



Hotline Reporting is More Important Than Ever: The Latest Findings From the 2018 Hotline Benchmark Report

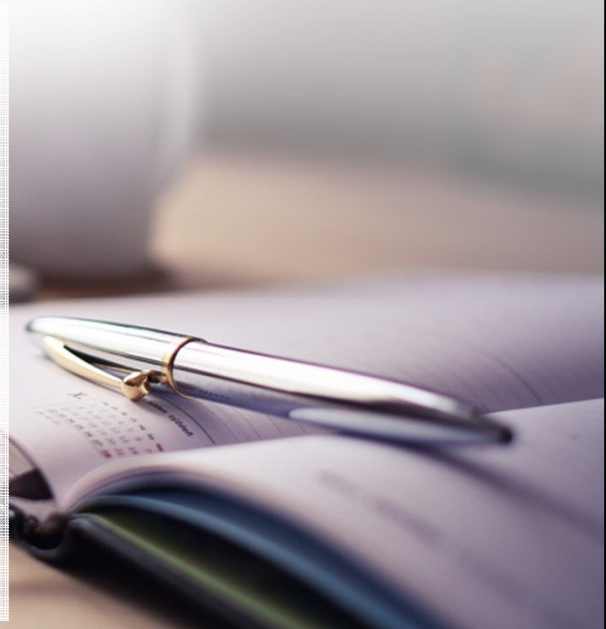
SCCE – Atlanta Regional Conference
June 8, 2018

Presented by

Carrie Penman | Chief Compliance Officer &
Senior Vice President, Advisory Services

Agenda

- Introductions
- Our Benchmarking Methodology
- Benchmark Statistical Snapshot
- Key Findings
- Key Takeaways & Best Practice Recommendations
- Q&A
- Additional Resources





Benchmark Methodology

Hotline Benchmark Statistical Snapshot

- Our database starts with **13,000+** NAVEX Global clients
- Of those **5,779** received a report in 2017 through NAVEX Global's Hotline and EthicsPoint Incident Management solutions
- **2,479** clients received 10 or more reports in 2017 (representing **42.1 million** employees)
- These **2,400+** clients received approximately **900,000** reports in 2017
- Data reflects all reports documented in clients' EthicsPoint Incident Management system regardless of reporting channel (web, hotline, open door, mobile, email, mail, etc.)
- Data covers **31 industries**
- We use **medians** (or **midpoints**) rather than averages to reduce the impact of outliers
 - Normal ranges identify extreme data points as potential areas of concern
 - Medians and ranges provide context for benchmarks

North American Industry Classification System (NAICS)

- 2018 Hotline Benchmark Report Industry Codes are based on the **North American Industry Classification System (NAICS)**
 - Standardized, more accurate peer-to-peer comparisons
 - 31 Total Industries Based on NAICS Sector and NAICS Sub-Sector levels
 - Use of Sub-Sectors allows differentiation of generalized sectors (manufacturing) into specific industries (e.g. machinery manufacturing, computer and electronic product manufacturing)
- <https://www.census.gov/eos/www/naics/>

1. Accommodation
2. Administrative and Support Services
3. Agriculture, Forestry, Fishing and Hunting
4. Arts, Entertainment, and Recreation
5. Beverage and Tobacco Product Manufacturing
6. Chemical Manufacturing - Pharmaceuticals
7. Computer and Electronic Product Manufacturing
8. Construction
9. Educational Services
10. Electrical Equipment, Appliance, and Component Manufacturing
11. Fabricated Metal Product Manufacturing
12. Finance and Insurance
13. Food Manufacturing
14. Food Services and Drinking Places
15. Health Care and Social Assistance
16. Information
17. Machinery Manufacturing
18. Management of Companies and Enterprises
19. Mining, Quarrying, and Oil and Gas Extraction
20. Miscellaneous Manufacturing
21. Plastics and Rubber Products Manufacturing
22. Professional, Scientific, and Technical Services
23. Public Administration
24. Real Estate and Rental and Leasing
25. Religious, Grant making, Civic, Professional, and Similar Organizations
26. Retail Trade
27. Transportation and Warehousing
28. Transportation Equipment Manufacturing – Aerospace and Defense
29. Utilities
30. Waste Management and Remediation Services
31. Wholesale Trade



Key Findings

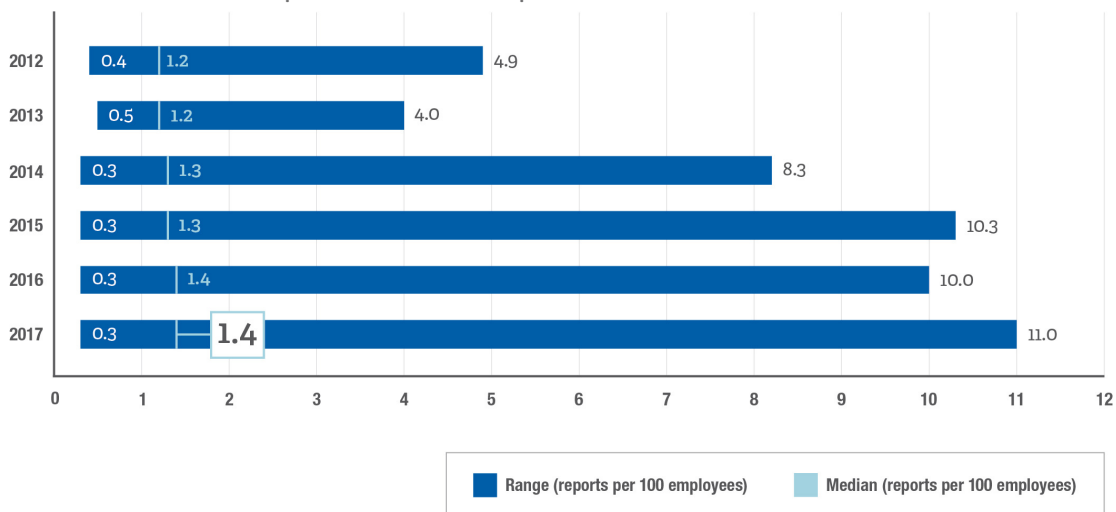


Key Finding #1

Report Volume per 100 Employees

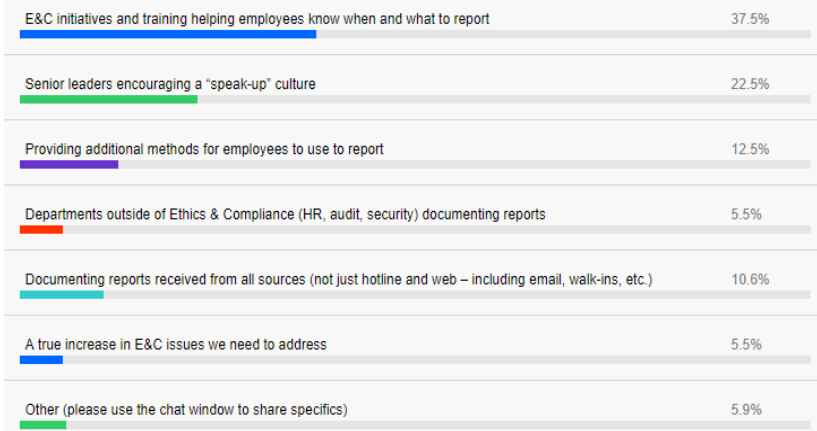
Median Report Volume Remains at Highest Level

How Does Your Report Volume Compare to Others?



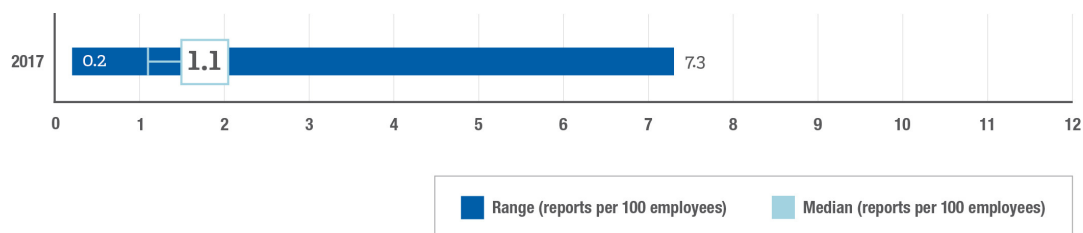
Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

What do you think is the biggest driver of report volume?

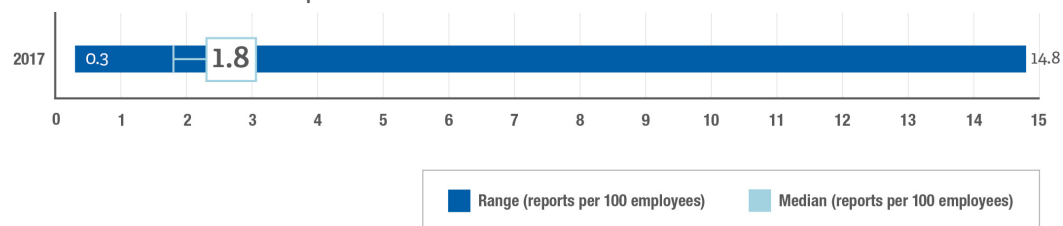


Impact of Using a Unified Incident Management System

Organizations That Track Only Reports from Web and Hotline

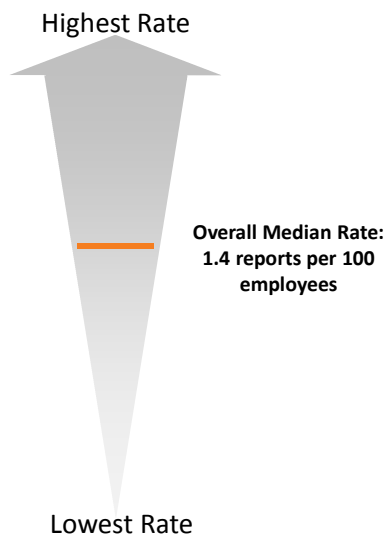


Organizations That Track Reports from All Sources



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

Food Service Leads in Reporting Volume



- 1) Food Services and Drinking Places
- 2) Religious, Grant making, Civic, Professional, and Similar Organizations
- 3) Health Care and Social Assistance
- 4) Retail Trade
- 5) Utilities
- 6) Miscellaneous Manufacturing
- 7) Administrative and Support Services
- 8) Arts, Entertainment, and Recreation
- 9) Finance and Insurance
- 10) Chemical Manufacturing - Pharmaceuticals
- 11) Public Administration
- 12) Beverage and Tobacco Product Manufacturing
- 13) Educational Services
- 14) Plastics and Rubber Products Manufacturing
- 15) Waste Management and Remediation Services
- 16) Real Estate and Rental and Leasing
- 17) Transportation and Warehousing
- 18) Mining, Quarrying, and Oil and Gas Extraction
- 19) Construction
- 20) Professional, Scientific, and Technical Services
- 21) Agriculture, Forestry, Fishing and Hunting
- 22) Transportation Equipment Manufacturing – Aerospace and Defense
- 23) Accommodation
- 24) Information
- 25) Wholesale Trade
- 26) Electrical Equipment, Appliance, and Component Manufacturing
- 27) Food Manufacturing
- 28) Management of Companies and Enterprises
- 29) Machinery Manufacturing
- 30) Computer and Electronic Product Manufacturing
- 31) Fabricated Metal Product Manufacturing

Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

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Key Finding #2

Report Allegation Categories

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Categories of Reports Used

- 1 **Accounting, Auditing and Financial Reporting**
(i.e. financial misconduct, internal controls, expense reporting)
- 2 **Business Integrity**
(i.e. bribery, falsification of documents, fraud, COI, vendor/customer issues, HIPAA)
- 3 **HR, Diversity and Workplace Respect**
(i.e. discrimination, harassment, compensation, general HR, and cases marked as "other")
- 4 **Environment, Health and Safety**
(i.e. EPA compliance, violence, safety, OSHA, substance abuse)
- 5 **Misuse, Misappropriation of Corporate Assets**
(i.e. employee theft, time clock abuse)

Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

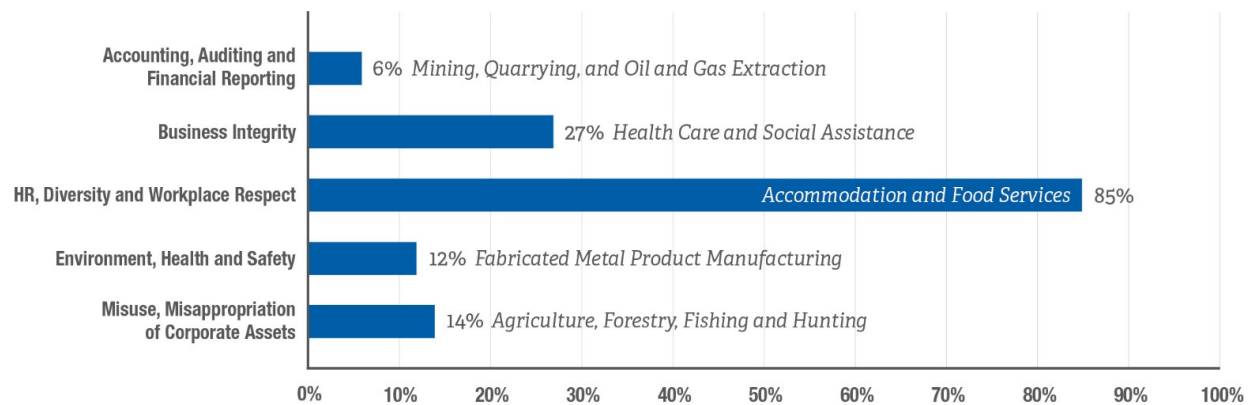
Categories of Reports Remain Relatively Consistent

| Allegation Categories | 2012 Median | 2013 Median | 2014 Median | 2015 Median | 2016 Median | 2017 Median |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Accounting, Auditing and Financial Reporting | 3% | 3% | 2% | 2% | 2% | 3% |
| Business Integrity | 17% | 18% | 17% | 15% | 14% | 17% |
| HR, Diversity and Workplace Respect | 69% | 73% | 69% | 71% | 72% | 72% |
| Environment, Health and Safety | 7% | 7% | 6% | 5% | 7% | 7% |
| Misuse, Misappropriation of Corporate Assets | 6% | 6% | 6% | 7% | 5% | 5% |

Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

Industries with the Highest Median Reporting Rate by Allegation Category

Highest Median Report Rate per Industry

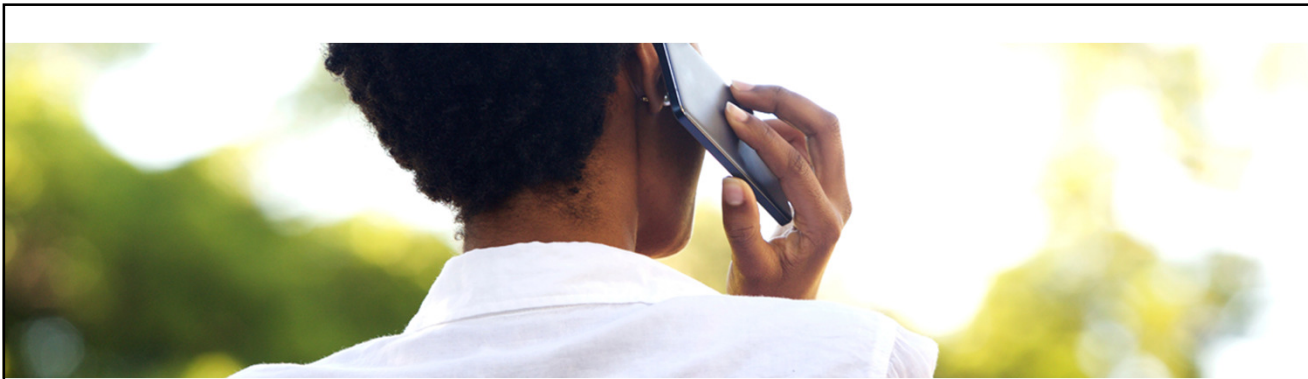


Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

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Key Finding #3

Anonymous vs. Named Reporters

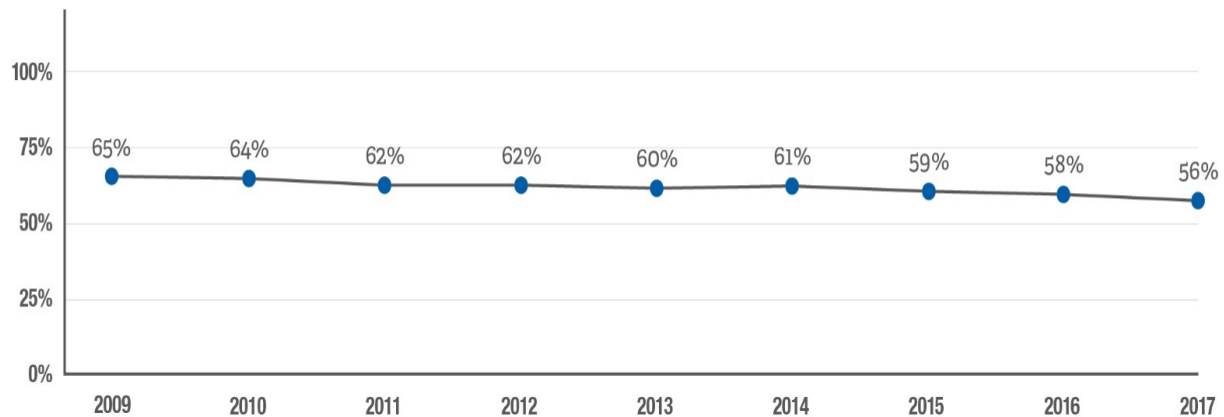
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Anonymous Reporting Continues to Decrease

Median Anonymous Reporting Rate



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

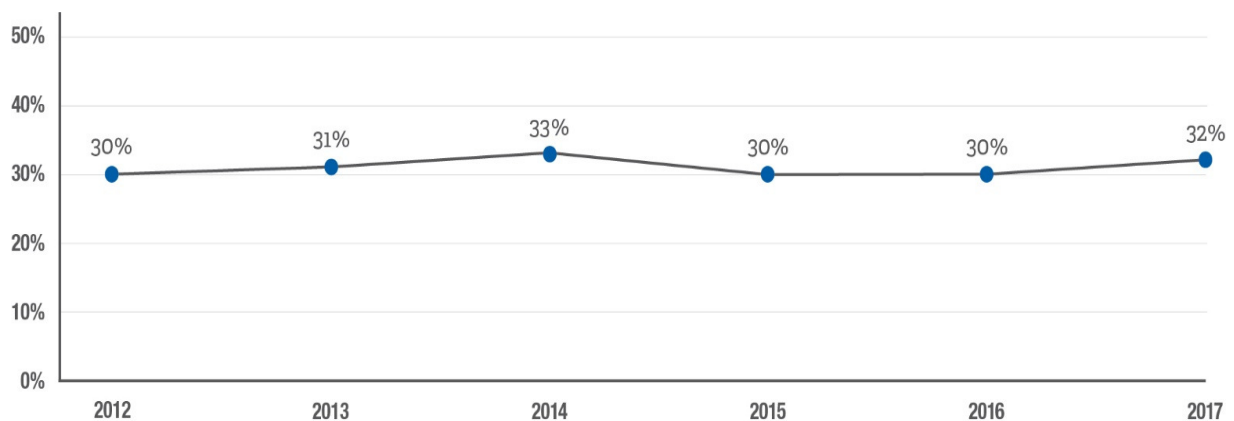
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Little Progress In Follow-Ups to Anonymous Reports

Median Follow-Up Rate of Anonymous Reports



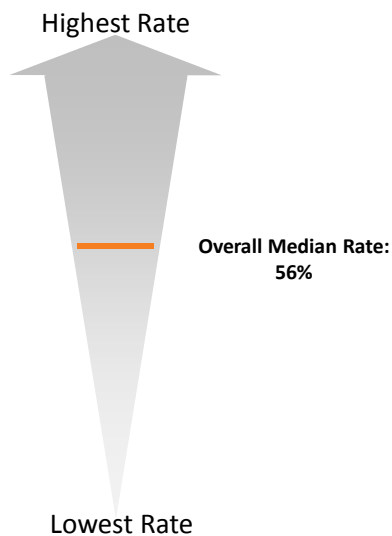
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Education Leads Anonymous Reporting by Industry



- 1) Educational Services
- 2) Waste Management and Remediation Services
- 3) Transportation Equipment Manufacturing - Aerospace and Defense
- 4) Beverage and Tobacco Product Manufacturing
- 5) Accommodation
- 6) Electrical Equipment, Appliance, and Component Manufacturing
- 7) Wholesale Trade
- 8) Public Administration
- 9) Mining, Quarrying, and Oil and Gas Extraction
- 10) Fabricated Metal Product Manufacturing
- 11) Management of Companies and Enterprises
- 12) Information
- 13) Plastics and Rubber Products Manufacturing
- 14) Computer and Electronic Product Manufacturing
- 15) Agriculture, Forestry, Fishing and Hunting
- 16) Transportation and Warehousing
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- 24) Arts, Entertainment, and Recreation
- 25) Food Manufacturing
- 26) Health Care and Social Assistance
- 27) Real Estate and Rental and Leasing
- 28) Chemical Manufacturing - Pharmaceuticals
- 29) Administrative and Support Services
- 30) Professional, Scientific, and Technical Services
- 31) Food Services and Drinking Places

Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

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Key Finding #4

Substantiated Reports

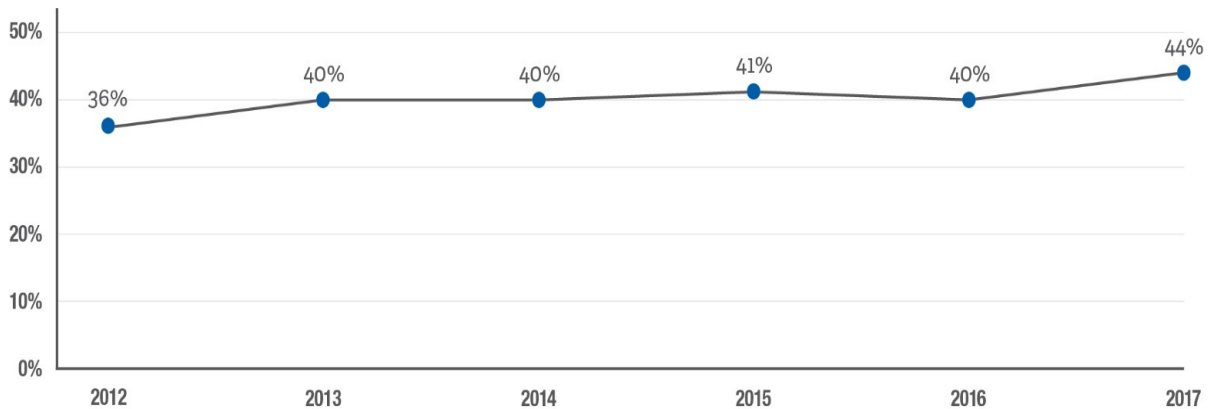
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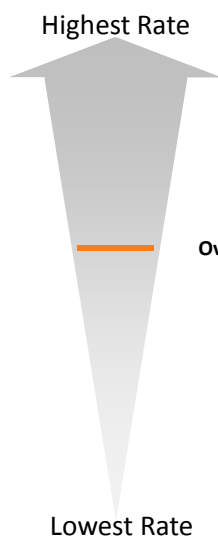
Overall Substantiation Rates Increase by 10%

Median Overall Substantiation Rate



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

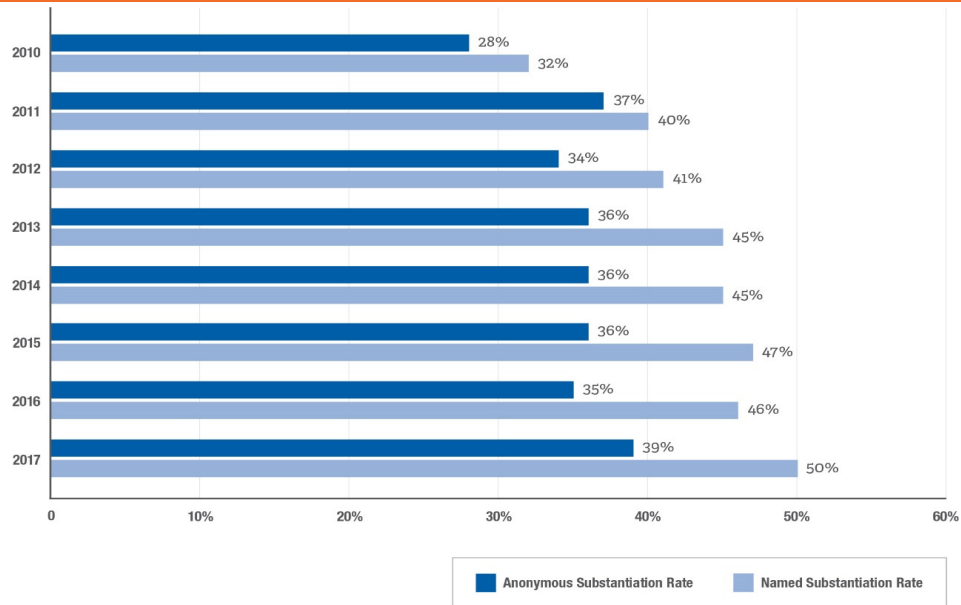
Overall Substantiation Rate by Industry



- 1) Religious, Grant making, Civic, Professional, and Similar Organizations
- 2) Arts, Entertainment, and Recreation
- 3) Health Care and Social Assistance
- 4) Professional, Scientific, and Technical Services
- 5) Wholesale Trade
- 6) Transportation Equipment Manufacturing - Aerospace and Defense
- 7) Finance and Insurance
- 8) Waste Management and Remediation Services
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- 26) Utilities
- 27) Electrical Equipment, Appliance, and Component Manufacturing
- 28) Management of Companies and Enterprises
- 29) Fabricated Metal Product Manufacturing
- 30) Real Estate and Rental and Leasing
- 31) Beverage and Tobacco Product Manufacturing

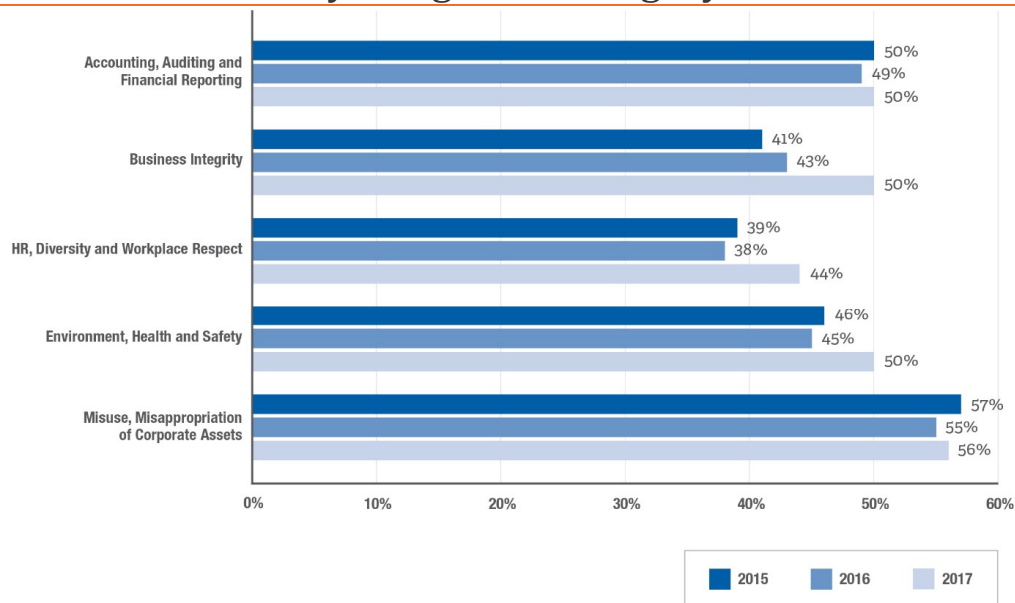
Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

Substantiated Anonymous vs. Named Reports



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

Substantiation Rate by Allegation Category



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

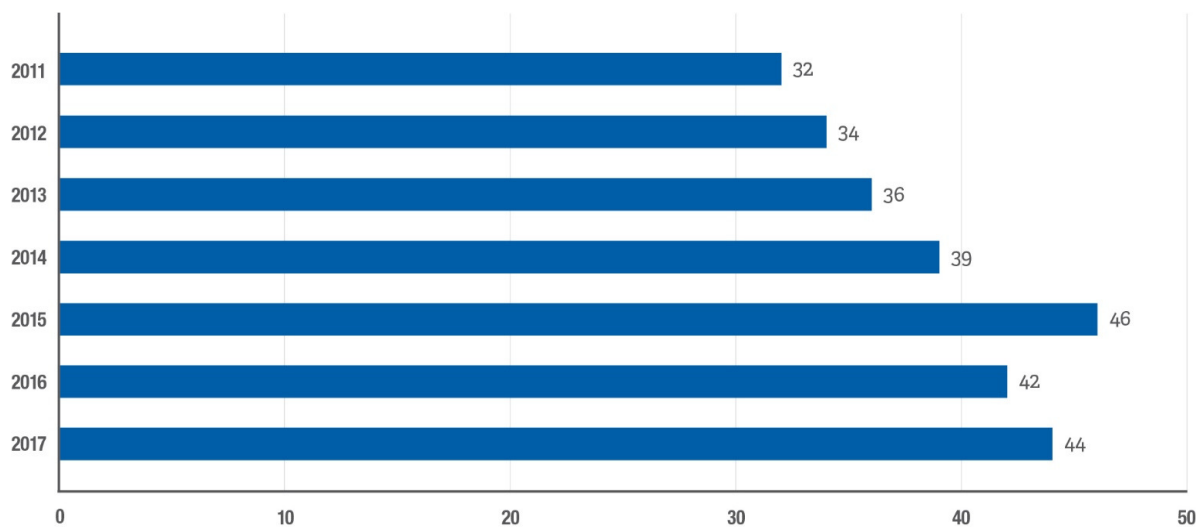


Key Finding #5

Case Closure Time

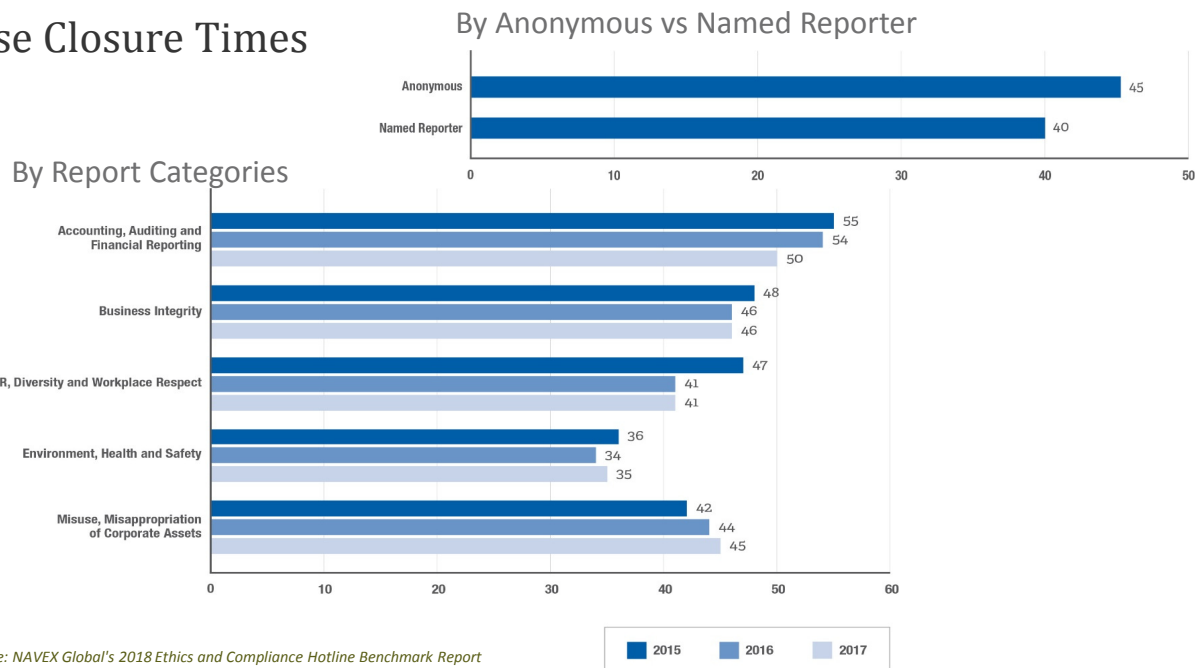
Case Closure Increases Slightly in 2017

Median Case Closure Time in Days

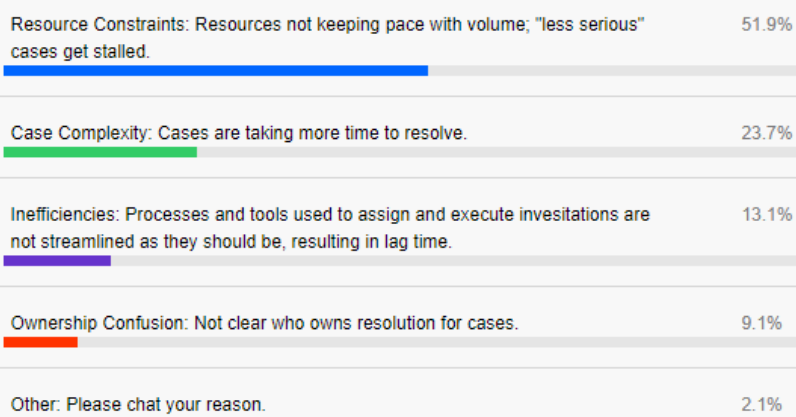


Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

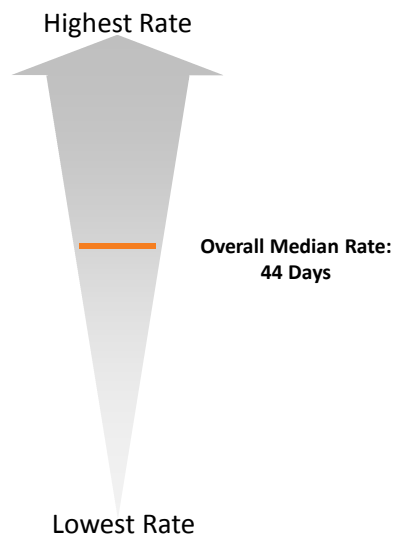
Case Closure Times



What do you think is the biggest factor in case closure times increasing?

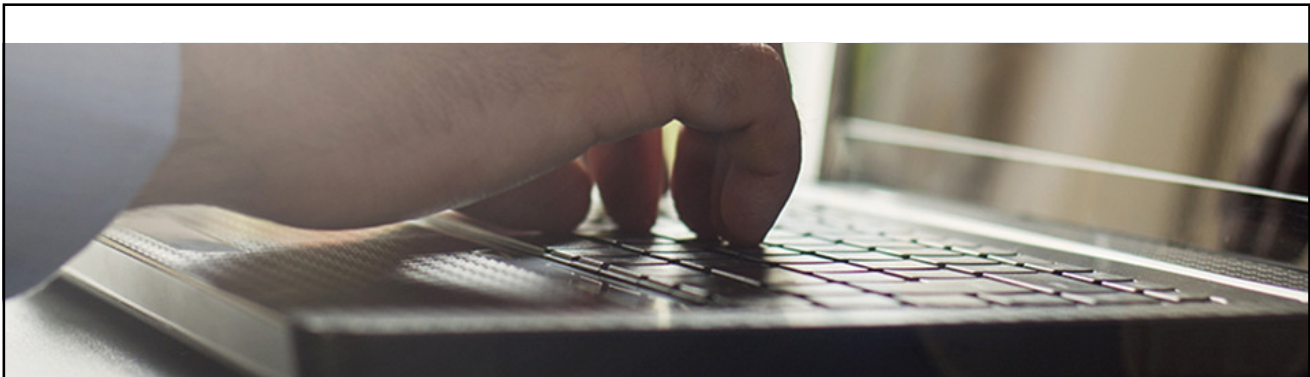


Industry Case Closure Times



- 1) Agriculture, Forestry, Fishing and Hunting
- 2) Management of Companies and Enterprises
- 3) Mining, Quarrying, and Oil and Gas Extraction
- 4) Plastics and Rubber Products Manufacturing
- 5) Waste Management and Remediation Services
- 6) Chemical Manufacturing - Pharmaceuticals
- 7) Miscellaneous Manufacturing
- 8) Beverage and Tobacco Product Manufacturing
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- 26) Accommodation
- 27) Arts, Entertainment, and Recreation
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- 29) Health Care and Social Assistance
- 30) Retail Trade
- 31) Food Services and Drinking Places

Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

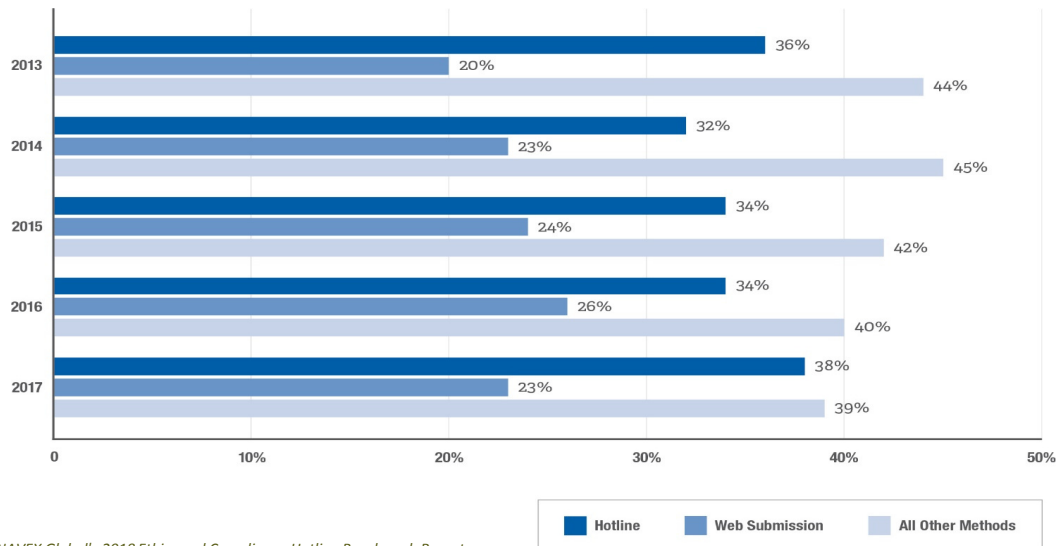


Key Finding #6

Report Intake Methods

Small Changes in Report Intake Method

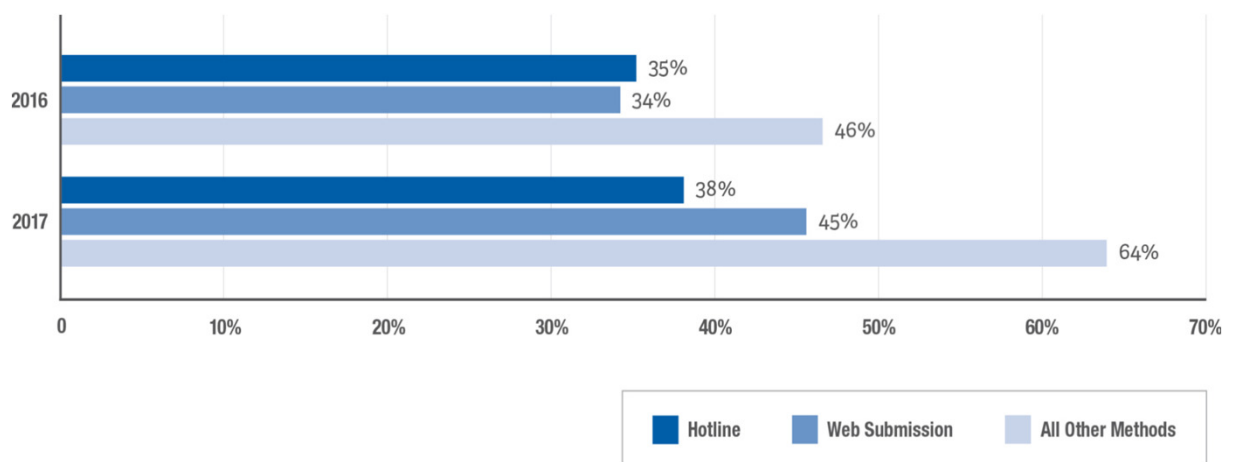
Report Intake Method Comparison



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

"All Other Methods" Has the Highest Rate of Substantiation

Median Substantiation by Intake Method



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report



Key Finding #7

Reports of Retaliation

Where does retaliation prevention fall on your list of E&C program priorities for 2018?

Top Priority: We are actively looking for new tools, resources, training and investigation approaches to move the needle on the issue. 40.2%

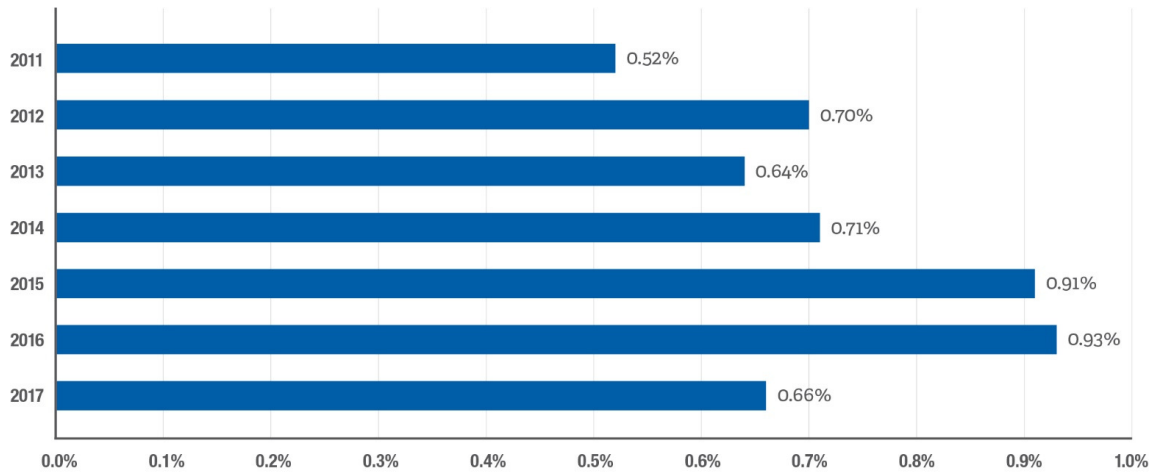
Important, But Not in Top Three Priorities: Other issues are more pressing than retaliation for us this year. 46%

Not a Focus Area for Us: Not a focus for our organization this year; measures we've already put in place are effective. 13.8%



The Low Rate of Retaliation Reports Drops Even More

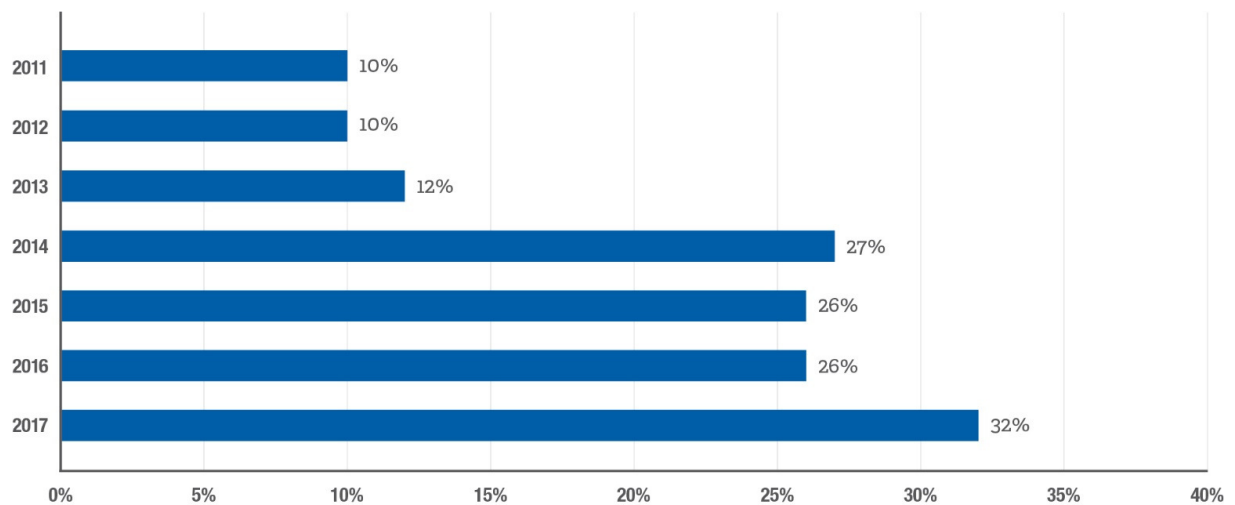
Percentage of Retaliation Reports




Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report

Retaliation Substantiation Rates Increase

Substantiation Rate of Retaliation Reports



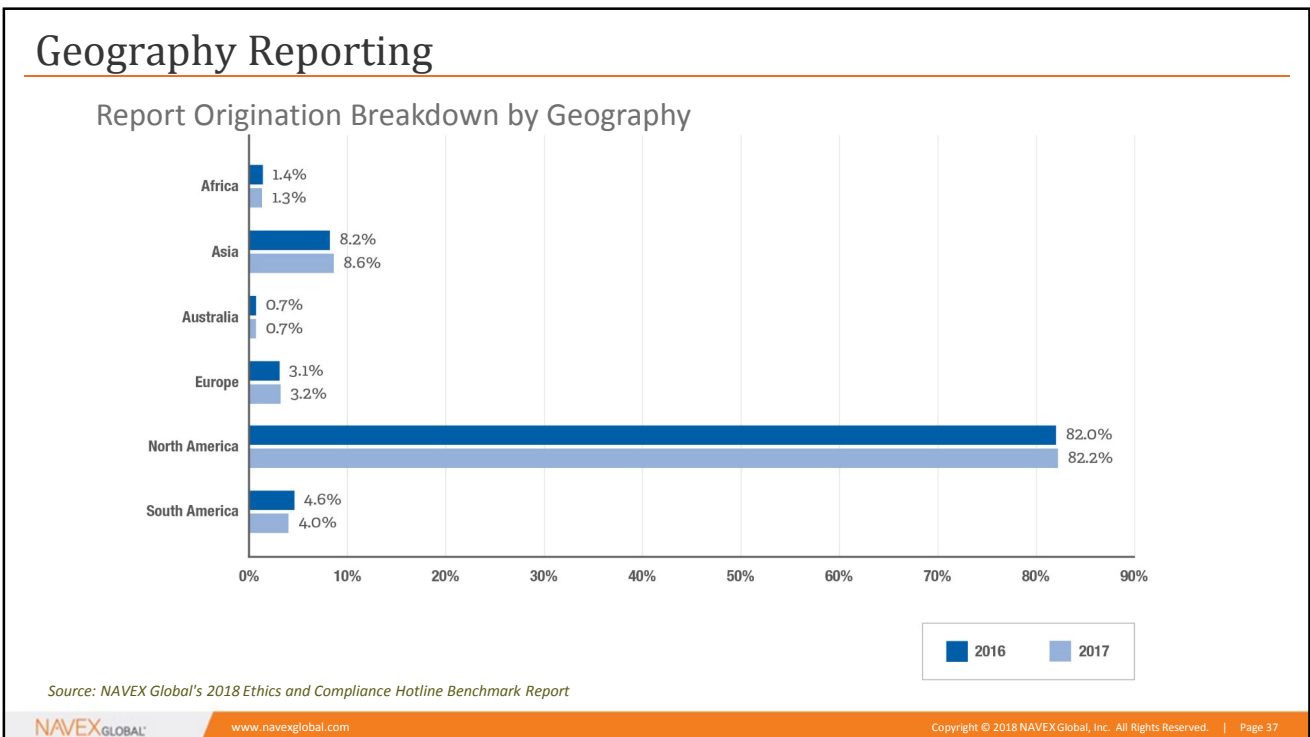
Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report



Key Finding #8

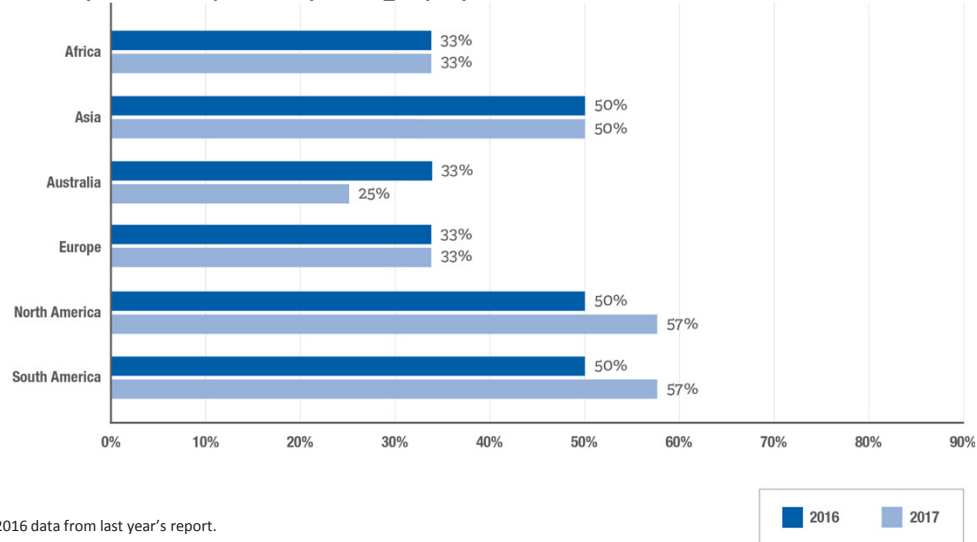
Geographical Data


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Geography Reporting

Anonymous Reports by Geography*

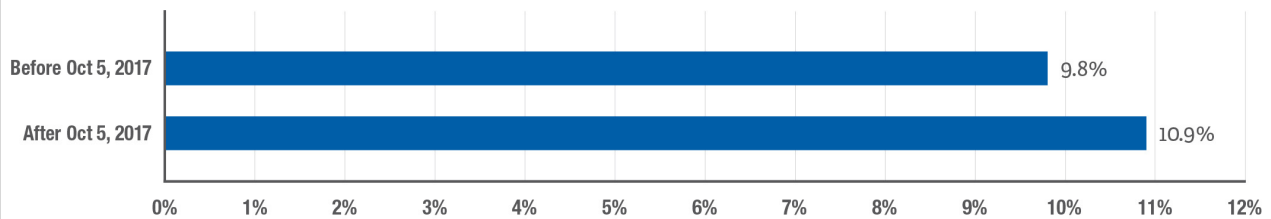


Key Finding #9

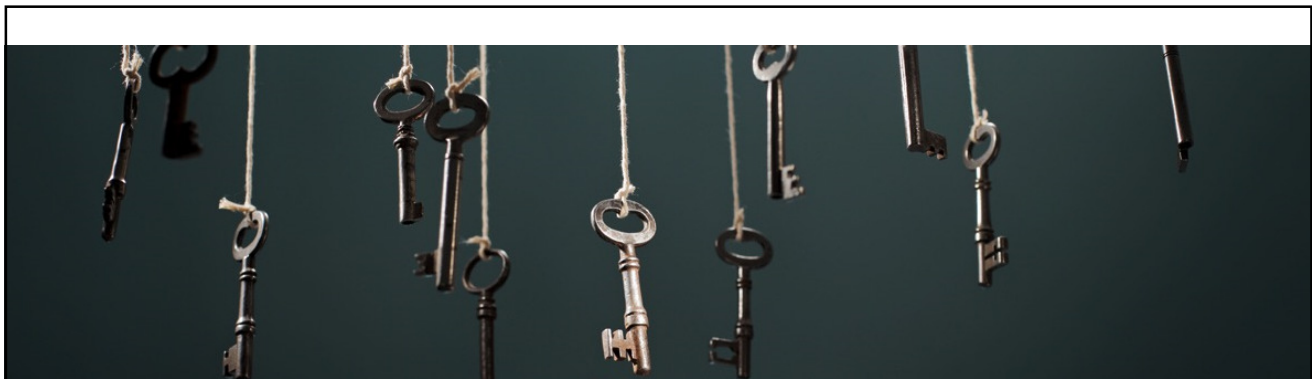
Impact of the #MeToo Movement

The Impact of the #MeToo Movement

Reports Classified as Harassment



Source: NAVEX Global's 2018 Ethics and Compliance Hotline Benchmark Report



Key Takeaways & Best Practice Recommendations

5 Key Takeaways


- 1) Increase focus on anti-retaliation efforts
- 2) Continue work on getting case closure times back within best practice ranges
- 3) Get a more complete picture of your risks by documenting all reports in one centralized incident management system
- 4) Make the business case for matching your report volume with appropriate resources
- 5) Encourage employees to see your hotline as a resource for information, not just a channel for reporting

Moving Beyond the Basics

Incident Management Systems Enhance Your Visibility & Program Effectiveness

- **Know Your Risk:** Collecting reports from all intake channels (not just web & hotline) into an incident management system creates nearly twice as much visibility into potential E&C risks
- **Processes that Work for You:** Ensure standard operating procedures with customized workflows, allowing you to capture, assign and resolve incidents consistently and expeditiously
- **Identify Trends:** Analytics give you the insight to proactively spots trends, address issues, measure program effectiveness and enhance your E&C program
- **Gather More Information:** Custom web forms provide a simple way to capture and route reports, and make it easy for your employees and managers a simply to document issues
- **Protect Your Organization:** Consistent documentation also provides a stronger legal defense in the event of a lawsuit or regulatory action

Thank You



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