?

**TH** I'm focused on, how do I position the organization in a way that adds strategic value at the senior leadership level? I know all our business leaders think about security issues; I know they think about compliance issues. But how do I create a risk portfolio view that leverages the right data within the organization and adds a different lens to those conversations that's helpful?

Looking even further forward, how do I integrate that view and thinking into the regular business review processes of the company? We have regular business reviews that look at a wide variety of metrics. But what I don't have is a risk, compliance, and security lens to all of those pieces where I can provide relevant data on things that either they aren't looking at or things that we would think they should be monitoring to ensure the health of the organization.

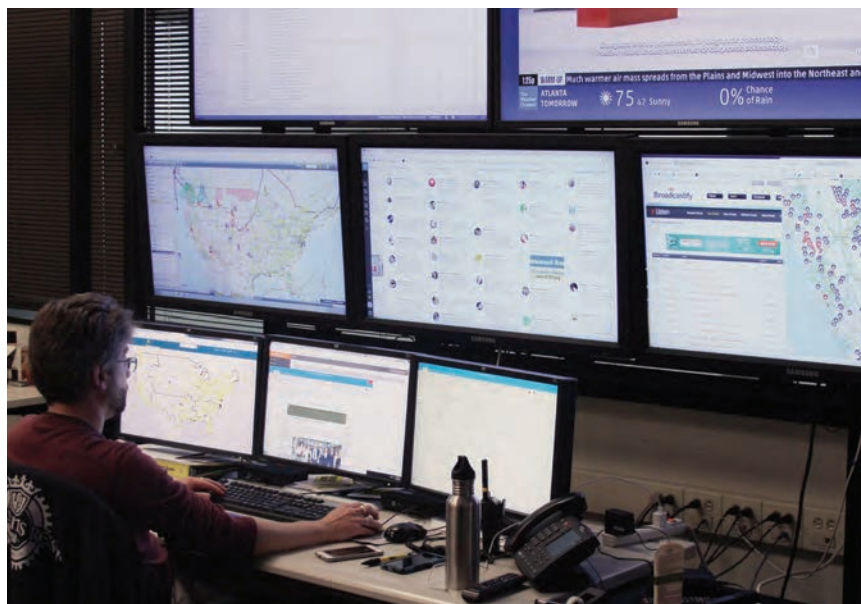
**DD** I think Todd's exactly right. All of these functions grew up separately, so they had their own set of processes, their own systems and tools that they used to gather and manage data, and consequently, it's grunt work right now—"Well I've got this, you've got that, how do we mash it together?" Part of that is landing on some consolidation of systems and processes in order to be able to make it easy and more natural.

**TL** What advice would you give to a company who would like to adopt a similar structure for their own all risk management?

**DD** They just need to start. Put some thought into what it could look like and find the champions that would understand the benefits and start working towards that. There will likely be initial resistance, but small wins will help pave the way for bigger changes.

**TH** The first goal we set for our team members when we formed this group was that we add value to the enterprise. I would start with thinking about and demonstrating how you add value to what you're trying to accomplish in the business. We're going to be able to be more efficient. We're going to be able to give a comprehensive view, not a piecemeal view. We're going to be able to leverage combined resources rather than having to build separate resources.

But I think the most important value a function like ours can bring to an organization is the ability to identify and escalate a problem before it gets too large. When companies make headlines for the wrong reasons, there are always a number of places where, if somebody really had seen the full picture at the right time, they could have avoided disaster. There's often a failure to identify a material and persistent risk to the organization, and even when it's identified, the right individuals may not be empowered to really do anything about it. We feel we are now in a much better position to identify and address risks before they become material.



A Crisis Operations Analyst managing the Best Buy Emergency Hotline.

**DD** At all levels, people could start talking. They don't even have to have a specific organizational structure in place, but security can start talking to privacy and can start talking to compliance, and as those conversations are taking place and that muscle is exercised, the more they do it, the more parallels they will find. Stuff surfaces in those conversations that you didn't know was going on, and that's a good thing from a risk perspective, to be able to build that trust that people will come to you and tell you, "I don't think this is the right thing," or "Should I be worried about this?"

**TL** To get people to come and tell you those things and not feel like they're tattling on someone, right?

**DD** You know, it goes to changing the attitude. You're their partner; you're not there as the cop to catch them doing something wrong. Rather, how do you help them be even more successful in their business goals with the least amount of risk that you possibly have.

**TH** One really key revelation of this combination that has been already immensely successful was bringing ethics into the risk management conversation. One of the things that I've been able to emphasize with everybody is that, the best risk mitigation in any organization is an ethical culture. Best Buy, like many other companies, is a company that is driven by its culture. We have strategy, we have process—but we are driven by our people and our culture. From that perspective, combining compliance, ethics, and risk seems almost obvious.

## Expert Biography

**Todd Hartman** is the Chief Risk & Compliance Officer for Best Buy Co., Inc., a leading provider of products, services and solutions. In this role, he is responsible for leading the company's enterprise risk and compliance capability across all channels and geographies. These functions include enterprise information security, data privacy, global security, enterprise risk management, enterprise fraud prevention, investigations, crisis response and operations, business continuity and disaster recovery, product safety, regulatory compliance and global business ethics.

**Deborah Dixon** spent fourteen years at Best Buy over the course of several tours of duty. She returned to Best Buy in 2015 as Senior Vice President, Global Chief Information Security Officer (CISO). In preparation for her retirement in February, Deb partnered on the creation of a new Enterprise Risk & Compliance function which combines previously separate teams charged with managing risk under a unified umbrella to provide a more comprehensive view of risk for leadership and the Board. For the last six months of her tenure Deb served as an advisor to that team. During her previous time at Best Buy, Deb became the organization's first Chief Information Security Officer (CISO) and set up the original Information Security team. She established a board-mandated Global Information Security office and governance that set the foundation for a holistic, sustainable approach to security.business.ethics.



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NEW YORK TIMES BESTSELLER

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## TOPICS COVERED

// *Structure & Innovation*

**Aarti Maharaj:** You've recently integrated your GRC functions. Tell us about the rationale, process, and results.

**K.C. Turan:** We've integrated our governance, risk, and compliance (GRC) functions into a more holistic framework. This includes our Corporate Compliance, Ethics, Enterprise Risk Management, Privacy, Fraud, Quality Assurance, Data Governance, and various product-specific compliance functions (e.g., Medicare, Medicaid, Exchange, workers' comp, etc.), each of which has its own compliance team.

The rationale was to facilitate greater coordination and synchronization across the various GRC functions. The more effective and efficient we can be, the better positioned we are to support and facilitate the growth and success of the business. The more anticipatory we can be in partnering with the business, the more effectively we can meet their unique and growing needs.

As for the process, there were certain functions that were already centralized, to which we transitioned additional programs that initially sat elsewhere and added certain newly developed functions. Our Board and senior management were highly supportive, as they recognized the value in having these important functions be optimally positioned to better support our highly diversified, regulated, and growing business.

The results have been highly successful. Through our integrated GRC framework, we're able to leverage the inherent synergy and efficiencies that exist across the GRC functions to be much more effective and synchronized in supporting the business. Our GRC cross-departmental strategic planning, risk assessments, communications, information sharing, budget planning, investigations, project management, metrics capture, and reporting are all more robust because of our integrated structure. This, in turn, positions us to more effectively support the business and its tremendous growth.

**AM** What are the more challenging aspects of healthcare, compliance, and risk management? How do you balance healthcare's rapid innovation with the need to meet so many requirements and ensure ethical conduct?

## INTEGRATE TO COLLABORATE

### Leveraging GRC Synergies to Better Support the Business

Interview by Aarti Maharaj

Over the last few years, UPMC Insurance Services has integrated most of its GRC functions during a historic period of dynamism and regulation in the healthcare industry. UPMC's K.C. Turan spoke with Ethisphere about the opportunities and challenges presented by this initiative.



**KCT** We're operating in a highly scrutinized regulatory environment, seemingly much more so than prior years. This environment basically applies to every industry, but there's no doubt that the regulated verticals, such as healthcare, are operating in a regulatory environment that's even more magnified.

As a direct by-product of ongoing healthcare reform, the healthcare space is more dynamic and innovative than it's ever been. This is extremely exciting and compelling, but it also presents its own set of challenging variables. In addition to a significant amount of uncertainty, healthcare is experiencing both vertical and horizontal integration, disintermediation, a continuing shift to a value-based model focused on population health management, increasing consumerism, the disruption of the individual and family plan market, a great deal of consolidation and M&A activity, myriad prospective and new regulatory requirements, and tremendous technological innovation, among other developments. Healthcare companies need to adjust to the new paradigm and be much more agile and nimble. As the organizational GRC function, we need to likewise adapt and support the business through this change.

We don't view healthcare's rapid change and innovation as impediments to meeting our regulatory requirements or ensuring we do right by our various stakeholders. Our North Star has always been our organizational values and principles, which collectively serve as the foundation of our Mission-based integrity capital. Healthcare's macro industry dynamics, regulations, and technology may evolve, but our principles-based corporate ethics and cornerstone of "doing the right thing" remain unequivocally anchored to our core values. In fact, the need to adhere to and live our values becomes even more prominent in times of great change and uncertainty, as they provide a manifest clarity and continuity.

Lastly, our GRC functions need to keep up with the high speed of business and our compelling growth. While we're clearly a governance function, we're also here to partner with, facilitate, and support the business in its continual efforts to scale. It's our business teams' jobs to be as innovative and entrepreneurial as possible in better serving our members, and it's our job to effectively anticipate and support them at every step, while ensuring we do things the right way.

**AM** How do you think GRC will evolve as a new generation enters the workforce?

**KCT** The constitution of the workforce is clearly changing as Millennials now comprise the plurality of professionals and as Gen Zers increasingly enter the arena. While it's a little dangerous to paint an entire generation with a broad brush, there are clearly certain differences from one generation to the next. Generally speaking, and relative to prior generations, Millennials and Gen Z are highly digital and technology savvy, have access to great amounts of information, prefer working in teams, enjoy immediate processing and results, seek out more open and flexible working environments, and appear to be motivated by a more personal and emotional connection to their work, their company, and the company's values. As a result, GRC functions need to make sure we're successfully accommodating these social drivers to have truly effective and sustainable GRC programs that resonate and "stick." For example, we'll need to develop more mobile, interactive, and engaging codes of conduct, policy delivery mechanisms, training programs, and communications initiatives. What's considered to be "robust" and "effective" now likely won't be in the near future.

**AM** What are lessons you've learned over the course of your career that you'd like to share with fellow GRC professionals?

**KCT** The "how" (i.e., how we do things) is just as important as the "what" (i.e., what we do). It's important for one to be a subject matter expert in their given area, but building the necessary partnerships, consensus, and coalitions with the business and other stakeholders is equally important, and sometimes even more so. One isn't going to be very effective if they narrowly view their role as an internal cop. Risk and Compliance clearly have a "governance" role to play, but you need to execute it by way of adding value and being strategy- and business-centric. We need to strike the optimal balance between making sure we're satisfying applicable legal and regulatory requirements on the one hand, and running a healthy, viable business on the other. In this vein, I always emphasize the importance of building the necessary partnerships and relationships with the business and our stakeholders.

You also want to make sure your GRC programs are right-sized, fit-for-purpose, and optimally customized to your company, industry, business model, strategic priorities, and culture. There is no prescriptive, one-size-fits-all set of GRC programs that you pull off the shelf and plug into any given company. Every organization is unique, and business models and strategic priorities may shift and change, causing the GRC functional framework and priorities to likewise adjust. You need to be mindfully

plugged into the "rhythm of the business" to ensure you're adding value.

Lastly, we need to vigilantly foster a culture of "performance with integrity" as the cornerstone value. The CEO and executive leadership need to be singularly dedicated to creating and sustaining a uniform "performance with integrity" culture throughout the organization. Organizations should alchemize the fusion of high performance with high integrity and sound risk management, wherein the integrity capital and values-based ideals are woven into the fabric of the company and its daily operations. The "tone at the top" is clearly important, but the "tone in the middle" is equally significant. Truly effective and sustainable GRC programs need to foster and be mindful of both.

**AM** Any final words or tips you'd like to impart?

**KCT** We don't know what we don't know, and this is particularly true of healthcare, which is undergoing tremendous disruption. This obviously has potentially significant GRC implications, but the substantive challenges are also what make for the compelling opportunities, which we'll hopefully have the chance to contemporaneously define. It's critically important to be business-minded, as the business is one of our primary stakeholders and this ultimately better serves our customers. It's important to be a nimble all-around athlete, as you could touch upon any given issue or area of the organization in any given day. It's important to remain vigilant, always being mindful of what's around the corner. Lastly, and perhaps most importantly, it's important to maintain a balanced and nuanced perspective.

## Expert Biography

**K.C. Turan** is the Senior Vice President and Chief Risk, Compliance & Ethics Officer of UPMC Insurance Services, where he leads the organization's corporate compliance, ethics, ERM, privacy, fraud, quality assurance, third party compliance oversight, data governance, and various product-specific compliance programs across the enterprise. UPMC Insurance Services is part of the larger UPMC organization, which is an integrated healthcare delivery and finance system. UPMC Insurance Services is an integration of numerous partner companies that collectively offer a full range of health insurance products and services to roughly four million members, generating approximately \$10 billion in annual revenue.



## TOPICS COVERED

// *Reorganization & Collaboration*

**Tyler Lawrence:** U. S. Steel underwent a major reorganization of its business units in the last few years. Can you tell me a bit more about what changed?

**Duane Holloway:** We're in the midst of a multi-year transformation that is focused on creating value for all of our stakeholders. That includes employees, customers, stockholders, and the communities in which we do business. Our aim is to earn the right to grow, and then sustain profitable growth across business cycles. We think of "Earning the right to grow" as delivering consistent, reliable results by achieving operational excellence through an intense focus on what we consider our key business drivers: safety, quality, delivery, and cost.

From a transformation perspective, first we have undertaken a variety of projects to help improve our performance across our core business processes, including supply chain, manufacturing, innovation, and others. Many of these efforts focused on changing and streamlining processes. Our workforce has driven many of these continuous improvement projects, and their efforts helped foster a corporate culture where accountability, integrity, and high performance are valued and celebrated. Second, we realigned our North American flat-rolled operations into new commercial entities to service key markets, which are automotive, consumer, and industrial, service centers, and mining. This has helped us get closer to our customers so that we better understand their needs and can collaborate with them on high-quality, innovative solutions. One more point is that we are investing in strategic revitalization of our assets and reliability-centered maintenance initiatives that will help us maximize efficiency and production.

**TL** In the midst of all of that, how do you see your role as general counsel and chief ethics and compliance officer in that transition?

**DH** My team and I play an integral role in supporting and helping facilitate our ongoing transformation. One of the primary functions of the legal and compliance department is to identify risks to the company, and work closely with our col-

## CRITICAL COMMUNICATION

### Transparency in Transitions with U. S. Steel's Duane Holloway

Interview by Tyler Lawrence

Although the general counsel and chief ethics and compliance officer's role in identifying and mitigating risks at a company is always important, it's particularly vital for a company in transition. U. S. Steel's Duane Holloway knows this well, and he talked with *Ethisphere's* Tyler Lawrence about the importance of open and transparent communication in times of transition.



leagues across the company to mitigate them. We also identify opportunities for business growth. And as the leader of our ethics and compliance program, I think I also play a key role in helping to ensure that our strategic plans and the initiatives undertaken to achieve them remain rooted in the core values that have guided U. S. Steel since our founding more than 115 years ago. Among these are a steadfast commitment to safety as our primary core value and an unwavering commitment to doing business ethically and with integrity. I take great pride, despite my short tenure here, in U. S. Steel's long, rich tradition as an innovative and responsible corporate citizen.

**TL** What are the main priorities, both personally for you as the GC and CECO and for your team, during the transition?

**DH** Beyond ensuring we stay committed to our values in order to effectively support the transformation, I think, first, everyone must understand the reasons for the transformation and the company's ultimate strategic goals. We need to understand the business and its objectives in order to effectively provide high-quality guidance, without exposing the company to undue risk.

Second, we need to constantly strive to create stronger and more collaborative relationships with our colleagues. We must be and remain trusted legal and business advisors to those throughout the company so that they seek out our advice and counsel. Third, as we are in an era of transformation, we need to be agile, embrace change, and be innovative in our thinking. We also need to be sure we bring diverse viewpoints to the table. Fourth, we need to have fun. We all work hard, but we work better and smarter if we enjoy the work we're doing with our colleagues. I think all of these points go hand-in-hand.

**TL** You say that one of your priorities is developing strong, more collaborative relationships with your colleagues. For you as the general counsel, what does that look like? Who are you talking to?

**DH** As part of my onboarding, I made sure that I had informational meetings with each of the business segment leadership teams in addition to all the functional segment leadership teams. On an ongoing basis, I make sure that I am out there in the business, if you will. That includes visiting and touring our steelmaking and finishing facilities and participating in business meetings. And I spend a significant amount of time with my colleagues in the C-Suite so that I understand the issues that they are facing. It's a constant process of communication and knowledge sharing.

**TL** The organization has been underway with some of these changes for a few years, but if you were the GC or the CECO of an organization that was just starting major organizational change, how would you prepare the legal and compliance team?

**DH** I think communication is absolutely critical. As GC and chief ethics and compliance officer, I'm often in a position to be one of the first folks to understand what changes are happening to our corporate strategy, including significant developments that could impact the legal and compliance team, either directly or indirectly. And while it's not always possible to immediately share developments, I strive to let those on my team who may be impacted know as early as possible. I think the sooner that our subject matter experts can start to dig into a matter, the more time there is to fully consider any issues or risks. We have to be agile and enable agility.

**TL** You say communication is critical and you want to let the relevant people know as soon as possible. But in many companies, legal and compliance are the last people brought into the room. So how can you, as the GC, ensure that you have input early on in every phase of a transition like this?

**DH** I think the most effective thing we can do to make sure we are not just called in at the eleventh hour is to develop effective partnerships with our colleagues where they view us as aligned and capable, trusted business advisors. I'm stressing business advisors because I think that's a key point. In that vein, we must demonstrate that we understand and appreciate their goals, which also should be our goals, and then provide advice to help them achieve those goals while mitigating the risk to the company. I think when we do that, our colleagues will understand the value that we add and proactively seek our guidance going forward.

**TL** You've touched several times on the importance of culture. During reorganization, that can often be disrupted. Culture is a fragile thing. So how do you preserve your culture during a transition?

**DH** Preservation of culture during transformation is more of an art than a science. It's essential to not only assure employees that the transformation process does not in any way change or limit our commitment to our core ethical values, but to show that. Communicating with the workforce about what is happening, why, and how it will affect them as early as possible can help make any disruptive changes easier to understand, and make the process more effective.

During transformations, there's an opportunity to revisit the core ethos of a company, and in our case at U. S. Steel, it has reaffirmed a commitment to fostering a culture of caring, as we call it, which is characterized by accountability, fairness, and respect.

It's a constant theme. I think it's inherent in any business transformation that you have to have those three things on the table. We do our absolute best to hold ourselves and others accountable, ensure we are as fair as possible, and respect and dignify each and every person in the workplace.

## Stats & Data

### Managers More Prone to Misbehave

Every year, Aflac conducts a survey of American workers on a variety of topics. This year, they asked about unethical conduct and requests from employers.

**Percentage of respondents who said that they had done something unethical at work.**

**30%**  
Senior Management 30%

**13%**  
Non-management 13%

About one-fifth (19 percent) of employees had been asked to do something unethical, and of those, 45 percent complied.

**Conclusion:** Low-level employees seem to perform unethical deeds at work significantly less than management. That may be because managers have more latitude, or because they feel pressure to perform more acutely.

**Source:** "2018 Aflac CSR Report," Aflac and FleishmanHillard.

## Expert Biography

Duane D. Holloway joined U. S. Steel in April 2018 and serves as senior vice president, general counsel, chief ethics & compliance officer and corporate secretary. At U. S. Steel, Mr. Holloway holds executive responsibility for all legal, ethics and compliance matters across the company. He is also responsible for corporate governance and managing relations with the company's Board of Directors.





# COMPANIES ON A JOURNEY FOR HIGHER PURPOSE



Illustration by RJ Matson

As expectations of companies have risen and the public increasingly turns to the private sector to lead on social problems, more and more businesses have realized that merely behaving ethically is not sufficient. Companies driven by a purpose above and beyond profits have the competitive edge in the 21st century.

In this month's feature section, our contributors explore this evolution from ethical companies into purpose-driven ones. First, IBM's CEO Ginni Rometty lays out the various ways that IBM has worked to develop alternative career paths in tech to improve access to education and prepare their (and everyone else's) workforce of tomorrow. Then, Ethisphere's CEO Tim Erblich explores how purpose must be externally-focused, future-oriented and self-defined. Further contributions explore the general counsel's role in defining purpose, corporate social responsibility and how companies can be directed by purpose in their day-to-day operations. Read on to see if we can help you on your organization's purpose journey.



## HIRING SKILLS, NOT DIPLOMAS

How to Ignite the Next Generation of Talent

Written by Ginni Rometty

In order to remain one of the world's leading technology companies, at the forefront of cloud and quantum computing, IBM also needs to employ the world's leading technologists. That's why the company has been heavily invested in efforts to promote STEM education and career preparation. Here, IBM CEO Ginni Rometty explains the challenges and opportunities the company's P-TECH initiative seeks to address.

Right now, there are more than seven million open jobs in the U.S. That's a historic number because, for the first-time since 2000, there are more job opportunities in this country than there are people looking for work. Competition for talent is fierce. But employers face another major challenge in filling some of their top paying roles: a lack of candidates with the right mix of skills. That begs a question: How can companies do more to foster the next generation of innovators?

None of us can afford to put this off. The pace of progress in areas like AI and quantum computing is only going to accelerate, further exacerbating the urgent need for qualified workers. AI, in particular, is one of the greatest opportunities of our time but also one of the greatest challenges. This is not because it will put some people out of work. Rather, it is because AI eventually will transform 100 percent of the jobs we know today in addition to creating entirely new roles and professions.

The solution to the current and future skills challenge must start with greater investment in the future of skills training and in teaching millions more people how to use the technologies that are rapidly reshaping our global economy. Technology clearly will solve some of the most important issues in society today, but it also can create some of the biggest divides between the haves and have-nots of the world—much of that based on education and skills.

Take it from those of us who see this challenge up close every day. In a recent survey conducted by the IBM Institute for Business Value, more than 5,600 global C-level executives reported that they are “increasingly crippled by a workforce whose skills have not kept pace with changing requirements.” It showed that 60 percent of executives, who lead all kinds of businesses, struggle to keep workforce skills current and relevant in the face of rapid technological advancement.

### Skills versus Credentials

Closing the high-tech skills gap requires rethinking traditional approaches to education and hiring. It also means embracing a cultural shift toward hiring and advancing for talent, not diplomas. It's simply no longer the case that there's only one path to a great career in technology. Today, the necessary skills can be acquired in many different ways.

We no longer can insist that every person needs to be a university or a Ph.D. graduate to be productive in society. The workplace today is full of jobs that do not require bachelor's degrees but do demand special skills, typically related to digital technologies. We call them “new collar” jobs, and they are in high demand, like app developers and cybersecurity analysts.



The necessary training and experience for new collar jobs can be acquired through community colleges, digital bootcamps, reimagined public schools, or 21st century apprenticeships.

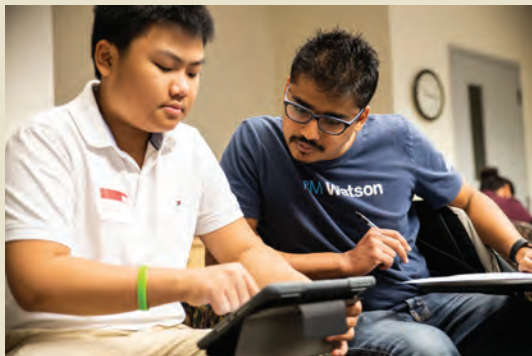
Truly transforming our workforce for the era of new collar jobs requires that we radically rethink and reimagine education as early as possible. That's the driving idea of the Pathways in Technology Early College High School—or P-TECH—model. P-TECH melds the best of high school, community college, professional mentoring, and hands-on career learning that better prepares students for success in college or new collar careers.

Since its 2011 launch—through a partnership among IBM, the New York City Department of Education, and the City University of New York—the P-TECH program has expanded to more than 110 schools across eight US states, Australia, Morocco, and Taiwan. More than 500 industry partners—from American Airlines to Mastercard and Kaiser Permanente—and 77 community college systems are participating in this new model and training students for a wide range of careers.

At these P-TECH schools, students build skills for life-long careers—not just jobs. Graduates earn both a high school diploma and a no-cost, two-year associate's degree in a competitive STEM field. The curriculum taught at these schools is designed with industry needs in mind, with IBM employees acting as mentors and IBM providing the students with internships. The model's on-time completion rate for an associate's degree is four times the US average for community college students.

A key element of P-TECH's power is that it empowers historically underserved youth with a two-year degree along with a business partner's commitment to interview them for new collar job opportunities after graduation. These graduates also are taking their first steps toward competitive careers—without the student debt that burdens so many early professionals in America.

### Facts & Figures



# 60,000+

The number of students IBM's P-TECH program has served in the last seven years, across four continents.

## Public-Private Partnerships

Of course, no one company and no single program can accelerate the dramatic change needed in education today. Private-public partnerships are more essential than ever.

A positive step in this direction was the recent modernization of the Perkins Career and Technical Education Act. Signed into law this summer in the US, Perkins provides a modern framework and more than \$1.2 billion in funding for schools to better align their curriculum with the most pressing labor market needs. Its implementation is the direct result of a collective push by hundreds of businesses, education leaders, civil rights groups, and policymakers.

Now, the next critical policy priority should be rethinking how we structure our federal student aid and loans. Students can today receive aid for traditional schooling at universities and colleges, but not always for innovative, career-aligned education programs like coding camps and technical schools. That needs to change. It is time to modernize the Higher Education Act and make it easier for students and mid-career professionals to apply student aid toward career-oriented education opportunities.

Federal college work-study programs, which dispense nearly \$1 billion to help students work to earn their college tuition, also are overdue for an update. Currently, most of these jobs subsidized with federal funds are low-wage and limited to college cafeterias and libraries. Using this program to foster meaningful internships in private companies would help students build the skills they need for new jobs and earn more for their tuition.

I've seen the impact of modern approaches to skills training and hiring firsthand. In today's IBM, about 15 percent of employees hired in the US have stepped into new collar roles after following non-traditional career paths. They work in fields from cybersecurity to cloud computing and digital design—areas essential to the future of our company.

## The Time Is Now

One thing is certain: Demand for talented new collar professionals is only going to grow as new technologies reshape our world. For the United States to retain its position as one of the world's great centers of innovation, we need to accelerate new ways of elevating talent and preparing more students and workers for these well-paying roles. This requires moving beyond the confines of dated education and hiring models and forging imaginative new public-private partnerships.

In doing so, will we ensure not only that we create the highly skilled workforce of the future, but also that we provide the kinds of opportunities for all Americans that were once available only to the few.

### Author Biography

**Ginni Rometty** is the Chairman, President and CEO of IBM. Since becoming CEO in January 2012, Ginni has led IBM through the most significant transformation in its history, reinventing the company to lead in the new era of AI, blockchain, cybersecurity, and quantum technologies, all delivered on IBM's enterprise-strength cloud platform. Today, IBM is the world leader in AI and cloud computing for business, underpinned with trust and security. Throughout IBM's reinvention, Ginni has worked to ensure that new technologies are developed and deployed in a way that is ethical and enduring. IBM was the first, for example, to publish long-held principles of trust for AI, data responsibility, and data transparency.



## THE NEXT STEP?

Companies Evolving from Ethical to Purpose-Driven

Written by Timothy Erblich

At Ethisphere, our mission over the past decade has been “defining and advancing the standards of ethical business practices.” At first glance, it seems entirely possible that a company can be ethical—doing business the right way, following the rules, and generally doing the right thing—and still not be driven by anything other than maximizing profits.

It has always been a big part of our message that companies actually do better by acting ethically, because that attracts the best talent, as well as consumers and investors, and creates an environment where everyone can thrive. So, ethics are enough... right?

The answer, it has become increasingly clear, is a resounding “no.” Corporations can’t just act out an abstract set of ethical guidelines. A new generation of employees demanding meaning in their work, the declining levels of trust in companies, and a wider debate about the role business can or should play in society are all reshaping expectations of organizations. To succeed at the highest level, a company’s leadership must pin ethical business conduct and practices onto something larger than day-to-day good behavior: companies need to have a purpose, a “why” behind their actions.

### External Focus

Inherent in the idea of a company’s purpose is that it must involve making an impact on the outside world. While a company may seek to do right by its employees or shareholders, mere success isn’t enough to give the organization a sense of purpose. Organizations that want a united purpose must constantly be thinking about how their work affects others, which in turn impacts their social license to operate, as Larry Fink, chairman and CEO at Blackrock, pointed out in his “Letter to CEOs” this spring.

The World’s Most Ethical Companies® have a variety of best practices and policies to ensure that their work remains externally oriented. Many of these companies have spent considerable time thinking about their “why”—the purpose that underpins their work. As Brad Smith, President of Microsoft, noted when we spoke with him last year, “You have to know the values for which you stand.” For many companies, this remains a work in progress. A recent Harvard Business Review/EY survey of executives found that while 80 percent believe purpose-driven firms to be more effective, only 46 percent believe that their own firms have a strong sense of purpose.

Of our World’s Most Ethical Companies honorees, 98 percent have a formal community involvement strategy governing their relationship with the communities where they operate and their employees live and work. And since what gets measured gets done, 72 percent of honorees actually have KPIs to measure progress towards their community involvement goals, a necessary practice for any company that wants to quantify their impact.

In a broader sense, over three-fourths (76 percent) of our honorees include societal impact in their evaluation of business decisions. This often shows up in their procurement processes, where suppli-





Tim Erlich onstage with Indra Nooyi at the World's Most Ethical Companies Honoree Gala Dinner in March 2018.

ers are evaluated on more than just their price per product and companies dedicate resources to building capacity in the value chain to support ethical business practices—a true two-way street that significantly mitigates risk not only for the company but also for the supplier. We also see it in their hiring processes, as companies look to diversify their workforce. And finally, the growing link between performance management and purpose, where companies deliberately embed their values into their performance management process, helps ensure that the leaders of the future keep an eye on the “why.”

### Purpose for the Future

Most companies have forward-looking purposes, hoping to inspire, build, or innovate for future generations. With that in mind, nearly all purpose-driven organizations should be actively thinking about how their operations can be more closely tied to their values and more sustainable, in the sense of both building a lasting organization and ensuring future generations have a world worth inheriting.

This idea is borne out among the World's Most Ethical Companies, although even among this select group work remains to be done. Above and beyond their own work, 43 percent of this year's World's Most Ethical Companies require at least some of their third parties to have a formal sustainability program as well, and 39 percent require third parties to have a social responsibility policy. Any company committed not only to doing the hard work of sustainability and social responsibility, but also to only doing business with likeminded companies, demonstrates its commitment to future generations.

### One Company's Story

Many of the companies with whom we work have well-known purpose stories. One of the most interesting, and perhaps less known, belongs to Volvo Cars, which has spent decades with a reputation as one of the safest auto manufacturers. From the company's early days, its engineers prioritized safety innovations as a key competitive advantage, simultaneously protecting its customers and giving the company a competitive advantage.

Among other advances, Volvo's engineers contributed to the development of the rear-facing child seat, a key device that reduc-

es vehicle emissions, and numerous innovations to airbag systems. In this century, Volvo Cars has worked to move vehicle safety into the digital age with sensors to detect pedestrians and prevent collisions by inattentive drivers.

However, the most significant result of Volvo's commitment to safety is a product that we all (hopefully) use every time we get in a car: the modern seatbelt. A Volvo engineer invented the three-point seatbelt in 1959. Recognizing its potential importance, the company promptly waived its patent rights, saving countless lives over the course of the last sixty years.

### Defining Purpose for Yourself

Speaking with me onstage at the 2018 World's Most Ethical Companies recognition gala, PepsiCo's chairwoman Indra Nooyi outlined how she had formulated her famous “Performance with Purpose” push, which steered PepsiCo's focus from its core soda products toward healthier food and beverage products. For her, purpose was simply the next step in a company's ethics journey, when a company evolves from following rules set by others to deciding on its own path. As she put it, “Purpose goes beyond ethics, a moral code that somebody [else] has defined. You have to define it yourself. You have to think about your impact on society, and not wait for somebody to impose it on you. Purpose is a form of societal ethics. That's what Performance with Purpose is about, and that's what allowed us to be successful.”

The idea that companies should be ethical has clearly taken root across the corporate world. Now, it's time for us to take the next step together, and for each company to define its own purpose within those ethical bounds. I am excited to see this next step.



### Author Biography

**Timothy Erlich** is the Chief Executive Officer of the Ethisphere Institute, the global leader in defining and advancing the standards of ethical business practices.



## THE IN-HOUSE LAWYER'S GUIDE

Furthering Corporate Purpose

Written by Christopher Murphy Ives

Given the wide-ranging impacts of geopolitical change over the past few years, it's more evident than ever that regardless of the strength of a product or service, no business is immune from uncertainty and challenges. Political and societal changes affect the business environment, the mindset of consumers, the hiring patterns of employees, and the behavior of investors.

Within this shifting landscape, we also witness that companies have responded by strengthening their own values at a time when societal values around them may be in flux. The leading corporations today establish and fulfill a sense of purpose. They have an understanding for how their decisions impact society at large and a desire to impact it for the better.

Intrinsically tied to purpose are corporate culture and a "tone from the top" related to ethics, compliance, and values. As the department ultimately responsible for compliance, the corporate legal department has a unique ability to drive purpose. In *Leveraging Legal Leadership: The General Counsel as Corporate Culture Influencer*, an Association of Corporate Counsel (ACC) publication selected for the National Association of Corporate Directors 2017 Blue Ribbon Commission Report on Culture as a Corporate Asset, ACC makes the case for a strong law department in order to further company-wide ethical practices.

Indeed, it is in the law department's best interest that the company have a strong purpose. This means an engaged board and investors, strong ties to the community, better than average employee relations, and a long-term approach that prioritizes ethical best practices over short term gains. This, in turn, means fewer legal missteps.

And for companies seeking strong purpose woven through all facets of the business, a strong law department can facilitate this reality. Such a law department will have a vocal, well-respected chief legal officer or general counsel (GC), someone who reports directly to the CEO, regularly attends board meetings, and is a fixture at the executive table when important discussions are underway. As the company's lead lawyer, the GC has company ethics as the ultimate priority and can ensure that ethics – and therefore purpose – are at the heart of all discussions and decisions.

Research of the in-house counsel community indicates that for corporate counsel, a sense of mission drives their job satisfaction. An overwhelming 90 percent feel that their work contributes to the overall mission (a statistic that reaches as high as 96 percent when isolating not-for-profit industry respondents), per the 2017 ACC Global Trends Report. These corporate lawyers see a strong correlation between their legal duties and advancing purpose.

Here are concrete steps for in-house counsel seeking to further the ties between the law department's actions and the company's mission and broader societal purpose:



*“As the company’s lead lawyer, the GC has company ethics as the ultimate priority and can ensure that ethics – and therefore purpose – are at the heart of all discussions and decisions.”*

#### **Advocate for a GC with Strong Reporting Lines, Access**

As the person ultimately responsible for corporate compliance and ethics, it’s crucial that the GC have access to the CEO and the board of directors. Specifically, ACC recommends that the GC report directly to the CEO and regularly attend all board meetings. This ensures that a commitment to ethics and compliance is at the forefront of executive and boardroom conversations.

ACC research indicates that a GC who reports to the CEO is more likely to be involved in strategic conversations; thus, ethics and compliance are woven into initial strategy, not touched upon later as afterthoughts. Per ACC’s report, “In addition to providing the legal department with requisite influence, having the general counsel report to the CEO is an important part of setting the ‘tone at the top.’ When legal has a seat at the table, it sends a message to the rest of the company that compliance with laws and regulations is a company priority. It also says something about the CEO: that input from legal is valued, and that the CEO’s vision for the company prioritizes ethics and integrity.”

#### **Promote the Independence of the GC, Law Department**

In-house lawyers seeking to further corporate purpose can promote the independence of the GC – and the entire law department – in all instances. It’s important for colleagues from other business units to understand the role of the law department and the loyalty of in-house counsel. This seems like a simple premise, but is often overlooked. An in-house lawyer’s client is the company – not any particular employee (i.e., the CEO). If colleagues understand this independence and the reason it’s a priority, they’ll better understand that the advice from the law department advances the best interests of the corporation and its purpose.

In this vein, in-house lawyers should be vocal when they feel decisions are not in the best interests of the company’s ethics or purpose. In meetings, in-house counsel should feel free to remind fellow colleagues that what’s best for the enterprise transcends what is best for any particular individual, department, etc. This is corporate purpose at its core – tying corporate actions to something bigger.

#### **Look for Ways to Advise on Issues Beyond the Legal Box**

A review of the titles of most Fortune 500 GCs may hint at other responsibilities beyond legal: government affairs, communications, public policy, administration, and so on. The broadening of the GC role represents the acknowledgement that the lead lawyer can – and should – advise beyond the legal box.

Given the complexity of global markets, the increasing regulatory environment, and shifting political landscape, there is almost no business decision today that does not have a legal or compliance component. GCs should be involved in business strategy and can use their business acumen to advise on a variety of issues. In-house lawyers should feel similarly empow-

ered beyond the GC role to use their unique perspective to help the company advance on a variety of issues. Ultimately, this legal and compliance-focused perspective will drive the company closer to its set purpose.

#### **Seek connections with other business units**

Similar to advising on issues beyond legal, in-house lawyers should look to build close relationships with non-legal colleagues. This will open new doors to lend advice on key decisions where the in-house counsel can infuse an ethics and compliance mindset to corporate plans. With this dual eye on legal constraints and business opportunities, the legal team can ensure that discussions flow towards a conclusion that fits the corporate purpose.

Ultimately, companies with a high regard for compliance and ethics are typically the same companies that have a well-established purpose. As businesses take a renewed interest in practices that benefit the local and global communities, a strong law department is uniquely positioned to help the company ensure that it has the right “tone from the top” as it advances its mission and purpose for the greater good.

#### **Facts & Figures**

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**61%** of CLOs who report directly to the CEO almost always provide input into strategic initiatives, versus only 39% of those with a different reporting structure.

**Source:** “Chief Legal Officers 2018 Survey,” ACC.

#### **Author Biography**

**Christopher Murphy Ives** is VP, Legal Department Chief of Staff and Deputy General Counsel, Global Sales, EMEA & Americas at Hewlett Packard Enterprise, recently relocated to Mississauga, Canada from Switzerland. He is past president of ACC Europe, the leading in-house counsel association in Europe and part of the global Association of Corporate Counsel, with more than 43,000 members in 85 countries.



## FLYING HIGH BY GIVING WELL

Boeing's John Blazey on Corporate Philanthropy

Interview by Tyler Lawrence, Andrew Marquardt, and William Erblich

This summer at Ethisphere, we gave our interns William Erblich and Andrew Marquardt a research project: which of the hundreds of companies with whom we work has the most robust, well thought-out, and generally impressive corporate social responsibility program? After weeks spent looking at dozens of companies, their answer was clear: The Boeing Company. The company's vice president of Global Engagement, John Blazey, chats here with the two of them and our executive editor.

**Tyler Lawrence:** John, can you just tell us a little bit about what you do at Boeing and what your role is?

**John Blazey:** Happily. My title here at Boeing is Vice President for Boeing Global Engagement, and I lead the company's charitable and philanthropic activities throughout the country and the globe. We here at Boeing are on track to donate and invest into communities about \$200 million this year, which from our perspective is a significant investment in our local communities but also is a significant investment in our people and the towns in which our employees live and work and where we do our business.

**TL:** That's quite a sum of money. When Boeing thinks about corporate giving, what is your overall strategy? How are you identifying where you would like to focus your efforts?

**JB:** For Boeing, we look at our community investment as a social responsibility, both in terms of it being a short-term business priority, but also as one of our longer Enduring Values, and it's foundational to everything that we do here. Our focus is on three major pillars. The first one is developing tomorrow's innovators, both to feed our pipeline here in the aerospace community and to fill those high-skilled jobs for the 21st century.

Then, our second major pillar is aiding our military veterans and their families as they transition from military service to our country to the civilian workforce. Third, we also recognize that Boeing, as a socially responsible corporate leader, has an obligation to ensure that we address and work with some of our community partners to ensure that our employees have very good places to live and work, and we have a conducive environment to conduct our business. We invest strategically into those communities that have pressing needs. As an example, here in Chicago where our headquarters are located, we are investing in urban violence reduction activities, providing opportunities for youth. In Puget Sound and in Southern California, we've got some significant investments in environmental stewardship.

**TL:** It sounds like you all have lots of different areas of focus for your giving, which actually connects to the reason that we're having this conversation. Boeing was identified as part of a research project by several of Ethisphere's interns this summer as a company that is really leading the charge on certain kinds of giving and corporate social responsibility. Our interns, William Erblich and Andrew Marquardt, have a few questions about your corporate giving activities.

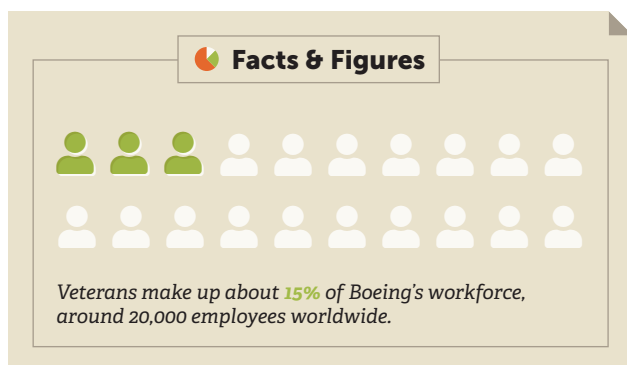
**William Erblich:** How are the local communities, cities, and countries where Boeing operates impacted by these commitments, and what sorts of stories do you hear from them?



**JB:** As I mentioned earlier, our strategy is made up of three distinct pillars, or focus areas. Through our third pillar, which we call “Our Homes: Dynamic Communities,” we work as a corporate social leader at the local level. We try to respond directly to issues that are critical to those communities where our company operates and where our employees live and work. As I said earlier, here in Chicago, we are specifically addressing efforts to reduce violence here in the urban core, and we are addressing a number of environmental issues in Puget Sound, the state of Washington, and in Southern California.

This localized focus ladders up to our approach to creating opportunities across the globe, in terms of STEM education, workforce preparation, and then for our veterans and for their families. In terms of how directly our investments are impacting our employees, I can share with you, for example, one of our recent announcements included one million dollars for reforestation in Southern California, recognizing the significant loss of trees in forests there in recent months due to forest fires. Our people were affected by those forest fires and the subsequent flooding. Similarly, we announced a \$1.5 million grant in Puget Sound and in Oregon to replant forests that were lost due to recent fires out in those areas, too.

We do a lot of investment in Charleston, as well. We build the 787 there. I was just there recently and heard firsthand from some of the local students and children about the opportunities that they are being given for learning, particularly STEM education, that they would not otherwise have, had it not been for Boeing's investment.



**Andrew Marquardt:** How does Boeing's commitment to empowering and employing veterans in particular impact the company culture?

**JB:** Interesting question. As you know, Boeing has a commercial aircraft manufacturing business, a wide-ranging global services business, and we also produce some of the world's finest military equipment that enables and protects our troops while they're in the field protecting our freedoms while we are back here at home. Supporting our troops and their families both while they're on active duty as well as when they return is vital to our mission. We made it a focus of our investment to ensure that these men and women and their families successfully transition from the military workforce to a civilian workforce.

Some 43 percent of veterans do not identify their military service on their resume. That's rather shocking, when you think about it, because these men and women have incredible skills that are in fact very translatable to working in The Boeing Company, for example. The skills that the men and women of our



armed services have are very, very translatable, so we are investing in services that provide for that seamless transition from military service to civilian workforce.

Not only are we focusing on that seamless transition, we're also recognizing that oftentimes, men and women who serve in our military have invisible wounds of war, and we very proudly support opportunities that provide rehabilitation to our servicemen and women. We're working very closely with any different number of organizations. I'm very proud of an organization that we're working closely with at the University of Utah, the National Center for Veteran Suicide, to reduce suicide ideation in some of our veteran community. So, we at Boeing are very committed to our veterans, both in terms of our product delivery but also in terms of our investment strategy in our communities.

**TL:** John, thank you so much for taking the time to give us some of your and Boeing's perspective on all of the excellent charitable work and other forms of corporate responsibility that Boeing engages in. To close out, how has your approach to your investments and giving evolved over the last few years?

**JB:** We traditionally have not really touted or made our investments known publicly, even internal to The Boeing Company, and that has changed here in the last three years. As I said, we are on track to make \$200 million in investments this year.

I would also say that Boeing was one of the first companies after the enactment of the recent tax reform legislation to announce \$100 million in additional community giving, as well as \$300 million in other types of investments to benefit not only communities but also our employees. We're taking a far more active, less static, very engaged approach to our giving here at Boeing, recognizing that we give a lot of money. We recognize that we have an opportunity to be a corporate citizen and lead social change in some of our communities, and we also recognize that we do this because there's an important business and altruistic reason for doing so.

**This conversation has been edited for print. To hear the full audio, please visit the Ethisphere Magazine website.**

### **Featured Expert**

**John Blazey** is vice president for Boeing Global Engagement, a position that he assumed in June 2016. He is responsible for the development and execution of The Boeing Company's charitable giving and employee volunteerism engagement strategies, directing programs and resources that impact key issues. He works across the Boeing enterprise to partner with organizations and communities in which Boeing has a presence.



## ENGINE FOR GOOD

Purpose and Profits with EVERFI's  
Ray Martinez

Interview by Tim Erblich

Many *Ethisphere* readers may know of EVERFI as a major player in the culture and anti-harassment training space, but the company's services target a number of other "gaps in education," and it was founded specifically to address societal issues. EVERFI's Co-Founder Ray Martinez took time to chat with *Ethisphere* CEO Tim Erblich about the company's purpose journey.

**Tim Erblich:** You founded EVERFI ten years ago now. Can you talk a little bit about what your initial vision and aspirations for the company were, and how those have informed your growth over the last decade?

**Ray Martinez:** Sure. When we started EVERFI ten years ago, we spent the first three years traveling across the country, in an RV, in rental cars, visiting schools and communities, gathering data points on problems and pressures that are put on students and families from diverse backgrounds, diverse communities.

We identified major gaps in education and major gaps around critical life skills that individuals need to be successful. We started tackling financial capability and financial education for young people and their families. The initial vision from the beginning was to really create a scalable technology platform that could cut across many different critical skill areas.

**TE** How did that initial focus on financial literacy and the education platform expand to the current, very broad range of topics that you provide education on?

**RM** From the very beginning, we thought of EVERFI as an engine for social good. We could build a really sophisticated software platform that could reach every student, every family, regardless of ZIP code, across a lot of different topic areas. In those initial communities we visited, we realized that there was a lot more work to do around preparing the next generation of learners to tackle careers in STEM subjects, around alcohol and substance abuse on college campuses, around creating safe and inclusive and respectful workplace environments.

**TE** You're oriented towards using education platforms to solve big problems: financial literacy, workplace misconduct, alcohol and drug safety. How has having such ambitious goals impacted your ability to recruit employees, partners, and advisors?

**RM** I believe that our key differentiator is our people. Our folks are deeply committed to moving the needle on topic areas that can really change the trajectory of a student's life, or helping an employee who may be facing harassment or discrimination at work. If anything, I think our scope has allowed us to continue to bring on talented, smart, diverse individuals who really bring our software to life in communities all across the United States. We're working with 4,000 business partners, 20,000 schools and universities, and reaching over 10 million learners a year.

**TE** Managing the demands of growth is a challenge for any company, but particularly one like EVERFI with a firmly embedded social purpose. How do you handle situations that you've encountered where perhaps profit and growth may seem to be in conflict, at least in the short term, with more mission-oriented opportunities?

**RM** I think we wake up every day asking ourselves one question: "Are we making an impact in the communities that we're serving?" We are really focused on moving the needle on not only



*I think we wake up every day asking ourselves one question: “Are we making an impact in the communities that we’re serving?”*

knowledge gain across a lot of these topics, but changing learners’ attitudes and behaviors and preparedness and confidence.

That’s really what we’re focused on, and if we can continue to deliver a service that does all of those things, we firmly believe that growth will take care of itself, that you’ll have more universities, more corporations, more foundations, more school districts that are weaving these software and learning programs throughout the DNA of what they do every day. That’s what we’re focused on. I don’t think we’re ever taking a short-sighted view of, “If we make this move in the short term, it’s going to lead to more revenue and more growth.”

We’re taking a long-term view of the decisions that we’re making. It’s why we’ve made the bet that although we’re based in D.C., we have 200, soon to be 300, folks that are distributed across the US and Canada, who are ensuring that our software programs are implemented with the goal of measuring the impact that we’re having on the end user.

**TE** You all are expanding your business pretty rapidly internationally. Are you focusing on the same core set of issues abroad that you have here in the United States? And what challenges have you encountered adapting your products to an international environment?

**RM** One of the great honors of being part of EVERFI is that a lot of the corporations that we work with are international, and so we are having a lot of conversation around workplace culture, inclusiveness, discrimination prevention, with very large brands. We’ve been able to build really unique international courses and consider how you localize the learning experience to reflect the cultural differences across countries. We’re spending a lot of time thinking about how to get the learning experience right for a global brand that might be operating in 20 countries.

Our starting point is around workplace culture, harassment, and discrimination prevention. That’s where we’re being pulled by our existing partners. We also believe the topic of financial capability really is a global conversation, so I think you’ll see us do some international work there as well.

**TE** You said one of the major tasks of your employees is measuring the efficacy of your programs. Can you give me a little more insight into how EVERFI as an organization uses data and metrics on your impact?

**RM** We’ve been able to spend some time with the EEOC, the Equal Employment Opportunity Commission, as part of the conversation around harassment prevention training, and how you provide the proper courses and training to a diverse workforce. Our research has shown that creating these inclusive work environments really starts from the top of the organization. You need to have dedicated leadership who’s committed to making change, and to put the right accountability and policies and procedures in place.

Our research is showing that there’s another layer here, and that is the role of the manager in having some of these really sensitive conversations. Whether you’re an executive, or you’re a middle manager, there’s a missing piece here around scenario-based training for managers to not only take a training course, but be able to apply that training course in their everyday job when these conversations pop up. How does that manager react in the moment?

**TE** Our audience at Ethisphere is executives, many of them focused on various aspects of employee development and workplace conduct. What advice would you offer them about how to approach educating their workforces?

**RM** Leading by example is really important, as is recognizing hard work at every layer of the organization and taking time to recognize people. My grandfather had an eighth-grade education, and he worked hard every day of his life as a street sweeper. I remember the example that he set around hard work. Taking time to recognize that is really important, and it’s not just the sales leader or the other executives that you see every day, but everyone that you have the pleasure of interacting with and spending time with.

### And We Quote



Efforts and courage are not enough without purpose and direction.

- John F. Kennedy



### Featured Expert

**Ray Martinez** is the Co-Founder and President of EVERFI’s Financial Education and Conduct & Culture divisions. As President, Ray leads business development strategy to bring EVERFI’s financial capability and life skills products to both K-12 students and adults through partnerships with hundreds of financial institutions across the country. Ray is also responsible for building and scaling the Conduct & Culture network, which works with thousands of global corporations to deliver online compliance training solutions. Before EVERFI, Ray spent 11 years at Kaplan, Inc. managing cutting edge supplemental education programs.



## LEGAL LEADS ON PURPOSE

Corporate Counsel in Conversation

The evolution of the legal department's role inside the company over the last few years has turned a function once seen as peripheral to the business into a valuable center for strategic insight. That shift has put general counsels and chief legal officers right in the middle of conversations about purpose, responsibility and more. The Association of Corporate Counsel's Veta T. Richardson, along with Golden State Foods' John Page, gave us their thoughts on the GC/CLO's role in purpose conversations.

**Tyler Lawrence:** Surveys such as the Edelman Trust Barometer show that the public is increasingly looking to corporations and executives for leadership and guidance on social issues. Why do you think that is? How is this shift playing out for general counsels, chief legal officers and in corporate law departments?

**John Page:** An unprecedented wave of change has created volatility for corporate legal departments. From the new frontier of big data, to complex legal and regulatory challenges, climate change, and data privacy, we find general counsels playing a more central role in the organizations and communities that they serve.

**Veta Richardson:** Ultimately, it falls on CLOs to navigate and serve a broader leadership role in these uncharted waters. For that reason, we have seen a shift among in-house counsel from a purely legal, advisory role to a vital, strategic role developing much faster in this atmosphere.

**TL** What role can and should a legal department play in helping to define and advance a company's social purpose?

**JP** The most critical issues facing companies today are legal and regulatory issues. The legal department plays a central role in business decisions and organizational strategy to ensure that an organization sets the right tone from the top, especially when it comes to ethical issues and accountability. And social issues all boil down to exactly that, ethics and accountability: environmental issues, #MeToo, workplace diversity, and regulatory compliance all help shape and advance an organization's culture and profile as a well-run operation in the eyes of the public at large and with investors.

**VR** Our research supports this as well. When it comes to corporate sustainability, 46 percent of CLOs are influencers with a major say in strategy. Another 40 percent contribute to these conversations. That's why it is essential for CLOs to be at the executive table, in the boardroom, and reporting directly to the CEO. Their decisions impact a company's entire culture, which impacts the industry, which impacts the world. An old-fashioned legal department can never have that kind of reach.

**TL** Lately, it seems like the job of the GC/CLO is shifting from its traditional role protecting the company, to trying to inspire the company. How can corporate legal leaders straddle those competing demands? What kinds of changes have to happen?

**JP** It does often fall on a GC/CLO to inspire the company, but the goals of protecting a company and inspiring it aren't necessarily at odds. The proper alignment of ethics and compliance, for example, can be a major source of inspiration for all employees in a company. Companies that take on compliance proactively tend to be productive overall, with greater employee happiness and less turnover. The Buffett companies are an excellent example of this principle. All that compliance work, from concept to implementation, usually hinges on the CLO.

**TL** John, you have the interesting distinction of being both CLO and also Chief Corporate Social Responsibility Officer. Do you find that combination to be a natural one that more companies should emulate? How do the jobs inform each other?





**JP** The combination is a natural one and one that more companies must and do emulate, now. The legal function is as much about accountability, trust and responsibility as it is about litigating a dispute or closing a commercial transaction. Each aspect of our work has to be balanced with competency and an ethos, which measurably demonstrates the character and values of the company.

In my role, the jobs inform each other. Companies are “citizens” in each of the locations where they exist and they must do their part to ensure ethical behavior while successfully addressing the triple bottom line of people, profit and planet. Corporations have civic, commercial and social responsibility to their communities of interest (consumers, shareholders, investors, employees, customers and other stakeholders), and to the actual communities where we work and live.

**TL** Veta, the ACC has chapters in dozens of countries around the world. Do you see these same sorts of conversations about corporate purpose and social responsibility happening everywhere?

**VR** In a word, yes! The conversation around responsibility and purpose is certainly thriving worldwide. In fact, according to ACC research, legal departments in the United States lag behind other countries in areas like sustainability planning. Approximately 20 percent of US based legal departments have a formal sustainability plan, compared to 40 to 50 percent in Australia and the Pacific, Europe, and Asia.

**TL** John, in addition to your role at Golden State Foods, you’re also on the boards of both Tuskegee University and the University of Pennsylvania Law School. This kind of social engagement is increasingly par for the course for all kinds of executives. Do you see that kind of engagement as separate from your “day job,” or an extension of it?

**JP** My service to Tuskegee University and University of Pennsylvania Law School is my day job. Seriously, this type of social engagement is critical for our society and for corporate executives at so many levels. It advances better outcomes for our students and their gainful sustained employability and future (not too far in the future) contributions to society. It helps to create a current and future workforce that focuses on the very highest of ethics, a genuine concern and solution-oriented passion for ecology, and integrity filled performance in the marketplace. These boards and the schools themselves have personally resourced me with knowledge and experience to be a better leader right now, and to be more accountable. Being in leadership on the board at a perennial Top 5 HBCU 1890 land grant institution, and at a perennial Top 8 Ivy League law school, allows for the

best of intellectual exchange and developing the future. In part, I succeed at my “compensated night job” with Golden State Foods Corp. because we readily understand and embrace the benefit and importance of giving back financially, mentoring and sharing our time, experience and talent with future ethical leaders.

**TL** Our audience is composed of all sorts of corporate executives, especially legal, ethics and compliance professionals. Do either of you having parting advice for them as they steer their companies on their purpose journeys?

**VR** We would like to offer two important points of advice. One is that CLOs are indispensable to corporate strategy, and to the engagement and thought leadership that distinguish great companies from the rest. The second, it is more important than ever to have a CLO who is well positioned to influence corporate strategy. For that reason, it is important for all organizations to re-examine the role of the CLO and its positioning within the organizational structure to ensure that the CLO has a seat at the executive table and most importantly, reports to the CEO. This assures the ability to fully contribute.

## Featured Experts

**Veta T. Richardson** is President and Chief Executive Officer of the Association of Corporate Counsel (ACC), and sets the strategy for the world’s largest network of in-house counsel. With more than 43,000 members employed by over 10,000 organizations spanning 85 countries, ACC connects its members to each other and to the people and resources necessary for personal and professional growth.

**John Page** is Senior Corporate Vice President, Chief Corporate Social Responsibility and Legal Officer of Golden State Foods Corp. (GSF). John has over 25 years of practicing as an attorney, both as outside and in-house counsel, and has litigated and tried numerous cases, including successfully arguing before the U.S. Court of Appeals for the Second Circuit. John is also admitted to practice before the U.S. Supreme Court. Joining GSF in 2004, John is responsible for all legal, governance and compliance matters for the company. Additionally, John provides executive leadership for GSF’s corporate social responsibility (CSR) efforts, which include environmental initiatives, diversity efforts, and community involvement.



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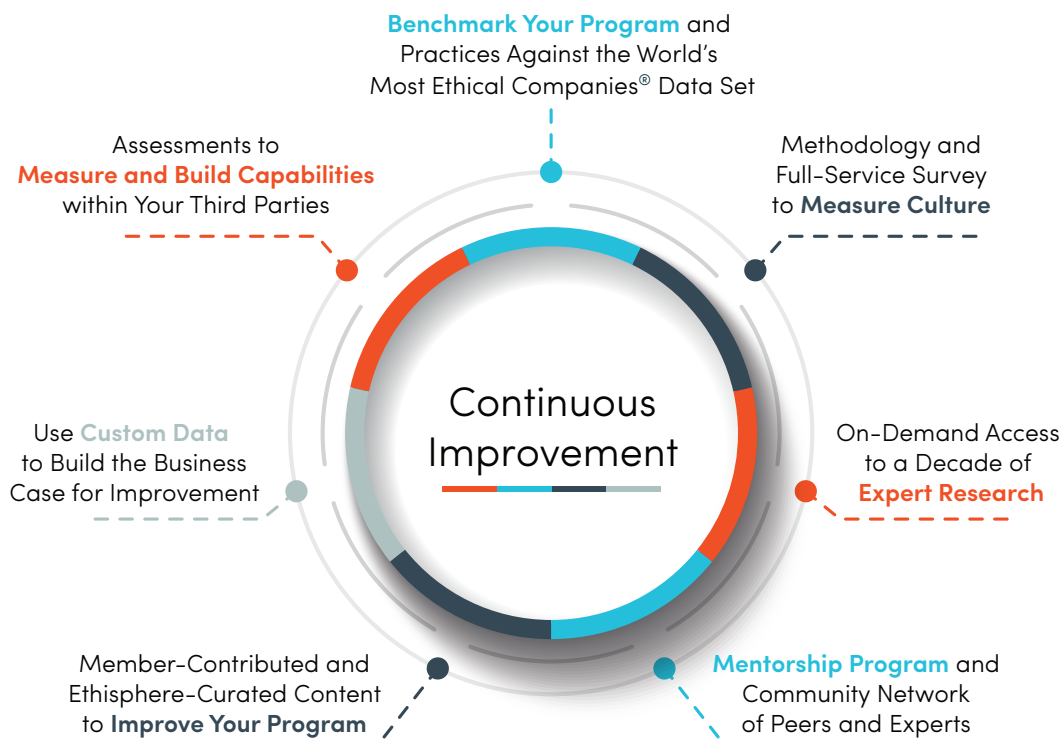


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# COMPLIANCE & ETHICS

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## TOPICS COVERED

// *Investigations & Communication*

## #METOO IS HERE TO STAY

### What are you going to do?

Written by Antonio Fernandez

In the fall of 2017, the #MeToo hashtag went viral, and stories of sexual harassment dominated news cycles, social media and workplace conversations. The hashtag created a catalog of ubiquitous, familiar and shared experiences of sexual assault, harassment and discrimination. #MeToo quickly became an internet phenomenon and sparked a conversation that, I believe, forever changed society's view of these issues.

Social media's expansion – or redefinition – of the public square, coupled with #MeToo's ability to rally people around an issue, present a unique challenge for organizations that care about their reputation. The ability to so broadly and quickly disseminate information relating to unacceptable conduct at work has changed the landscape in which we operate. Historically, the risks associated with an employment matter were primarily the potential for litigation, arbitration or, in some cases, government action. Generally, these can be slow, drawn-out processes. After #MeToo, companies now are faced with unexpected stakeholders, such as national media and advocacy groups, as well as the possibility that individuals leverage social media to rally support from a vast circle of individuals online.

While #MeToo has expanded who may be interested in how an organization addresses issues of discrimination, harassment or assault, the expectation that a company do the right thing in the face of these concerns remains the same. Organizations now will be called to demonstrate that their processes worked and that they lived up to their values to people not previously perceived as stakeholders. Stakeholders are no longer just shareholders, employees, customers or regulators — they are now participants in the redefined public square. An organization's reactions to a particular incident now are subject to scrutiny from a growing list of external parties; perhaps it's a reporter passionate about the movement, or a celebrity who saw an employee's blog. What we do and how we do it is now of interest to new and unforeseen audiences.



### Message from the Top

How should organizations handle new levels of interest and scrutiny? What is the best response to an issue so meaningful to so many? At PSEG, we understand the importance of #MeToo, but we also are acutely aware that this is not a new problem. The movement has helped reinforce what we have always understood: harassment, assault and discrimination cannot be tolerated. To that end, we have doubled down on existing efforts and started new initiatives.

We recognize that it is important for employees to understand that our commitment to preventing and ending sexual harassment starts at the highest level. As such, at the beginning of the year our chairman, president and CEO sent a video message to all employees that conveyed PSEG's zero tolerance policy for harassment. In the video, he encouraged employees to come forward with concerns and committed to address issues swiftly. Later, our chairman was joined by the company's senior leaders for a live conversation broadcast to all our locations. This conversation provided an opportunity for senior leaders to reemphasize expectations around workplace behaviors and allowed employees to ask senior leaders directly about these issues. Recently, we also conducted a "behavior stand down," delivered in-person to small groups. As part of the stand down, leadership teams addressed details of misconduct in the workplace and reemphasized expectations.

### Making Investigations Transparent

Long before #MeToo, PSEG began its journey to create a "speak up" culture that encourages employees to raise questions and concerns without fear. Once a concern is raised, we investigate all allegations that, if true, would constitute a violation of our Standards of Conduct. A recent addition to our concern-management program was the creation of an Investigators' Code of Conduct. In it, we articulate our commitment to anyone raising a concern under investigation. For example, we commit to: be independent from the concern-raiser's management; be fair; be thorough; be timely; and be transparent about our process and findings. Notably, we always had considered these commitments to be hallmarks of a mature concern-management program. However, based on feedback from employees, we decided to more clearly articulate and publicize these commitments to ensure our stakeholders could hold us accountable.

In addition to the Investigators' Code of Conduct, we've made other changes to our concern management program to specifically address harassment concerns. While we historically have tracked broad trends relating to the nature and volume of concerns, we now scrutinize concerns more granularly, including those of sexual harassment. We also have established an escalation process that brings together a multi-disciplinary team (e.g., human resources, compliance, labor & employment counsel, senior management) to triage serious harassment or discrimination concerns within 48 hours of a report.

Additionally, we have focused on broadening the transparency of our concerns program. We now provide all employees detailed examples of real concerns at the company and the outcomes of investigations. This effort promotes awareness around the concern-management process in order to engender trust with employees and create greater comfort speaking up.

Prior to #MeToo's arrival, we had initiated a company-wide campaign, led by compliance, to train managers and supervisors on what to do when employees raise a concern. Leaders are now better-equipped to handle and escalate issues when necessary. We also redesigned training around issues of harassment. The training will be provided to all employees and explore employees' obligations, and emphasize what to do when they see sexual harassment, and the channels for raising concerns.

At PSEG, we believe #MeToo has presented us an opportunity to continue to raise the bar on our programs and processes. However, our commitment to creating an environment where individuals are able to come to work every day feeling safe, respected and included has never wavered.



### Author Biography

**Antonio Fernández** was named PSEG's chief compliance officer in April 2016. In this role, he is responsible for overseeing PSEG's compliance program, which involves managing PSEG's respected ethics and compliance group and its highly successful NERC compliance group. Mr. Fernández joined PSEG from General Electric (GE), where he served as GE Power's global ombuds leader and executive counsel.

### Stats & Data

#### Harassment Reported Differently

One of the questions in Ethisphere's "Ethical Culture & Perceptions Assessment," which has been administered to over 400,000 employees of client companies around the world, asks all employees who have witnessed misconduct which type of unethical behavior or business misconduct they observed.

51

The percentage is similar to those who witnessed other kinds of misconduct. However, there's a difference in how those who witness harassment report it.

#### How did you report the suspected misconduct or unethical behavior? (may choose multiple)

All misconduct reports

66%

My immediate manager 66%

33%

Human Resources rep 33%

Harassment reports

35%

My immediate manager 35%

24%

Human Resources rep 24%

Harassment is reported at the same frequency as other misconduct, but is less likely to be reported to a manager or HR. Reasons for this difference include social norms, potential shame, and the possibility that the harasser is actually a manager. Companies should keep this in mind when designing reporting avenues and investigations.

**Source:** "Ethical Culture & Perceptions Assessment Dataset," Ethisphere, 2018,



### TOPICS COVERED // *Mergers & Acquisitions*

Good business is certainly about the bottom line. Two companies coming together are looking to capitalize on their strengths and, in effect, be a stronger, more profitable combined organization. It makes sense to ask the question: “Is this company going to complement us beyond the numbers?”

This question may not sound revolutionary, yet it can be the critical success factor for a merger or acquisition.

#### Defining the culture

At TIAA, we take great care in sustaining the culture that exists today. In fact, we are celebrating our 100th year in 2018, and for a century, our culture, values and brand helped to drive our success and create our foundation as a different kind of financial partner. Our six values – act with integrity, operate as one team, take personal accountability, deliver excellence, value our people, and put the customer first – play a role in every decision we make. We also focus on building a diverse and inclusive workplace, driving continuous improvement, being technology enabled, and identifying and managing risks proactively, all in an effort to strengthen our culture and do what is best for our employees and the customers we serve.

The investments we’ve made in who we are and how we approach doing business means our due diligence process in searching for a new partner leans heavily on the personal. In fact, it must if we are to protect our heritage and thrive moving forward. For all companies that means a serious commitment to a cultural exchange between management and peers from all business areas to demystify the culture that exists behind the public image.

#### Doing the homework

We believe our culture is one of the main reasons employees come to work at TIAA. We want to protect that culture in any venture that involves bringing a new company into the fold. As a mission-based company, we also have no shareholders, so we exist to serve our customers. That commitment may not be in the background of many organizations that on paper might appear to be logical partners.

## FINDING THE RIGHT FIT

### Cultural synergies in your company’s growth strategy

Written by Rohan Kohli

A positive culture speaks volumes about a company, its leadership and employees, and the potential for continued success. In an era when mergers and acquisitions occur with increasing regularity, and businesses frequently debate their next moves, we should also look beyond the financials when we think about growth.



## Uncovering why we approach a task differently helps to determine how we may pinpoint a possible new way to do it together.

Our approach starts with our senior leadership meeting with the management of the potential partner, then more conversations follow with some of our most senior managers and their direct reports. Right from the start, we want to determine if there is a cultural fit between the two organizations. The content of those discussions is important, but it is the unspoken clues – how other executives engage, their reactions, and the chemistry among their own team – that helps shed light on who they are and speaks volumes about their organization's culture.

Overseeing compliance risk and ethics in my role, what stands out for me are companies who place great emphasis on a "speak up" culture. One major sign that an organization will fit with TIAA is hearing that their approach to ethics allows employees to report concerns anonymously. That commitment is a vote of confidence from executives which sends a clear message to their employees: they want to hear the good and the bad to make their company a better place for employees and customers.

### Overseeing the integration

Once we've decided to move ahead, the period between the initial announcement and Legal Day 1 involves many steps, including structured sessions between department heads at each company. These peer-to-peer dialogues provide time to build relationships and dig deeper into the culture exchange. It's also when we identify where we might handle things differently and map out a plan to look at those items more closely.

Uncovering why we approach a task differently helps to determine how we may pinpoint a possible new way to do it together. Often there exists a legitimate business reason for why one company handled an action a certain way. Each group needs to be respectful of where the other has had success in their unique approach to the same task.

Throughout these various meetings, our TIAA team is checking off a mental list of key questions about the other organization. Some of those include:

- Do they have a published statement of corporate values?
- Do they reflect their own values in how they conduct business, the way they act and communicate?
- Do they push the ethical envelope?
- How many lawsuits, charges or fines, if any, have they accumulated over a fixed period and for what types of violations? Do they feel that's the cost of doing business or do they learn from their mistakes by addressing root causes?
- How do they approach reputational risk?
- What do vendors, legal firms, and others associated with this company, think about them?

While a holistic look at these indicators is our focus, at a high level we are seeking partners with a like culture who have a focus on strong ethical behavior.

### Achieving the right fit

That fit, in essence, translates to taking the best of both companies to build a stronger combined enterprise. Everyone is on alert, mindful of any potential red flags along the way, understanding the desire to target a partner with a positive outlook, both culturally and financially. For TIAA, what's even better is adding to those characteristics that a company brings to the table - skills and talent we may not have. It takes us, and our new addition, to the next level in the marketplace as a stronger, more unified company.

I believe organizational blending doesn't stop when the deal closes. The homework phase on culture continues with a regular examination of our shared values. This work is a constant evolution that reiterates that a strong culture plays a major role in any long-term growth strategy. The successful merger of two companies' strong ethical cultures ultimately can contribute positively to what many may see as only a financial transaction.

### Red Flags



"One team" – an important cultural value at TIAA – carries over into all that we do, including mergers and acquisitions. We need a partner that believes in this value, or it can be a deal breaker for us. For example, we've looked at potential acquisitions for our asset management business and passed over organizations that manage money based on a star portfolio manager system – highlighting a select number of high profile star portfolio managers who drive the investment brand. Ours is a team-based investing approach with strong portfolio managers across the board and no "stars" driving our success or failure. We look for other companies with the same philosophy as a possible fit.

### Author Biography

**Rohan Kohli** is Executive Vice President and Chief Compliance & Ethics Officer for TIAA. He is responsible for the enterprise-wide compliance risk management and ethics programs and functions. Through effective controls, his team ensures that TIAA appropriately identifies, assesses, measures, monitors, mitigates, resolves, escalates and reports on compliance and ethics risk. Rohan has over 23 years of experience within the financial services industry in executive leadership, corporate transformations, and risk management.

545902



### TOPICS COVERED

// *Corruption & Standards*

The standard can be a tool through which a company can measure the effectiveness of its anti-corruption compliance program, recalibrate compliance program effectiveness, improve risk management, and establish greater stability across its value chain.

Published in October 2016, the ISO 37001 Anti-Bribery Management Systems Standard is the first global anti-bribery compliance standard. It was designed by a multinational, multi-stakeholder group to be used by all manner of organizations—public, private, and non-profit—regardless of size, industry, or location. The goal of the standard was to provide a risk-based, business-centered framework to prevent and detect bribery and mitigate associated risks.

#### Movement toward Certification

Certification is often the goal with an ISO standard, and there has been some momentum in this area. The list of companies interested in certification includes organizations across industries and geographies, state-owned enterprises, and some public agencies, including global asset management firm Legg Mason; Terna Group and ENI SpA, both based in Italy; Robert Bosch Middle East, based in the UAE; French giant Alstom; Jersey-based IP management firm CPA Global; Mabey, an international provider of bridging and non-mechanical construction equipment headquartered in the UK; energy storage company Systems Sunlight in Greece; EKVITA, a legal and tax consulting firm based in Azerbaijan; Estre Ambiental, a Brazilian waste management company; Credit Agricole in France; Malaysian energy company Petronas; and others. Walmart and Microsoft have publicly announced their intent to seek certification as well.

The list of accredited certifying bodies that offer certification services continues to grow, albeit slowly. Certifying bodies that are interested in becoming accredited to offer certification must demonstrate a high level of competence in management systems, anti-bribery programs, and the ISO 37001 standard. As such, the process is time consuming, taking as long

## BEYOND CERTIFICATION

### Consider Other Ways ISO 37001 Can Help to Improve Programs

Written by Leslie Benton

In risk and compliance circles, ISO 37001—the International Organization for Standardization (ISO) 37001 Anti-Bribery Management Systems Standard—continues to spark debate, with many of the discussions focusing on certification. This is a worthy topic, but even for companies not quite ready to take the certification leap, ISO 37001 can still offer value.



*“ISO 37001 can provide a framework for companies with less mature compliance functions to develop a program. Those with more mature programs can use the standard to benchmark the strength of their program, look for areas of improvement, or create a backdrop for reporting and disclosure statements.”*

as a year to complete. This has resulted in a relatively small pool of certifiers. However, the lack of accredited auditors has not entirely deterred companies from moving forward to meet the standard, as ISO does not require the use of an accredited auditor. So far, over 100 companies have been certified under the standard.

Beyond adoption by individual companies, many national standards bodies have adopted ISO 37001, and some governments are encouraging its use. Several government agencies themselves have achieved certification, including Peru's Development and Social Inclusion Ministry, Indonesia's National Narcotics Board, and Malaysia's Qualification Agency. And, while the standard is still voluntary, there has been discussion around making it a requirement for bidding on public contracts.

#### Familiar Detractors

ISO 37001 has been met with challenges not unlike many new standards on the journey to broader acceptance. One such criticism is that the standard provides nothing new and is therefore unnecessary. In reality, the standard was not meant to impart new requirements, but instead to harmonize existing guidelines. Another criticism is that ISO 37001 does not include some necessary elements from other guidelines. Our reading of the standard is that while there are variations

in language and detail, there are few differences in the essentials. The standard's requirements go beyond other guidelines in some areas, in terms of detail and implementation guidance. For more on this point, see the Anti-Corruption Guidelines Reference, which compares ISO 37001 to pre-existing guidance. Some have also argued that this is simply a mechanism that can be used as a “one and done” method of creating a program. However, the standard requires regular monitoring, auditing, and continual improvement.

#### Harmonization for Global Stakeholders

Certification can be very valuable as a means of demonstrating compliance, especially in the areas of non-financial disclosures supporting corporate social responsibility efforts or if the standard becomes a requirement. But certification aside, the standard itself holds value for many organizations as a tool to support existing efforts around anti-bribery.

ISO 37001 can provide a framework for companies with less mature compliance functions to develop a program. Those with more mature programs can use the standard to benchmark the strength of their program, look for areas of improvement, or create a backdrop for reporting and disclosure statements. Assessments with maturity-based questions, such as the one offered by CREATE Compliance, an Ethisphere company, offer a way to benchmark against the standard and its requirements.

Companies can also employ ISO 37001 to measure and evaluate third-party partners across their value chain. ISO 37001 has harmonized existing regulations and standards across countries, creating a consistent rubric and common language. Additionally, third parties may be more comfortable working within a globally known and jurisdiction-neutral standard.

The standard's operational and risk-based approach provides guidance the business person can understand without the need to translate “legalese.” It also provides practical guidance on how to design and implement an anti-bribery system for companies that have a less

mature anti-bribery program. ISO 37001 provides a manageable scope for small and medium-sized businesses. And many multinational companies have third party partners in their value chain that are far from having a mature program because of their size, country of origin, level of compliance program experience, or the nature of their industry. An organization and its partners may benefit from having a neutral, international set of measures and controls that can be fit to the unique needs of each business and provide a road map for implementation and monitoring. Use of ISO 37001 can allow an organization to ensure consistent application of anti-bribery standards throughout its value chain while simultaneously supporting the improvement of those activities within each third-party partner.

#### Facts & Figures

# 47%

Share of companies who feel they need more resources devoted to ABC work.

**Source:** Anti-Bribery & Corruption Benchmarking Report 2018, Kroll and Ethisphere

#### Author Biography

**Leslie Benton** is the Vice President of CREATE Compliance; and VP of Stakeholder Engagement for the Center for Responsible Enterprise And Trade (CREATE.org). Ms. Benton is one of the ISO 37001 Anti-Bribery Management Systems Standard drafters as a member of the U.S. Technical Advisory Group to the ISO committee developing ISO 37001. Ms. Benton is a former Senior Vice President of Levick Strategic Communications, where she led the anti-corruption and compliance communications practice. Previously, she was the Senior Policy Director for the U.S. chapter of Transparency International, where she spearheaded the chapter's outreach to the U.S. Government, the G8 and G20, international institutions, multilateral development banks and the private sector. A lawyer by training, Ms. Benton is widely recognized for her experience in navigating the complex legal and regulatory landscape for NGOs and Fortune 500 companies in addition to her expertise in corporate compliance and governance, and anti-corruption reform.



## TOPICS COVERED

// *Regulation & Risk*

# CYBER ENFORCEMENT PICKS UP...

## ...And New Risks Emerge

Written by Evan Norris

You know your company's data is a valuable asset and that you have to protect it. But how well do you know what your company actually does with its data and where it stores it? And how well do you know how data-protection regulators around the world would view your company—and the adequacy of your internal controls (and your vendors' internal controls)—if you're hit with a data breach?

As global enforcement arising from cross-border data breaches starts to accelerate, companies that fall victim to a cyberattack are now facing the prospect of multiple, uncoordinated investigations across a number of continents. Assessing your company's exposure to these emerging risks starts with understanding the big picture.

### What does the cyber enforcement picture look like globally?

Accelerating, but uneven. In the U.S., the pace of enforcement following data breaches is picking up, but the tracking of enforcement actions remains difficult because there is no comprehensive domestic legal framework similar to the General Data Protection Regulation (GDPR) in the EU, which went into effect in May. We recently saw the first enforcement action under the GDPR by the U.K.'s data protection regulator, brought against a non-EU company for using data "in a way that the [U.K.] data subjects were not aware of, for purposes which they would not have expected, and without a lawful basis" for that usage. Elsewhere in the world, while some countries appear to be watching to see how the GDPR's regulatory and enforcement mechanisms play out in practice, others have already passed—or are debating—their own strict data protection laws modeled on the GDPR.

### What are the key federal laws and enforcement agencies in the U.S.?

There are a number of different federal cybersecurity laws enforced by different regulators with at times overlapping jurisdiction. Which federal laws apply to a company often depends on the industry in which the company operates. For instance, PayPal recently settled with the Federal Trade Commission (FTC) under both the Gramm Leach Bliley Act, which regulates financial institutions, and the FTC Act. One of the most active federal agencies is the Securities and Exchange Commission (SEC), which frequently issues pronouncements stressing the importance of timely disclosure of cybersecurity risks and incidents, and recently established a Cyber Unit that has already brought over a dozen enforcement actions.

### What's happening at the state level?

State laws vary widely, and 50 state attorneys general are in charge of enforcement. Companies tend to default to the strictest standard—for instance, if a company handles data of residents of New York and Washington State, it may have to make notification of a data breach “without unreasonable delay” (as required under New York law) even though it benefits from a 45-day window under Washington law. In the area of enforcement, Uber recently entered into a nationwide multi-state settlement of \$148 million—the biggest data breach settlement to-date—to resolve allegations that it concealed a 2016 data breach that affected tens of millions of U.S. data subjects and violated state data breach notification laws. Looking ahead, all eyes will be on California as the Consumer Privacy Act, the state's strict new data protection regime, comes into effect in January 2020.

### What does the enforcement picture look like in the EU?

Accelerating. The GDPR is a comprehensive data privacy and protection regime sweeping in its scope and jurisdictional reach. It extends to “any information concerning an identified or identifiable natural person” and applies to “controllers” and “processors” of such data that maintain an “establishment” in the EU, offer goods or services to individuals in the EU or monitor the behavior of individuals in the EU (e.g., by using website cookies). The GDPR vests the EU members’ 28 data-protection regulators with the authority to impose enormous fines: up to 2% of a company’s worldwide turnover for late notification of a data breach, and up to 4% for violations such as the breach of key data processing principles and transferring personal data outside of the EU without a valid ground. Since May 2018, when the GDPR went into effect, the U.K.’s data protection agency alone has brought enforcement actions against Equifax, Facebook and a Canadian data analytics company for failing to protect and in some cases actively misusing personal information of U.K. data subjects. While two of these three actions related to breaches that occurred prior to the GDPR’s effective date, notably, those saw the imposition of the maximum fine allowed under the pre-GDPR legislation for the first time. The trend is clear, and more enforcement actions are coming under the GDPR.

### Does the GDPR apply to non-EU companies that have no physical presence in Europe?

Yes. In certain cases, the GDPR has extraterritorial effect.

The GDPR applies to companies established wholly outside of the EU that conduct business in the EU, either by offering goods or services or by processing data of EU data subjects. For example, the GDPR would likely apply to an online company established outside the EU that specifically targets individuals in the EU that access its website. Companies are anxiously awaiting further guidance from the European Data Protection Board, which has recently been published for public comment, to understand how the new regulation will apply in practice. In the meantime, non-EU companies will continue to watch closely the developments in the first enforcement action brought in September by the U.K.’s data protection watchdog against the Canadian data analytics firm. Non-EU companies will also continue to watch closely the U.K. after its planned exit from the EU next year to see whether the U.K. negotiates a separate status with the EU for purposes of GDPR regulation and enforcement or whether it becomes like the U.S. and any other non-EU member state.

### What's happening in countries outside of the U.S. and EU?

A lot. Brazil recently passed a new Data Protection Law that is based on GDPR and applies to Brazilian and non-Brazilian companies that collect or process data in Brazil, or process data for the purpose of targeting consumers in Brazil. As companies await how the new law is enforced in Brazil, companies should also closely monitor developments in the world’s other major economies as new laws are being proposed with regularity. India’s draft Data Protection Bill, to take one recent example, has been hotly debated since it was introduced, and it will be important to see what is finally enacted.

### Can we expect increased coordination among various enforcement authorities at home and abroad?

Unclear. Recent enforcement actions suggest reason for optimism within the U.S. but also the prospect of a future with limited coordination with foreign enforcement agencies and a potential for “piling on” of data breach-related enforcement actions. For instance, over the past couple of years U.S. states have entered into a number of joint settlements, including one in which the FTC also participated. By contrast, unlike in the cross-border corruption sphere where international coordination has become common and the U.S. Department of Justice has indeed recently pledged to avoid “piling on,” we have yet to see a coordinated enforcement action following a cross-border data breach. Experience suggests that governments still handle those investigations

separately, and the early evidence points to the potential for piecemeal resolutions of global data breaches to become commonplace.

Companies outside the EU that are subject to the GDPR’s extraterritorial reach will face additional challenges in obtaining a coordinated resolution. Unlike companies that are established in one of the EU member states, they do not benefit from the GDPR’s coordinated enforcement mechanism under the “one-stop shop” principle and so need to deal separately with local supervisory authorities in each EU country in which they are active. Such companies will need to actively push regulators in EU member states to coordinate their separate enforcement actions.

### What is the main lesson here?

The main lesson is that as companies continue to calibrate their existing enterprise-wide risk management systems and update them to the specific risks they face, they should now consider the potential that they will face multiple enforcement actions following a cross-border data breach. Data breaches will happen even to those whose networks are best prepared against an attack, and so every company should consider whether its critical response plan needs a section on making timely breach notifications and responding to demands for information from regulators not just at home but abroad as well.



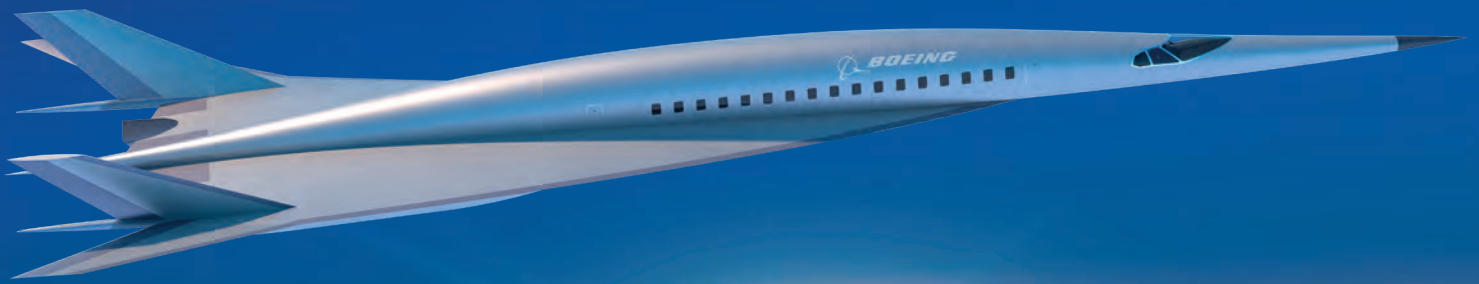
### Author Biography

**Evan Norris** is counsel in the Investigations Group at Cravath in New York. He advises U.S. and multinational companies, boards and senior executives on government and internal investigations, regulatory compliance and related civil litigation, with a focus on cross-border, multi-jurisdictional investigations. Before joining Cravath in 2017, Evan served for ten years as a federal prosecutor in the Eastern District of New York, where as chief of the cybercrime unit he conducted and supervised investigations and prosecutions of cyber matters ranging from international data breaches to industrial espionage and corporate insider attacks. He was also the lead prosecutor of the FIFA case, one of the most far-reaching cross-border corruption cases ever brought by the Department of Justice.

Evan thanks Alma Mozetič, an associate at Cravath who assisted with the preparation of this article.



# ENDLESS POSSIBILITIES.



At Boeing, we know there's no limit to the future we can build when we lead with our values. An open workplace culture and commitment to ethical business practices help us build our future at hypersonic speeds.



# ETHICS AROUND THE WORLD



As Ethisphere has deepened our connections with multinational companies and continued to hold roundtables worldwide, we have found there is a demand for the same sorts of connections and conversations among ethics and compliance professionals in every country and legal jurisdiction. Driven by demand from our clients, last fall we launched a South Asia chapter of our Business Ethics Leadership Alliance, and we will soon be launching a second international chapter in Mexico.

The CEOs of two of our Founding Members in Mexico, Fresnillo plc and Industrias Peñoles, have both decided to share part of their companies' stories of raising the ethical bar with us here. Executive Editor Tyler Lawrence interviewed Peñoles CEO S. Sergio Alanís Ortega about a wide range of topics, including how the mining giant thinks about its relationship with the communities in which it operates. Fresnillo's CEO Octavio Alvidrez walks us through that company's quest to create a "step up culture." Finally, Ethisphere's Aarti Maharaj gives us a glimpse into this fall's South Asia Ethics Summit, including remarks from the Central Vigilance Commissioner in India.



**Tyler Lawrence: Could you open by just telling us about Peñoles's values over generations of operating in Mexico?**

**S. Fernando Alanís Ortega:** As you know, Peñoles has a long history. We are a 131-year-old company. At Peñoles, there is a special sense of pride in belonging to this company. There is a confidence that all the employees have in the company, and a confidence that the company has in each one of its employees, too.

The company has been invested for a long time in our people and also in our communities. Because of the type of work that we do as a mining company, we normally arrive in places where there is very low infrastructure. We bring education, we bring electrification, we bring roads. In order to develop an area, we need to have excellent relations with the communities. That has been the foundation of our success.

**TL** I would have to think that part of developing that confidence between employees and the company, and between the company and the communities where you operate, is operating with integrity.

## COMMIT TO COMMUNITY

Peñoles Succeeds by Building Up Mexico

Interview by Tyler Lawrence

Industrias Peñoles, a Mexican mining company, hasn't survived for 131 years without forging deep ties to Mexico and its communities, and nobody is more acutely aware of that fact than Director General S. Fernando Alanís Ortega, who took the time to talk with *Ethisphere Magazine* about how his company thinks about its stakeholders and social responsibility.

**FAO** Our corporate values have been in place for many years. Our four key corporate values are confidence, responsibility, integrity, and loyalty. Values are intangible things that are difficult to show or demonstrate in our daily life. So we developed our code of conduct to put in writing what we expect from each one of the people who belong to this company in their relations with our contractors, in relations with our government, in relations with communities, or internally.

**TL** You've been with Peñoles now for 23 years. What changes have you seen over the course of your career?

**FAO** There's been many changes. We have identified five stakeholders. First of all, our investors. We need to show them that we are the best investment for them by being reputable, efficient in the way that we operate, and competitive.

The second stakeholders are our people. For me, that means that when our employees retire from this company, they can say that the best thing that happened in their life was to work for Peñoles. That means that they have the opportunity to develop, to be trained, opportunity to grow, and that they'll receive a fair salary.

The third stakeholders are the communities and authorities. For us, social license is very important, even if it is not recognized in an official way. We want to be recognized by the communities as an excellent neighbor and by the authorities as an excellent citizen.

The fourth group of stakeholders is our suppliers. We want to be recognized as an ethical company with whom they can do business in the long term. The fifth is our customers. We want them to always think of Peñoles first as a supplier, and as their best supplier.



**TL** What are some challenges to running a business with such a long history?

**FAO** One of the internal challenges that we have is that we are a company with a long history and a very young heart. The average age, at this moment, of the people at our company is 37 years old. One of the challenges we have is to capture new talent and to make the working environment attractive for them to stay. So far, we have been very successful, and we have very low attrition.

When I took over as the CEO, we had about 100 women working with us, most of them as secretaries. Today, 20 percent of our population is women. In our legal department, 62 percent of our lawyers are women, finance is close to 53 percent women, internal control is close to 48 percent women, and so on. It's a major change that has happened in a very short period of time.

**TL** You mentioned that social license is very important for you. Is every company in Mexico thinking about it?

**FAO** No, unfortunately. But it's going to change. One of the challenges in our country is to have more balanced development. We learned that lesson many years ago due to the nature of our jobs.

As I mentioned before, normally our mines are in places where there is nothing. We not only need to build a new mine, we also carry in all the services and many goods to the community. A mine is a non-renewable resource, so one of these days the mine's life is going to end. When we start new operations, we try to identify the competencies of the community. We try to find an economic activity to help them to be independent of our activity, so the day we finish and close the mine, they are not going to suffer. We strongly believe in the development of communities, and we help them to be self-sufficient.

That's the nature of the way that we do business. Other companies need to understand that if they want to be successful, their communities need to succeed, too.

**TL** Peñoles's relationship with the communities where you operate seems to be quite deep. What is your strategy for community relations?

**FAO** We normally have five lines of interaction with communities. The first one deals with education. We invest a lot of money to prepare better teachers, with the belief that if we have better teachers, we are going to have more prepared students.

Our second line of action is to encourage the development of small businesses. The third deals with infrastructure, working together with the authorities. Sometimes we invest, sometimes we negotiate with authorities to convince them to attend to the needs of the community.

The fourth strategy, which is more and more important in Mexico, is to try to restore basic social infrastructure. For example, we use sports to attract young people. We teach them teamwork and spirit, we teach them to be on time and to follow rules, and we keep them busy. We do the same with culture, for kids whose interests are not in sports but in other activities like playing an instrument. We have a symphony orchestra of 106 children that we sponsor, and through the music, we also try to develop the same values and attitudes. All of these activities are focused on trying to build better citizens, better communities, and better families.

The fifth activity in communities is to really care for the environment, to protect the environment. Those are the five lines of action that we have implemented in each one of the operations. We're trying to find different ways to help our communities to be better citizens and more committed Mexicans.

*We strongly believe in the development of communities, and we help them to be self-sufficient. That's the nature of the way that we do business.*

**TL** Besides just complying with the law, what can a major company like Peñoles do to help foster a culture where corruption is less accepted?

**FAO** We have close to 5,600 domestic suppliers, and we encourage them to certify in quality, in environmental codes, and also to follow our ethics code. Any supplier that doesn't follow the ethics code is out of our business immediately. So we have a lot of power, at least with 5,600 suppliers, to fight corruption.

**TL** Where do you see Peñoles's social and environmental commitments going from here? How do you see them evolving over the next several years?

**FAO** The typical strategic planning exercise is to have a vision and to establish what you want to do, or what you want to be in certain periods of time. We have a vision for how we see Peñoles in the year 2025, from the point of view of our five different stakeholders.

We want our stakeholders to say that Peñoles is the best company in the neighborhood, and that they want Peñoles to be around forever not only for the jobs we create, but also for the commitment that we have to the social development of communities. We want the authorities to say that they would love to have our operations in their states or in their counties.

We have established this type of view for each one of these five stakeholders. And that's part of our strategic plan, and there are several action steps that we have identified and we have specific projects to accomplish. I'm pretty sure that we are going to fulfill not only the economic expectations, but the social expectations and sustainability expectations, for this company for the year 2025.

**TL** Any final words?

**FAO** We are a company committed to doing things in the right way. That doesn't mean that we are perfect, but that means that if we make a mistake, we can learn and correct it immediately. We believe that we are going to be a great company, and we feel very proud to do what we are doing.

### Expert Biography

**S. Fernando Alanís Ortega** has been the Director General of Industrias Peñoles, SAB of C.V. since 2008. Before becoming Director General, he served in various other roles at Peñoles, including as Director of Planning and Technology, Group Director of Mines, and Executive Director of the Metals Group at Met-Mex Peñoles. Before coming to Peñoles, he worked for 18 years at DuPont.



## FIRST STEPS ON AN ETHICS JOURNEY

Building a Step Up Culture at Fresnillo

Written by Octavio Alvidrez

Fresnillo plc is the world's leading silver mining company and the largest producer of gold in Mexico, and in 2008 became the first Mexican company to be listed in the London Stock Exchange. We seek to create value across precious metal price cycles, focusing on high-potential projects that can be developed into low-cost, world-class mine assets. The effective execution of our business strategy relies on building trust with our key stakeholders.

With strong support from our Board of Directors, we began a journey in 2013 to embed ethics and integrity in our organizational culture with a clear goal: to have a well-established ethics culture demonstrated by our behaviors and actions.

In November 2017, we took the opportunity to partner with the Ethisphere Institute to bring together leading industry figures to the first Business Ethics Leadership Alliance (BELA) roundtable in Mexico City. The timing could not have been better, as the expectations of Mexican society regarding the ethical behavior of their government and companies have never been higher. In this breakthrough event, we presented our journey to embed ethics and integrity in our organizational culture. This year, on our 10th anniversary of listing on the London Stock Exchange, we would like to look back at the key decisions and initiatives that led us to where we are today.

### Our Business Case for Ethical Culture

Ethical and behavioral risks, when not properly managed, can have critical or even catastrophic consequences. Outcomes of unethical behaviors such as bribing, environmental incidents, or conflicts with communities reduce or even withdraw the trust of our stakeholders. Following the introduction of the UK Bribery Act 2010, we enhanced our approach to compliance by launching our anti-bribery and corruption program. Meanwhile, we began a project to mature our management systems to enhance compliance in health, safety, environment, and community relations. Compliance plays an important role, but as the late Peter Drucker said, "Culture eats strategy for breakfast." Therefore, we strongly believe that a well-established ethical culture is essential to build trust with our shareholders, communities, employees, unions, local authorities, and regulators.

### Business Ethics, Phase 1: Raising Awareness (2013-2015)

In 2013, we launched our ethics and integrity initiative with the support of PWC London. The objective of this first phase was to reduce behavioral risk, which is the gap between the intended behaviors (purpose, values, code of conduct, etc.), the expressed behaviors (training, advice, tone at the top, etc.), and the actual behaviors demonstrated by employees and leaders. The main goals were:

1. *Setting the tone with our aspirational statement:* The executive committee attended a workshop to review our core values—trust, responsibility, integrity and loyalty—and to define our aspirational statement: **"As one of the leading precious metals companies, we aspire to have a well-established ethics culture demonstrated by our behaviors and actions."** The CEO and each VP recorded a video in which they sent a clear message to employees about what the expected ethical behavior was.
2. *Supporting ethical decision making:* We developed a "moral compass" to support ethical decision making. The compass was validated by senior management and tested in employee pilot workshops using a case study. In addition, we trained our people to raise awareness. Masterclasses were crafted for

managers to enhance their ethical leadership skills. To set the tone, senior executives were the first group trained. We used a “train the trainer” approach to deliver employee workshops.

### 3. Monitoring: We introduced KPIs to monitor behaviors:

Goal	KPI
Tone from the top	Number of reports related to managers
Code of Conduct	Percentage of completion of signing Code of Conduct commitment letters
Training	Percentage completion of training
Discipline	Number of disciplinary actions
Whistleblowing	Number of reports

The most evident outcome of our first phase was an increase in the number of reports. The program raised awareness of expected ethical behaviors, reducing the tolerance for unethical behaviors. The first phase met its goal of reducing the behavioral risk. But we knew there was a lot more we could do to embed ethics in our culture.

### Business Ethics Phase 2: Step Up Culture (2016-2018)

We kept our focus on raising awareness and developing the ethical decision-making competencies of our people. What is more, in phase 2 of the project we wanted to go beyond individual decision making, engaging our people to become stewards of our ethical culture. With this objective in mind we identified two key partners, the University of Arizona and Ethisphere.

We began our second phase with the strategic priority to improve our understanding of our ethical culture and have an overall assessment of our ethics and compliance program. We selected Ethisphere's Ethics Quotient (EQ) and Ethical Culture and Perceptions Survey in order to have comparability with other companies and to benefit from their expert feedback. The key findings were very insightful. We reaffirmed many positive outcomes of our previous efforts and identified some areas of opportunity. With this valuable feedback, the University of Arizona helped us to create the “Step Up Culture” framework, consisting of winning behaviors that we expect to be the cornerstone of our culture. The Step Up Culture framework guides our ethics culture training and monitoring.

The framework encourages our people to focus on four key elements and the winning behaviors that demonstrate those elements:

1. *To build trust:* We encourage people to create a culture of candor, be accountable, find solutions to their ethical dilemmas, and have the courage to implement them.
2. *To lead transformatively:* We expect our people to be role models, to be empathic, to stimulate creativity, and to be an inspiration for their team.

3. *To act ethically:* Every employee should support others speaking up, raise ethical concerns, and make correct decisions.
4. *To leverage diversity:* We encourage our people to embrace diversity, to learn how to deal with and minimize unconscious biases, and to challenge the existing organizational culture.

### Implementation

Our ethical culture strategy is being deployed toward three main goals:

- *Evaluation:* We benchmark our ethics and compliance practices with Ethisphere's Ethics Quotient, monitor our culture through Ethisphere's Ethical Culture and Perceptions Survey, and monitor our winning behaviors with the ad hoc survey designed by the Center for Leadership Ethics of the University of Arizona.
- *Training:* We trained our executives and managers in masterclasses delivered by the professors of the University of Arizona, trained a group of internal trainers to deliver ethics workshops for the rest of our employees, and are deploying an e-learning course to reinforce areas of opportunity detected in the culture survey. All our trainings follow the Step Up Culture framework.
- *Support:* We use the “moral compass” tool and the Step Up Culture framework to enhance ethical decision making, are converting our trainers into ethics ambassadors, learn and share best practices by participating in Ethisphere's Business Ethics Leadership Alliance (BELA) and the Center for Leadership Ethics of the University of Arizona, and raise awareness of key elements of our Code of Conduct through e-learning.

We strongly believe our efforts to embed ethics in our organizational culture will be key to being recognized as a cost-efficient, sustainable and trusted company.



### Expert Biography

**Octavio Alvidrez** is the Chief Executive Officer of Fresnillo plc and has extensive experience within the mining industry, having previously held the position of General Manager of the Madero mine, one of Mexico's largest mines, operated by Peñoles. Mr Alvidrez joined the Peñoles Group in August 1988. Since then he has held a number of senior operational and financial positions across Peñoles and Fresnillo, including Treasurer, Head of Investor Relations in London, and Head of Procurement of concentrates for the smelters.





L-R: Sumit Mazumder, Past President, CII and Chairman, CII Taskforce of Integrity and Transparency in Governance; Vishal Wanchoo, President and CEO, South Asia, GE; Shri Dr. Tejendra Mohan Bhasin, Vigilance Commissioner, Central Vigilance Commission; and Atul Kumar, Chief Ethics Officer, SBI



The business world has reacted. In recent times, the tide has gradually shifted and in an effort to impact change, a chorus of companies have united to drive transparent business practices, particularly in India—turning great potential into greater results. Through values-based leadership, good governance and purpose-driven strategies, companies in the region have recognized that they are in a position to make a difference. This has manifested itself in the birth and growth of a new wave of ethical prioritization spearheaded by the Business Ethics Leadership Alliance (BELA) South Asia Chapter.

## SOUTH ASIA ETHICS SUMMIT

India in the Age of Good Governance and Purpose

Written by Aarti Maharaj

Whether in the private or public sectors, addressing the growing trust deficit around the world has been a challenge. Almost every study shows that consumers and investors, regardless of region, are becoming increasingly aware of those companies that adhere to a set of values shared by the community – and those that do not. They are also expressing their opinions through their patronage, which favors those companies who “behave” while punishing the ones that fail to comply with the wishes of the marketplace.

A year into the launch of the BELA South Asia Chapter, 20 Founding Member companies, together with Confederation of Indian Industry, hosted the first inaugural South Asia Ethics Summit in New Delhi, India. It brought industry leaders from major multinationals together, and featured keynote remarks from Shri Dr. Tejendra Mohan Bhasin, Vigilance Commissioner, Central Vigilance Commission (CVC). Speakers also included Vishal Wanchoo, President and CEO, South Asia, GE; and Sumit Mazumder, Past President, CII and Chairman, CII Taskforce of Integrity and Transparency in Governance, and Yogesh Goel, Vice President, Group Head Ethics and Compliance, Infosys. The event drew CEOs, Chief Legal Officers, General Counsels and other influential leaders in the field of ethics and compliance.

“We are all aware that righteousness is the foundation of good governance,” said Shri Dr. Bhasin. “Ethics in governance means probity of conduct with transparency and accountability. Integrity, of course, must be its essential ingredient.”

Historically, regional mores served as the North Star for the conscience of business ecosystems. However, in a highly globalized atmosphere, universally accepted ethics and compliance programs are becoming increasingly critical, particularly when working with foreign partners, each with a unique perspective on consumer and investor desires. In many countries, what a business stands for matters as much, if not more, than the services or products it provides. As such, it is more important than ever for companies to adhere to what the customer wants, whether in India or abroad. In response to this new reality, the government of India is spreading a strong message about intolerance of corruption and ethical misdeeds. But the government alone cannot change hearts and minds. Business leaders must authentically embrace these priorities for this shift to have any true impact.

“We need to lead and take swift strides to make India a better place to conduct business,” said Sumit Mazumder. “India is poised for the next phase of growth in an environment of very high global connectivity with programs like Make in India, Startup India, Digital India. To sustain growth, excellence in compliance, good governance and transparency are all interdependent and required for success.”



**Excerpts from the remarks of Shri Dr. Tejendra Mohan Bhasin, Central Vigilance Commissioner of India, at the 2018 South Asia Ethics Summit:**

• The CVC adopts a multi-pronged strategy to combating corruption, which encompasses preventive, punitive and participative vigilance. These are not mutually exclusive, but are complimentary elements within the overall approach for tackling corruption. The existence of a credible and responsive vigilance system in the country acts as an effective deterrent to any sort of disorderly conduct. The most important dimension to that vigilance approach is that vigilance activity is an integral part of the managerial function, and once this is in place, there is a fine balance between risk taking and the fiduciary responsibility of public organizations.

• Preventive vigilance is the most critical, and yet most challenging, component of the three vigilance functions. It is crucial because it has the potential to prevent lapses from occurring by stemming the rot at its initial stages. However, it is challenging because it needs to be a continuous exercise across all levels if the organisation, and demands the focused attention of the management. This is followed by strengthening the participative vigilance, which encompasses reviewing the existing systems and control. When alertness become part of the culture of the organisation, it also acts to improve the surveillance and detection function in any organisation. It must be

participative activity in the sense that unless all stakeholders—irrespective of their standing in the organisation—are involved, it cannot be strengthened. So far as punitive vigilance is concerned, the Commission feels that time-bound and effective punitive action, apart from punishing the wrong-doers, deters others from committing such misconduct.

• There is a very strong vigilance set-up and administration mechanism in Public Sector Undertakings.\* The Commission, through the Chief Vigilance Officers, makes everyone in the organization realize that Vigilance Administration is one of the important management tools, which will help the organization reap the benefits of its effective administration. Trying to ensure that “Vigilance activity” becomes the business of everyone in the organization, the CVOs strive to reduce/eliminate the delays in various phases of handling vigilance cases. I have always advocated that CVOs should act as Chief Ethics Officers of the respective organisation, which has very well percolated in the last three years.

• CVOs also strive to study the existing gaps in the prevailing systems and procedures, to suggest/make systemic improvements and prevent recurrence of irregularities in the future, strengthening preventive vigilance mechanisms to obviate the need for punitive vigilance mechanisms, and use technology to improve transparency in all the activities of the organization.

*\*The term in India for state-owned businesses.*

Giving back to the community is a hallmark of companies across many regions of the world. Demanded by consumers, companies in Europe and the United States have incorporated such initiatives into their overall business plans. Against this backdrop, developing a purpose-driven culture remains one of the most-debated topics across India, whose culture has yet to adapt to such expectations.

Business leaders can have a profound impact on a company's role in society—and this year, according to the 2018 Edelman Trust Barometer, CEOs are seen as more credible spokespersons when compared to previous years. In India, 79 percent of respondents agree that businesses should lead with regard to pressing cultural issues, and that they should also self-regulate, rather than wait for the government to mandate regulation or give direction. Reflecting these statistics, 73 percent of respondents expect CEOs to ensure their companies are trusted.

In an effort to serve as a powerful force to increase transparency and integrity in the region, and improve India's standing as a fair and safe place for the world to do business, companies like TATA Power, Hindustan Coca-Cola Beverages, DELL, State Bank of India, Mahindra, Bayer Crop Science, Johnson Controls, Diageo India, Dun & Bradstreet, JLL India—some of which have been in business for centuries—are jointly promoting global integrity.

“Culture, integrity and compliance have defined and sustained us at GE for more than 100 years,” said GE's Wanchoo during his opening remarks at the Summit. “The biggest role of leadership is to ensure we are taking the opportunities that are presented to take action, or make a comment, that sets the stage for how we want people to operate—in a way that builds trust.”

To read more about what these businesses and others have to say, please see an exclusive India edition of Ethisphere magazine at <https://insights.ethisphere.com/wp-content/uploads/SA-Ethisphere-Mag-Full-Web.pdf>. The world has placed a heavy premium on building trust. It's time for the entire India business sector to respond.

### Expert Biography

**Aarti Maharaj** is the Managing Director of the Business Ethics Leadership Alliance South Asia, as well as the Executive Director of Communication at Ethisphere. She can be reached at [aarti.maharaj@ethisphere.com](mailto:aarti.maharaj@ethisphere.com).

# BELA OF THE BALL

»»»» NEW RESOURCES, RESEARCH, CONVERSATIONS, AND MORE ««««



As we enter the season of counting our blessings and giving thanks, it is incredibly gratifying to reflect on the bounty of resources created, curated, inspired, and shared this year to advance ethical business practices and in support of the Business Ethics Leadership Alliance (BELA).

At Ethisphere, we take pride in helping companies lead the charge to enhance ethical business performance. We continually grow and refine our deep expertise to provide trusted guidance and evaluate best practices. We also partner with key thought leaders, stakeholders, and executives to further the conversation on compliance, governance, and integrity. We believe the research and resources we brought to the community this year exemplify our continued commitment to supporting the improvement of compliance program components and initiatives, and strengthening ethical corporate culture.

In no small part, it is the BELA members that provide the motivation and set the direction for the continued growth of this superior set of resources. Whether born of discussions at regional member roundtables, concierge requests for specific data and examples, or outcomes of assessments and surveys, the BELA member community provides fertile ground for our development of robust content. I'm honored to serve this community as Global Resources Manager, and I look forward to the continued collaboration among members as we strive to provide tools and information that support your role in leading your organizations to do well, by doing good.

Here we have compiled a summary of the most recent resources made available to the BELA member community. These resources can be found through the BELA member hub at [bela.ethisphere.com](http://bela.ethisphere.com). If you have an idea for additional resources or would like to share the great work being done at your organization, reach out to me at [emily.rickaby@ethisphere.com](mailto:emily.rickaby@ethisphere.com).

**Emily Rickaby**  
Global Resources Manager,  
Business Ethics Leadership Alliance, Ethisphere



**Focused Facts:** These key slices of data on best practices at leading companies provide support for your initiatives as you make the case for ethics and compliance.

- Third Party Due Diligence and Establishing Requirements
- Conflicts of Interest and Third Party Management
- Data Privacy – Trends in Risk Management, Training, and Reporting
- Manager Resources and Communications
- Program Authority
- Conflicts of Interest Policy and Certification Results
- Measuring and Communicating Your Culture Diagnostic Results
- Chief Compliance Officer Reporting Lines
- Director Code Training

**Whitepapers, Articles, and Presentations:** Created in collaboration with exceptional partners, these resources provide context and insights on issues core to ethics and compliance.

- The Business Case for Compliance – 2018 Presentation Deck
- Addressing Corruption Risk through Enterprise Risk Management
- Trade Secret Theft in Supply Chains
- How to Build a Cybersecurity Culture Using People, Processes, and Technology
- Anti-Corruption Compliance Guideline Reference
- Why Anti-Corruption Programs Fail: Turning Policies into Practices

**Special Reports:** Created for, by, and at the request of the community to take a deeper look at important topics.

- Special Report on Latin America
- Third Party Risk Special Report
- 2018 BELA Special Research Report on Root Cause
- Guide for General Counsel: How to Influence the Board of Directors to Drive Sustainability (from BELA member company JLL)
- Diversity – An Investment That Pays (in partnership with BELA member Voya)

**Webcasts:** Opportunities to hear directly from experts and participate in live Q&A. The recordings of these webcasts are available on the BELA member hub.

- Insights and Updates: The ISO 37001 Anti-Bribery Standard
- Understanding Your Corporate Culture: What Our Data Tells Us About How to Focus Your Efforts for Maximum Impact
- Managing Ethics and Compliance Challenges in Latin America
- Leading Practices and Trends from the 2018 World's Most Ethical Companies®
- Codes of Conduct

**Podcasts:** Engaging interviews with senior leaders in the profession on the business of compliance and ethics.

- Board Engagement: Influencing the Board and Executive Teams to Drive Sustainability – hosted by BELA member JLL's Chief Counsel, Canada, Paul Greven, and features interviews with Gordon Finlayson, International General Counsel, Zee Entertainment; Av Maharaj, V.P. Corporate and Legal Affairs, Kraft Heinz; Yana Valetta, Group General Counsel & Company Secretary, Global Fashion Group; Jonathan Drimmer, Chief Compliance Officer, Deputy General Counsel, Barrick Gold; and Tanya Jaeger de Foras, Chief Legal Officer, Whirlpool.
- Additional episodes of Integrity Matters – providing listeners with new insights and practical advice on corporate ethics, governance, culture, and much more. Hosted by Al Rosa of BELA member GE with recent additions of interviews with Diana Sands, SVP, Boeing; Rady Johnson, Chief Compliance Officer, Pfizer; and Melissa Stapleton Barnes, Chief Ethics and Compliance Officer, Eli Lilly.

**BELA Member Contributions:** Perhaps nothing is as valuable as the materials developed by our own BELA members. BELA member companies strengthen the community by sharing insights, examples, and ideas. The list below only covers the most recent contributions. These resources and many more like them are found in on the BELA member hub, Centers of Excellence.

- **Starbucks** – View their complete set of materials for race and bias training
- **Allstate** – Excerpts from their ethics training program for board members and officers
- **Leidos** – Sample presentation for the board ethics committee
- **Dell** – GDPR readiness checklist and samples from their • GDPR training materials
- **Nokia** – Materials and slides from their investigator training program
- **Univision** – View their updated Code of Business Conduct
- **The Hartford** – Employee mailer to improve engagement with “speak up”
- **SABIC** – Sample training program for managers
- **Boeing** – Presentation on case management and investigations overview
- **PSEG** – Investigator's Code of Conduct
- **Eli Lilly** – Sample video promoting Speak up Culture
- **Walmart** – Immediate reporting badge and conflicts of interest FAQ
- **U.S. Bank** – Sample video “Ethics Rideshare” and sample case study on harassment
- **Dun & Bradstreet** – Sample data governance and team assessment questionnaires
- **Bayer** – Videos showcasing augmented reality compliance app and infographic-based training

### Facts & Figures

**2,193** Current BELA Member Hub users.

# BELA OF THE BALL

LEADING THE WAY WITH ETHICS IN MARKETING AND COMMUNICATIONS



**Written by:** David Herrick, Managing Principal, EthicOne

We are approaching a tipping point in the ethics and compliance space where the boards of directors and management teams that don't prioritize ethics will soon be seen as out-of-touch and ineffective. With a variety of studies showing that ethical companies outperform their peers, real dollars - in the form of higher market valuations - are at stake for shareholders.

There is mounting evidence, through both public and proprietary research, that the engagement of a corporation's most important stakeholders is driven in large part by trust, the principal byproduct of a culture of ethics.

Research by the World's Most Ethical Companies® supports the case. U.S. Bank, for example, found that 90 percent of small and mid-size businesses consider ethics and reputation as important to their selection of vendors. A Voya Financial study highlighted in Ethisphere Magazine showed that being a World's Most Ethical Company was a powerful motivator for consumers to do business with their company.

A number of other studies, such as the Deloitte Millennial Survey, point to the importance of corporate values, trust and transparency in the career choices and consumer preferences of this rising generation.

As the ethics imperative has become better understood, so too has the recognition that ethics and trust are enterprise-wide responsibilities. The nexus for communicating and building trust with diverse stakeholders of the enterprise lies in the marketing and

communications functions. Despite the outsize importance of marketing and communications to creating ethics-driven cultures and brands, little is understood or codified when it comes to their practices.

Fortunately, a group of World's Most Ethical Companies is stepping up to lead the way. **U.S. Bank, 3M, Voya Financial, ON Semiconductor** and **PepsiCo** are founding participants in a groundbreaking new study that will shed light on the marketing and communications practices of the world's leading companies. The findings of the Marketing and Communications Benchmarking Study, spearheaded jointly by Ethisphere and EthicOne, will guide marketing and communications leaders from across industries with a set of best practices for the functions.

*The insights will be available to World's Most Ethical Companies honorees, members of BELA and other corporate leaders who contribute to the data set. For more information about the study, please contact David Herrick at [dherrick@ethicone.com](mailto:dherrick@ethicone.com).*

# BELA MEXICO

»»»» BELA TO EXPAND INTO CENTRAL AMERICA IN COMING YEAR ««««



**Above:** Exequiel Rolon, Head of Sustainability at Industrias Peñoles, speaks at the BELA Roundtable hosted earlier this year in Mexico City.

Over the past couple of years, the Business Ethics Leadership Alliance has seen unprecedented growth in its community of international companies. Within the community of 240+ member companies, there has been a continuous desire by General Counsels as well as Chief Ethics and Compliance Officers to come together and collaborate on their ethics and compliance programs. To that end, BELA members have hosted 40+ events around the globe over the past year, including Roundtables and Summits in London, Chicago, San Francisco, Helsinki, Tokyo, Mumbai, Sydney, New York, Seattle and more.

On the heels of the successful launch of the South Asia Chapter of BELA in 2017, the BELA Membership has advocated for an expansion of the community in Central America. To that end, Ethisphere is pleased to announce the formation of the Mexico Chapter of the Business Ethics Leadership Alliance. "The goal of the Chapter is for leading companies with a reputation for integrity to come together and to collectively raise the standards, expectations and practices of ethical and

compliant corporate behavior in the region," said Jonathan Whitacre, Executive Vice President of Ethisphere. "With the leadership and participation from Founding Member Companies **Fresnillo** and **Peñoles**, and the continued contribution from companies like **Dell**, **Walmart**, **Coca-Cola**, **GE** and other in the region, we are confident that there will be a successful uptake in the mission of the Chapter."

As part of the launch of the Chapter, Ethisphere will partner with **Parsons Corporation** to co-host the Mexico City Ethics Summit on May 17th, 2019. Parsons is providing program management services for the construction of the new airport in Mexico City and is committed to reinforcing their Core Value of Integrity in their business dealings and in the region. Mike Kolloway, General Counsel at Parsons, expressed his company's commitment to the initiative and said, "Our partnership with Ethisphere to sponsor the Mexico Ethics Summit in May 2019 is an extension of our Core Values. Parsons is committed to promoting ethical conduct and behavior throughout the Americas and internationally."

The Summit will convene ethics and compliance leaders from across Mexico and Latin America to share leading strategies around building ethics and integrity into global business practices. This program will provide an opportunity for participants to share thoughts and insights around the latest trends in ethics and compliance program development and strategy, as well as put a spotlight on the best practices being implemented by E&C leaders.

Companies interested in joining the Mexico Chapter of BELA can contact Mr. Whitacre directly at [jonathan.whitacre@ethisphere.com](mailto:jonathan.whitacre@ethisphere.com) or via [bela@ethisphere.com](http://bela@ethisphere.com). Register for the Mexico City Ethics Summit at [events.ethisphere.com](http://events.ethisphere.com).



# EVENTS

## »»»» SOMEWHERE ELSE YOU HAVE TO BE? ««««

The following list highlights a few of the many roundtables that Ethisphere and its partners hosted around the globe in the last year. Some were in-person forums, while others were virtual, but all provided unparalleled insight into the leading ethics, compliance and governance issues of today. For more: [events.ethisphere.com](https://events.ethisphere.com)

This last year, the Business Ethics Leadership Alliance hosted roundtables around the world, most at the offices of one of our members or partners. Each roundtable features an intimate, off-the-record discussion of topics selected by the attendees themselves, allowing them to share insights and learn from one another about strategies and best practices. This list features only a sample of our roundtable locations, host companies, and the topics we have covered.

#### **McClean, VA / Hilton Worldwide**

- Use of Innovation and Analytics in Ethics and Compliance
- Anti-Bribery Best Practices
- Improving Perceptions of Organizational Justice



*The Atlanta Roundtable was hosted at the headquarters of The Coca-Cola Company.*

#### **Atlanta, GA / The Coca-Cola Company**

- Compliance Technology & Analytics Evolution
- Risk Management & Corporate Compliance: Alliances for Impacting Employee Behavior
- Tone in the Middle, the Elusive Frontier

#### **Winston-Salem, NC / Hanesbrands, Inc.**

- Training in the 21st Century
- When the Measurement Isn't What Was Expected
- Program Trends & Innovative Practices

#### **Houston, TX / KBR**

- Surprise! The Feds are in the Lobby!
- Post Investigation Root Cause Analysis and Remediation
- Insights from the World's Most Ethical Companies®

#### **Dallas, TX / AT&T**

- Live True: The Ethics & Compliance Landscape
- Putting Root Cause to Practice for More Effective Investigations
- Workplace Conduct Survey Report



*The Cleveland Roundtable was hosted at Progressive's headquarters.*

#### **Hartford, CT / The Hartford**

- Ethics: Driving Corporate Culture and Board Reporting of Investigations
- GDPR & Compliance Integration
- Empowering and Enabling Managers to Help Drive a Shift in Ethical Culture
- Practices in Assessing Corporate Cultural Risk

#### **Cleveland, OH / The Progressive Corporation**

- Inspiring a Speak Up Culture in the Era of #MeToo
- Leveraging Managers to Drive Culture
- Program Trends and Innovative Practices

#### **Detroit, MI / Cooper-Standard**

- Program Assessment and Board Reporting
- Doing More with Less
- Risk-Based Training

#### **Pittsburg, PA / UPMC**

- Compliance and Risk Management within the Broader GRC Framework
- Handling Hotline Reports
- Virtual Reality

# ONLINE

RESEARCH, DATA & MORE ON OUR WEBSITES

### Webcast Replay

This webcast featured discussions of the unique challenges and opportunities facing local and multinational companies trying to do ethical business in Latin America.

#### Manning Ethics and Compliance Challenges

##### FEATURED SPEAKERS

Rauli McCormick  
VP Global Thought  
Leadership & Programs  
Ethisphere

David Ashburn  
Senior Partner, Head of  
Brazil and Southern Cone  
Control Risks

Mauricio Pin  
President, Compliance,  
Investment and Intelligence  
practice (in Americas)  
Control Risks

Rafaela Berra  
Chief International Counsel  
Fidelity National Title

### Presentation Slides

Access the presentation material used during the webcast and use the data, charts, and graphs.

DOWNLOAD SLIDES

### Special Report on Latin America

In our "Special Report on Latin America" in partnership with Control Risks, senior executives from Latin America-based firms and other multinationals discuss a wide array of topics about compliance challenges in the region. Contributions from Grupo Bimbo, Fidelity National Title, VLI Logistics, Walmart International, ABB and Ingersoll Rand cover topics such as litigation in the region, creating a culture of ethics across distance, a perspective on mergers and acquisitions in the region, and much more.

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## Now Online: Special Reports, Webcasts and More

This year, Ethisphere has produced over half a dozen online-only publications for our audience, all available on our website. These include deep dives into topics of interest, such as risk management across the organization, codes of conduct, or diversity initiatives, along with partners such as Opus, Skillsoft, and Voya Financial. Additionally, the expansion of BELA has allowed us to produce regionally-focused content on Latin America and South Asia.

Many publications are also accompanied by webcasts featuring Ethisphere and in-house experts discussing the subject and taking questions from our audience, as well as slides and other tools for you to use with your teams, colleagues, boards and more. If you're only reading Ethisphere in print, you're missing out on valuable conversations, research and learning. Find us online today.



## Featured Expert this Month

Ethisphere has partnered with Paul Greven, Chief Counsel, Canada, JLL to produce a podcast series designed to further the conversation on the topic of the General Counsel's role in board engagement around sustainability. He interviews executives from a variety of companies, including Tanya Jaeger de Foras, VP and Chief Legal Officer, EMEA for Whirlpool (pictured).

### Download Our Podcast

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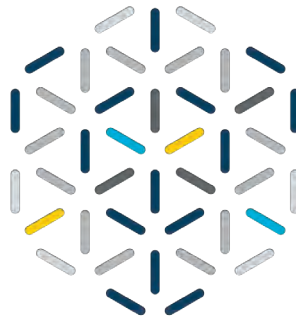
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# THE FINAL WORD

»»»»»NOTHING ABOUT PURPOSE SHOULD BE ARTIFICIAL«««««



If you ask Amazon's Alexa what her purpose is, Alexa will tell you that she was "made to play music, answer questions, and be useful." Clear? Yes. Inspiring? Not exactly. That is, until she starts playing the melodies that move you. While a company's purpose certainly needs to be clear, it is a tricky amalgamation of values that ultimately need to galvanize its people—leadership teams, employees, board members, customers, investors, partners, and myriad other stakeholders.

There has arguably never been a more challenging time for companies to keep their business and culture marching to the beat of the same drum. The drumbeat is frequently drowned out by the disruption of daily life and a chaotic world. And yet individuals, and even society at large, increasingly look to companies as a tuning fork of trust and purpose. According to the 2018 Edelman Trust Barometer, businesses experienced global gains in credibility while trust in other institutions fell. The voice of the CEO, and his or her willingness to establish the company as a steward of positive social change and economic propulsion, is a source of purpose that we can happily applaud and get behind.

That sort of leadership can exist in many forms. It can be explicit, as PepsiCo's current Chairman and former CEO, the incomparable Indra Nooyi, emphasized through her "Performance with Purpose" campaign. Both institutional investors and individual investors alike are calling on companies to refine their long-term thinking to be more inclusive of sustainable practices and more self-aware of their social contract to do good. Few leaders are better advocates for this than BlackRock CEO Larry Fink, whose 2018 "Letter to CEOs" was chock-full of wisdom and reasoning as to why companies need a greater sense of purpose.

Companies still have plenty to prove. Breakdowns in organizational justice and respect, none more apparent than with the issues surrounding the #MeToo movement, still require more response and remediation from company leaders. Uncertainty around the development of artificial intelligence has given rise to many questions of ethics regarding responsible data use in a complex era of digital transformation. Diversity of talent across companies, especially at the executive level, is improving, but not quickly enough. This is one of the many reasons why we host the Global Ethics Summit in New York City each year. It is a rare opportunity for company influencers to connect and inject much-needed authenticity into each conversation about how purpose is inexorably linked to everything organizations are doing to continuously improve their performance, people, and culture.

Is the purpose of your company clear? Does it inspire you? How do you and your leadership teams seek to bestow this purpose across all of your business relationships and objectives? Hopefully the answers are already embedded in a way that enable you and your organization to thrive even at the most challenging of times. If not, perhaps you need put it to the test and demand a re-examination and a renewed commitment to purpose.

Just don't ask Alexa. She can't help you. At least, not yet.

A handwritten signature in black ink, appearing to read "Kevin McCormack".

**Kevin McCormack**  
Vice President, Global Thought Leadership and Programs  
Business Ethics Leadership Alliance

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