NAVEX GLOBAL®

2018 Ethics & Compliance Hotline and Incident Management Benchmark Report

Data & Analysis to Benchmark Your Program Against the World's Largest Report Database – and Enhance Your Program Effectiveness

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CONTENTS

NAVEX Global | Protecting Your People, Reputation and Bottom Line

INTRODUCTION

Good analysis and benchmarking of hotline data helps organizations answer crucial questions about their ethics and compliance program, including:

- ‣ Does our culture support employees who raise concerns?

- ‣ Are our communications with employees reaching the intended audiences and having the desired effect?

- ‣ Are our investigations thorough and effective?

- ‣ Do we need more training?

- ‣ Do we need to review or update our policies?

- ‣ Do employees know about our reporting channels?

Comparing internal data year over year to help answer these questions is important. But getting a broader perspective on how your performance matches up to industry norms is critical.

To help, each year NAVEX Global takes anonymized data collected through our hotline and incident management systems and creates this report. Because we have the world's largest and most comprehensive database of reports and outcomes, ethics and compliance professionals can trust our benchmarks to help guide decision making and better understand how their programs stack up against broader benchmarks.

For each benchmark provided in this report you will find:

- ‣ A description of the benchmark

- ‣ Instructions on how to calculate the benchmark

- ‣ The 2017 combined data for all industries in the NAVEX Global database

- ‣ Key findings and recommendations

This annual report is an excellent resource for organizations committed to benchmarking and improving program effectiveness. To leverage more advanced benchmarks, NAVEX Global offers custom benchmarking options through GRC Insights. You can work with us to get apples-to-apples benchmarking based on industry, size or other facets of your organization. Learn more about this service on our website.

## TRUST NAVEX GLOBAL'S ETHICS & COMPLIANCE SOLUTIONS

NAVEX Global's comprehensive suite of ethics and compliance software, content and services helps organizations protect their people, reputation and bottom line. Trusted by 95 of the FORTUNE 100 and more than 13,000 customers, our solutions are informed by the largest ethics and compliance community in the world.

HOW WE CALCULATE OUR BENCHMARKS

For statistical accuracy, our analysis includes only those organizations that received 10 or more reports in 2017. The resulting database includes 2,479 customers that received a total of 885,518 individual reports.

To remove the impact of outliers that might skew the overall reporting data, we calculated benchmarks for each organization and then identified the median (midpoint) across the total population. This reporting methodology allows us to create a clearer picture of what is happening in our customers' organizations, as well as to provide you with benchmarking data that is not skewed by organization size.

That said, there are no "right" metrics in hotline benchmarking data. Where appropriate in this report, we provide what we consider to be a healthy range of results to provide context for your own data. Falling within the "normal" range indicates an organization is on par with medians for the organizations within our database. Falling outside the normal range, in either direction, is a good prompt to take a closer look at whether there is an issue that needs more attention at your organization.
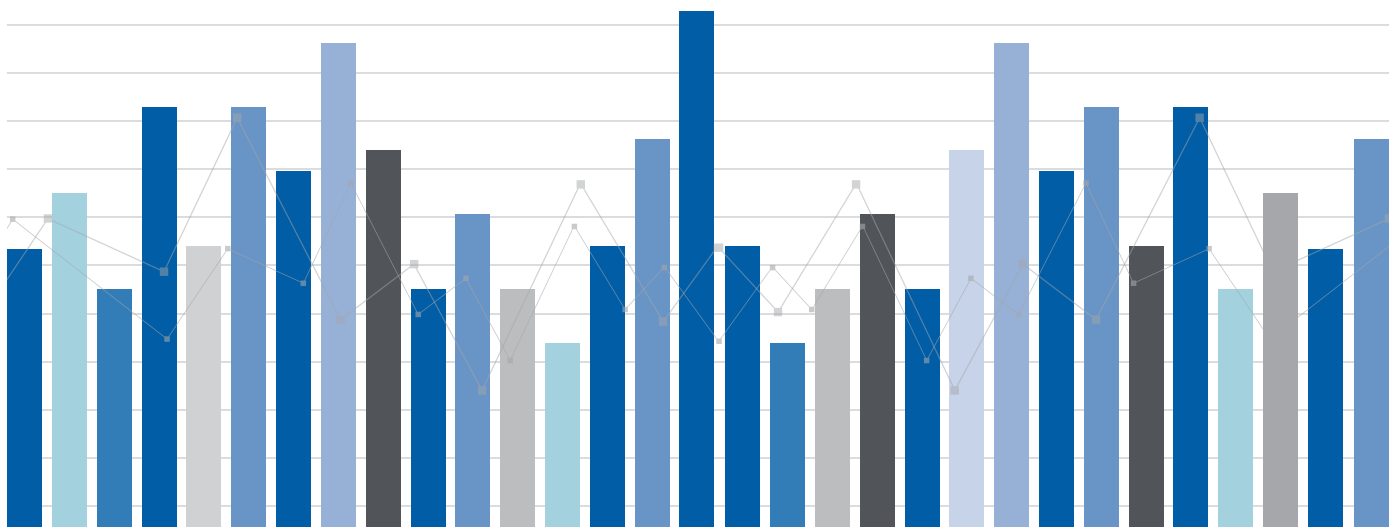
WORLD'S LARGEST DATABASE OF REPORTS
STARTS WITH 13,000 NAVEX GLOBAL CUSTOMERS

5,779 customers used our hotline / incident management systems

2,479 customers received 10 or more reports in 2017 representing

42.1 million employees

generating nearly 900,000 reports in 2017

Methodology: By the Numbers

Our report reflects all intake methods:

web   hotline   open door   email

Our data covers 31 industries

Over the last six years, we have analyzed nearly 4.5 million reports

Our Database Includes Reports from All Around the World

North America	82.2%
Europe	3.2%
Asia Pacific	9.3%
South America	4.0%
Middle East / Africa	1.3%

North America

Europe   Asia Pacific   South America   Middle East / Africa

Sample of Included Industries

Healthcare and Social Assistance	Finance and Insurance	Professional, Scientific and Technical Services	Retail Trade	Wholesale Trade
Information	Chemical Manufacturing – Pharmaceuticals	Transportation and Warehousing	Real Estate and Rental and Leasing	Mining, Quarrying, and Oil and Gas Extraction
Utilities	Administrative and Support Services	Educational Services	Public Administration	Construction
Machinery Manufacturing	Arts, Entertainment and Recreation	Transportation Equipment Manufacturing – Aerospace and Defense	Food Manufacturing	Agriculture, Forestry, Fishing and Hunting

Most Statistically Accurate Approach

We use Medians or Midpoints rather than averages to reduce the impact of outliers	We calculate ranges to help identify extreme data points as potential areas of concern	Medians and ranges provide context for your individual benchmarks

EXECUTIVE SUMMARY

This year's analysis of our data from nearly 2,479 hotline and incident management customers revealed key data points that compliance professionals can use to benchmark and assess their program's performance, and move toward predictive risk mitigation. Of note in the 2017 data:

▸ **The overall *Report Volume* remained at the highest level recorded to date.** *Report Volume* remained at the 2016 median of 1.4 reports per 100 employees which is the highest level we have recorded in these reports. Organizations should be prepared with sufficient resources and tools to respond to consistently higher levels of reporting. We also found that organizations are recording more cases than just those received via their hotline and web intake in their incident management systems. In 2017, 39 percent of all reports in the systems were received via "All Other Methods" which would include walk-ins, emails, open door, etc.

▸ **The *Substantiation Rate* of all cases increased by 10 percent to the highest level recorded.** *Substantiation Rates* overall increased significantly from 40 percent in 2016, to 44 percent in 2017. We also found some increase in the *Substantiation Rates* of every allegation category and a significant increase in the *Substantiation Rate* of HR, Diversity and Workplace Respect issues, which jumped from 38 percent to 44 percent.

Of particular note, every allegation category was substantiated at a rate of at least 50 percent except for the HR-related matters where 44 percent of these cases were substantiated. This is a remarkable change over the last five years and is an indication that organizations are receiving higher quality and more actionable reports – and/or are conducting better or more thorough investigations. The increase in the *Substantiation Rate* of HR-related matters to 44 percent shows the importance of ethics and compliance hotlines directly receiving these reports despite other avenues that may be available for these types of concerns.

▸ **Reports received via "All Other Methods" were substantiated at a remarkable rate of 64 percent.** This finding (which is 18 percentage points higher than the overall substantiation rate) highlights the importance of documenting reports received from all sources to better understand the full spectrum of issues that may be occurring in the organization. It also demonstrates the importance of ensuring that managers are educated on the appropriate way to respond when issues are raised directly to them.

With nearly one of every two reports substantiated overall, and 64 percent of other documented reports substantiated, the importance of strong and trusted reporting systems should be clear.

‣ Internal *Reports of Retaliation* dropped but *Substantiation Rates of Retaliation Reports* increased to the highest level recorded. Despite the ongoing media intensity on issues of retaliation and the high volume of these types of reports continuing to go to regulatory agencies – the already very low rate of internal *Reports of Retaliation* saw a significant drop to 0.66 percent of all reports received – down from 0.93 percent in 2016. However, the *Substantiation Rate of Retaliation Reports* increased to the highest level ever – 32 percent – up from 26 percent in 2016. Organizations should not be lulled into a false sense of security because they are receiving very few allegations of retaliation. This does not mean that it is not happening. Organizations need to proactively address this issue, including at the board of directors level, before any progress will be made in this area.

‣ Previous improvements in *Case Closure Time* lost ground. While in 2016 we saw some improvement in *Case Closure Time*, in 2017, some of this improvement slipped. *Case Closure Time* in 2017 was a median of 44 days (up from 42 days in 2016) which is well above the best practice rates of 30-32 days. *Case Closure Time* is a key quality metric for programs. Cases that take too long to address and resolve send a message to employees that their issue is not being taken seriously. With a median of 44 days, this means that half the cases in the database are taking longer than 44 days to close. This could be an indicator of insufficient resources and potentially increased legal oversight of matters raised.

‣ *Anonymous Reports* continue on a slow but steady decline. In 2017, 56 percent of reports were anonymous. We have seen an ongoing decrease in the rate of *Anonymous Reports* from the 2009 peak rate of 65 percent. A lower rate of anonymous reporting is an indicator of trust in the system and the people who manage it. This decline is also likely reflecting the increase in documentation of reports from *"All Other Methods"* where the organization is more likely to know the reporter's name.

‣ HR-related cases stayed steady despite highly publicized cases of harassment. Based on the highly publicized harassment cases of late 2017, we were watching for increases in HR-related cases; however the rate of HR-related reports remained steady at 72 percent. We did note a slight increase of harassment-related reports in the fourth quarter of 2017. We will continue to watch this metric in 2018.

As ethics and compliance programs continue to mature, these data points should be part of an organization's scorecard to demonstrate return on investment (ROI). In addition, we hope this data will assist organizations in moving toward the goal of taking proactive, rather than reactive, actions and creating a culture of ethics and respect.
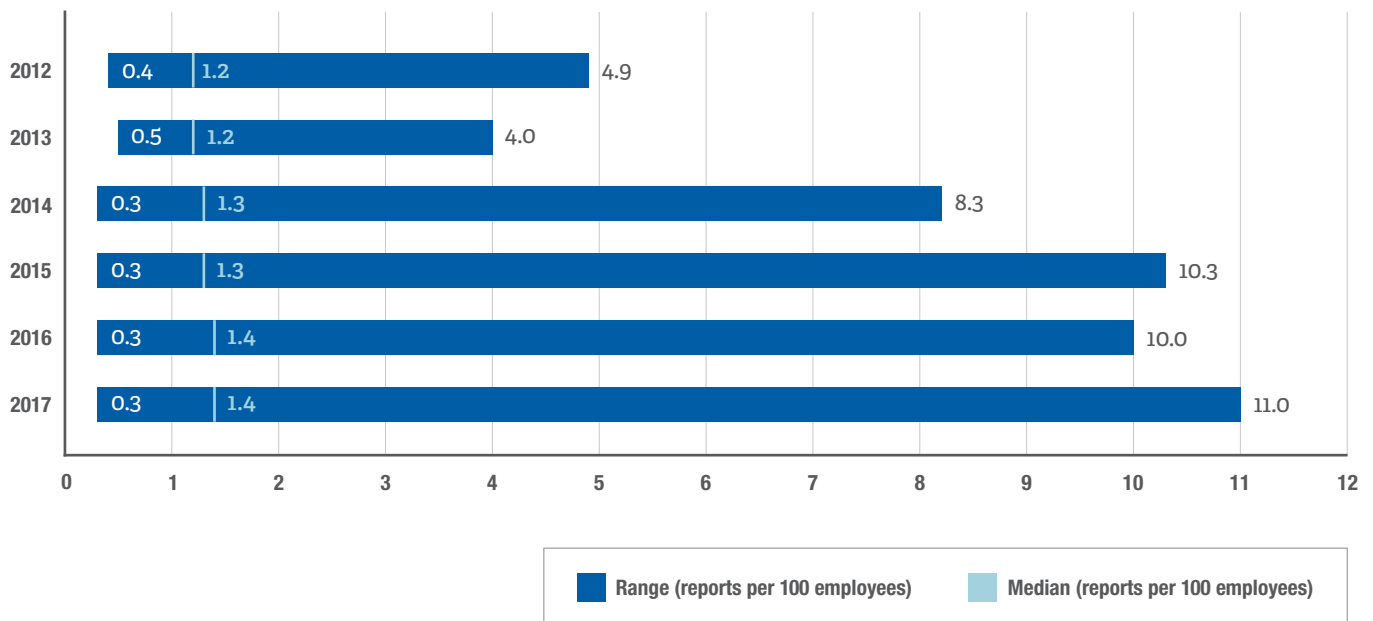
KEY FINDINGS

Reporting Rate Remains at Highest Level

Report Volume per 100 Employees is a volume metric that enables organizations of all sizes to compare their total number of unique contacts from all reporting channels including web forms, hotline, walk-in, mobile, email, mail and more.

How to Calculate: Take the total number of unique contacts (incident reports, allegations and specific policy inquiry questions) from all reporting channels received during the period, divide that number by the number of employees in your organization and multiply it by 100.

How Does Your Report Volume Compare to Others?

Year	Min	Median	Max
2012	0.4	1.2	4.9
2013	0.5	1.2	4.0
2014	0.3	1.3	8.3
2015	0.3	1.3	10.3
2016	0.3	1.4	10.0
2017	0.3	1.4	11.0

Legend: Range (reports per 100 employees) — Median (reports per 100 employees)

Findings: Over the last eight years, we have seen a significant rise in the reporting rate – a 56 percent increase since 2010, where the median was 0.9 reports per 100 employees. In 2017, the reporting rate remained steady at the highest level recorded with a median of 1.4 reports per 100 employees. The steady rise indicates that this higher level is the norm and that organizations need to be prepared to investigate and manage higher numbers of reports.

This elevated level of reporting may be attributed to a number of possible trends:

- Increased use of incident management tools to capture all reports – not just phone and web-based reports.

- Employee confidence that reporting will make a difference in their organizations.

- Maturing ethics and compliance programs mean more employees recognize the need to report issues, and know how to do so.

- More media attention – and therefore employee awareness of – workplace rights, whistleblower protections, lawsuits and awards.

In 2017, the central 80 percent range of reports per 100 employees broadened slightly over the previous year, with 11.0 reports at the high end, compared to 10.0 in 2016. This is indicative that organizations are capturing more documented reports from more intake methods. (See next section for more data on this.)

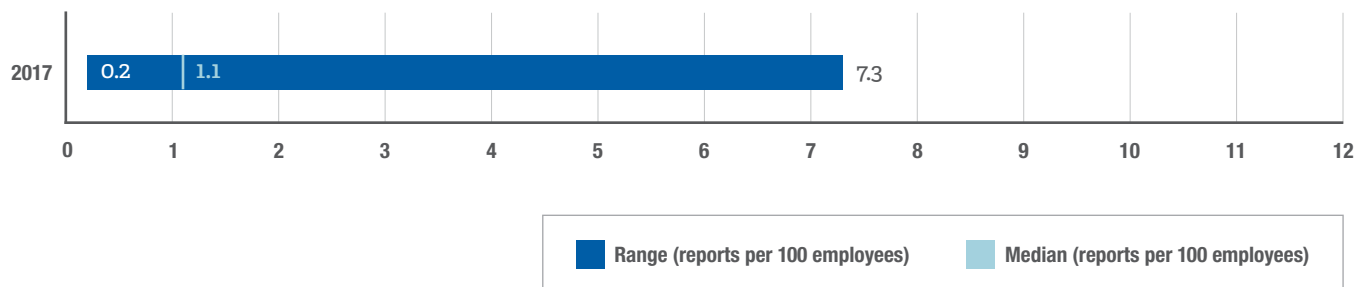# Impact of Using a Unified Incident Management System on Total Volume of Reports

Organizations That Capture Hotline & Web Reports Only Are Missing Critical Data

Over the last several years, we looked to determine whether the higher levels of *Report Volume per 100 Employees* were influenced by organizations that use their incident management systems in a more robust way. This includes entering and tracking reports they receive from all reporting channels (including open door reports, manager submissions, letters, direct emails and more), as opposed to just reports from their hotline or web intake channels.
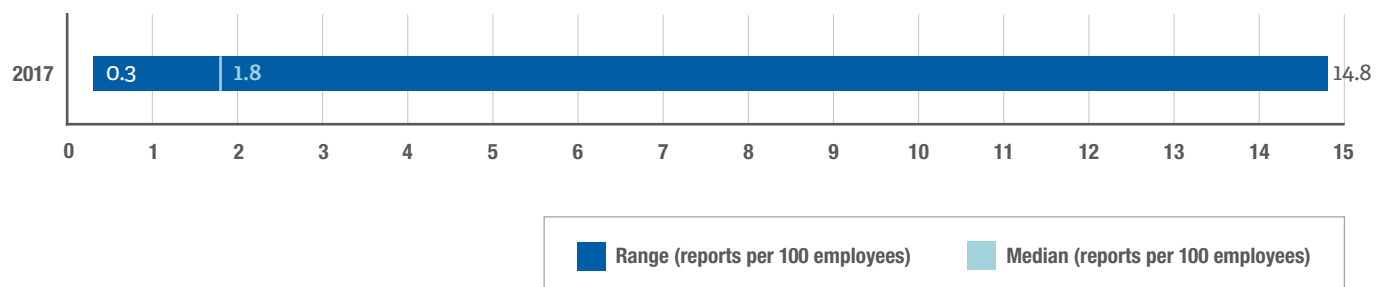
How to Calculate: There are two distinct groups in this calculation. The first group is customers who have an incident management system connected to their web and/or hotline reporting channels only. The second group represents customers who have their incident management system connected to all their reporting channels – web, hotline, and all other channels (such as open door reports, manager submissions, letters, direct emails and more).

Calculate your metric by determining which group you fall into, then use the same *Report Volume per 100 Employees* calculation as described previously.

Organizations That Track Only Reports from Web & Hotline

2017   0.2   1.1   7.3

0 1 2 3 4 5 6 7 8 9 10 11 12

■ Range (reports per 100 employees)   ■ Median (reports per 100 employees)

Organizations That Track Reports from All Sources

2017   0.3   1.8   14.8

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

■ Range (reports per 100 employees)   ■ Median (reports per 100 employees)

Findings: Organizations that document reports from all channels in their incident management system captured 64 percent more reports than organizations that only documented reports made through web and hotline channels.

The implications are significant. If you are only collecting reports through your hotline and basic web forms, a significant percentage of the reports made in your organization are not being documented. You are missing the opportunity to spot trends and proactively address issues occurring in your organization.

We continue to encourage organizations to collect reports from all intake methods in a centralized incident management system.

Doing so significantly increases visibility into reported issues and risks. It also provides a more disciplined, systematic method for tracking, investigating, analyzing and resolving these issues. Finally, high-level reporting can be achieved when additional functional groups such as Human Resources and Security also capture reports in separate tiers of the same incident management system. This ensures that, although reports are raised directly to different teams, they contribute to a holistic view of issues across the organization. With more captured data, issues that appear to be a "one-off" for one department can combine with reports from multiple departments to show potential trends.

2: Report Allegation Categories

Percentages Remain Consistent Across the Categories

The kinds of reports an organization receives are an indicator of program effectiveness. Categorizing reports and tracking the number of reports in each category helps to reveal program gaps and successes. We've organized our report data into five primary allegation categories. This gives us a way to compare (at a high level) the types of reports that different organizations and industries receive. The categories are:

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, retaliation, compensation, general HR and cases marked as "other")

4. **Environment, Health and Safety** (i.e., EPA compliance, assault, safety, OSHA, substance abuse)

5. **Misuse, Misappropriation of Corporate Assets** (i.e., employee theft, time clock abuse)

<u>How to Calculate:</u> First, ensure that each report is placed into one of the five report allegation categories. Then, divide the number of reports in each of the five categories by the total number of reports created during the reporting period.
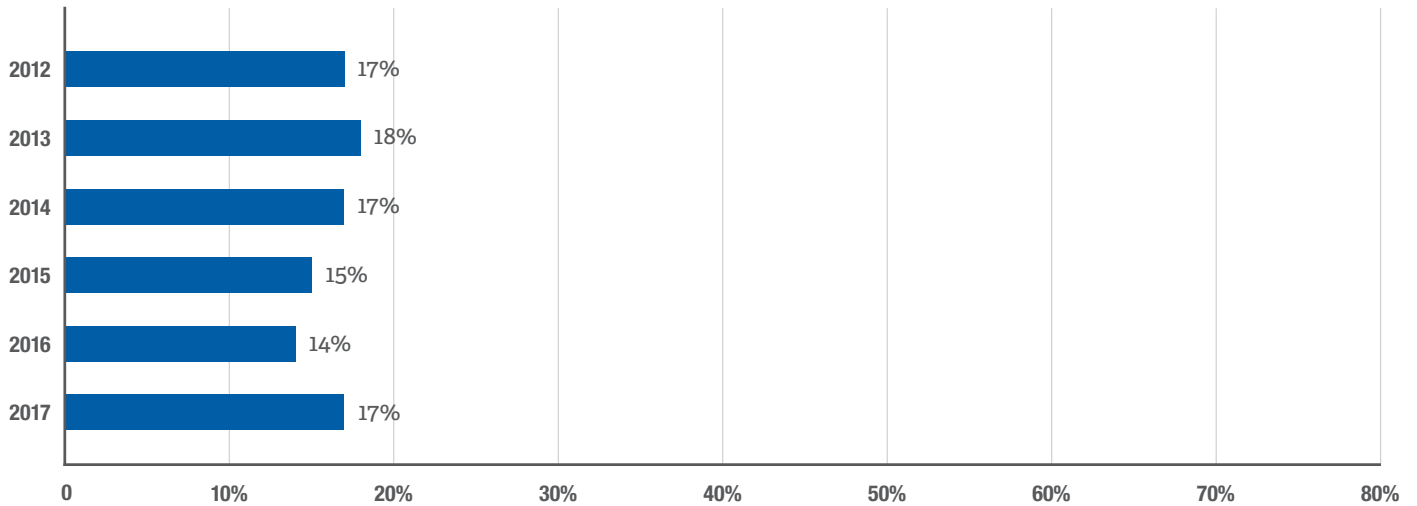
<u>Note:</u> Because we are using individual medians for each category, the total does not have to add up to 100 percent.

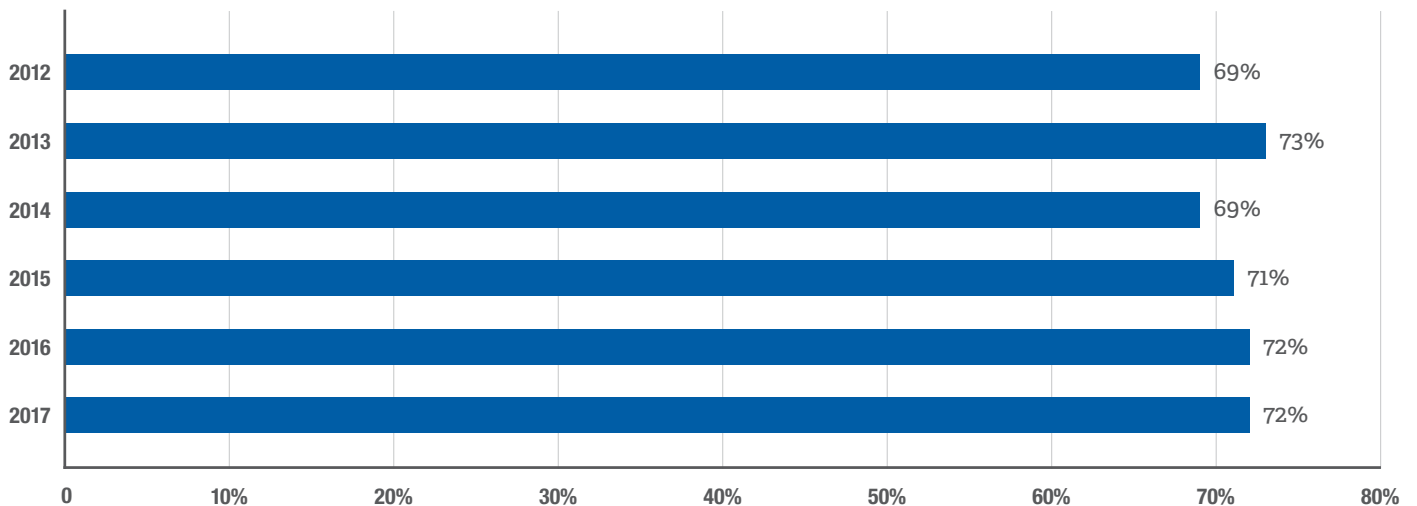## Median Percentage of Accounting, Auditing and Financial Reporting

Year	Percentage
2012	3%
2013	3%
2014	2%
2015	2%
2016	2%
2017	3%

(Axis: 0, 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%)
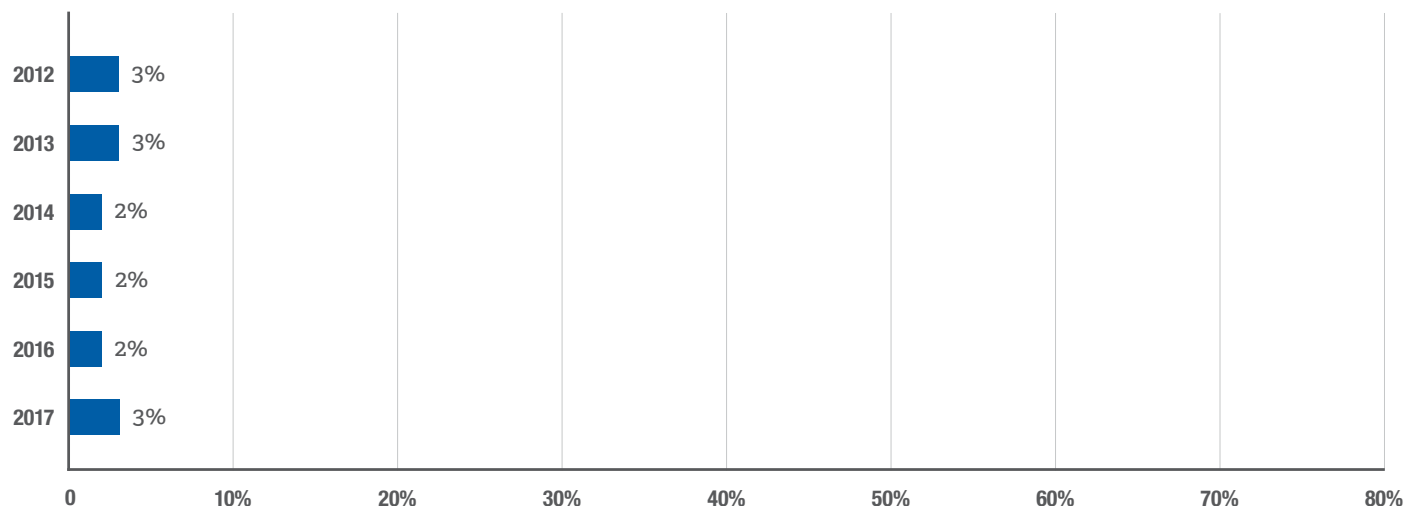
Report Allegation Categories Continued

Median Percentage of Business Integrity

Year	Percentage
2012	17%
2013	18%
2014	17%
2015	15%
2016	14%
2017	17%

Median Percentage of HR, Diversity and Workplace Respect

Year	Percentage
2012	69%
2013	73%
2014	69%
2015	71%
2016	72%
2017	72%

Median Percentage of Environment, Health and Safety

Year	Value
2012	7%
2013	7%
2014	6%
2015	5%
2016	7%
2017	7%

(Horizontal axis: 0, 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%)
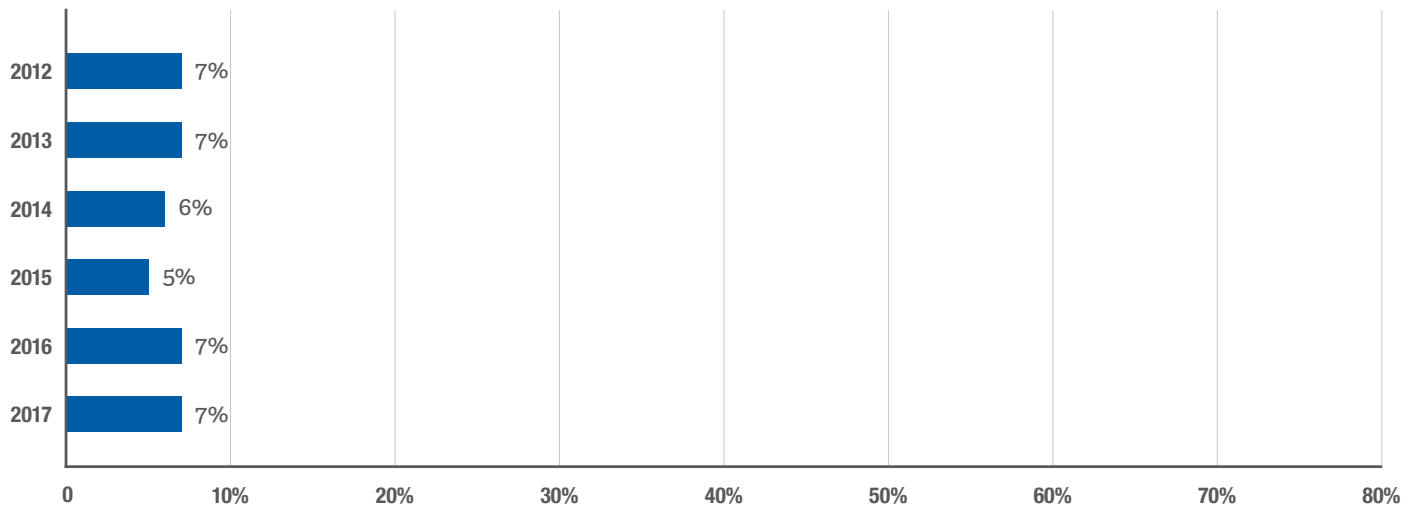
Median Percentage of Misuse, Misappropriation of Corporate Assets

Year	Value
2012	6%
2013	6%
2014	6%
2015	7%
2016	5%
2017	5%

(Horizontal axis: 0, 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%)
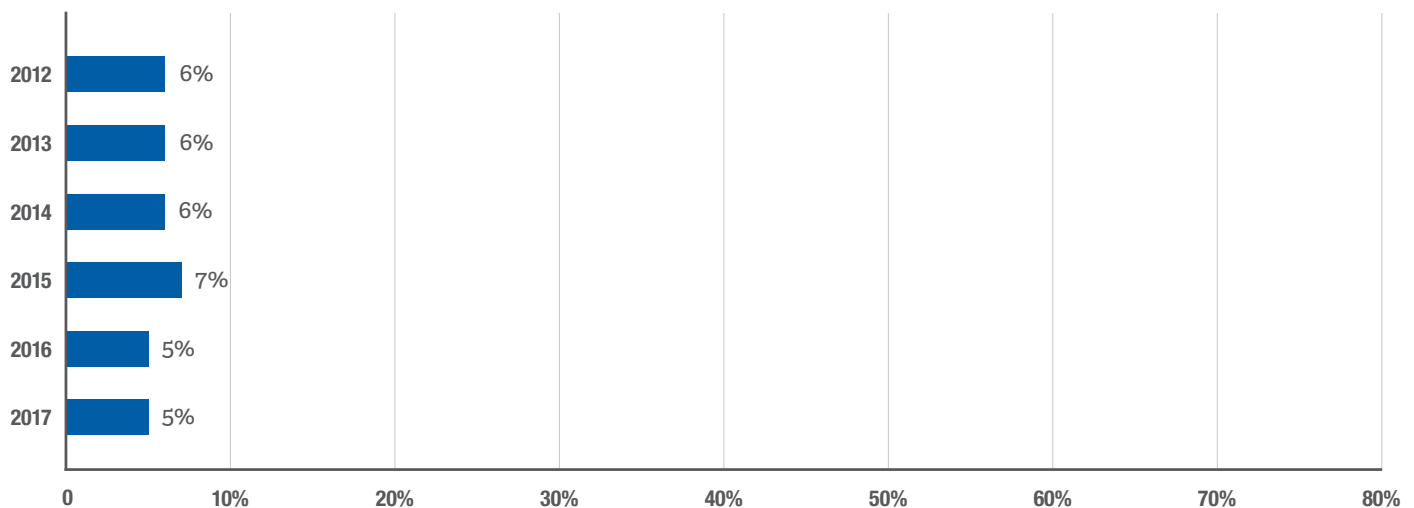
Findings: Despite significant increases in *Report Volumes per 100 Employees* and the changing intake methods over the last eight years, the percentage breakdowns in report categorizations have remained roughly the same. As is always the case, the majority of all reports received fall into the HR, Diversity and Workplace Respect category, and this percentage continues to fluctuate in the 69 percent to 73 percent range. In 2017, the percentage of HR-related reports remained the same despite media coverage of events that had the potential to increase the number of these types of reports.

For additional insights, we calculated the reports related specifically to Discrimination and Harassment. This showed an 11.2 percent increase in Discrimination and Harassment reports in the fourth quarter of 2017. This could be related to the events in the media during this quarter.
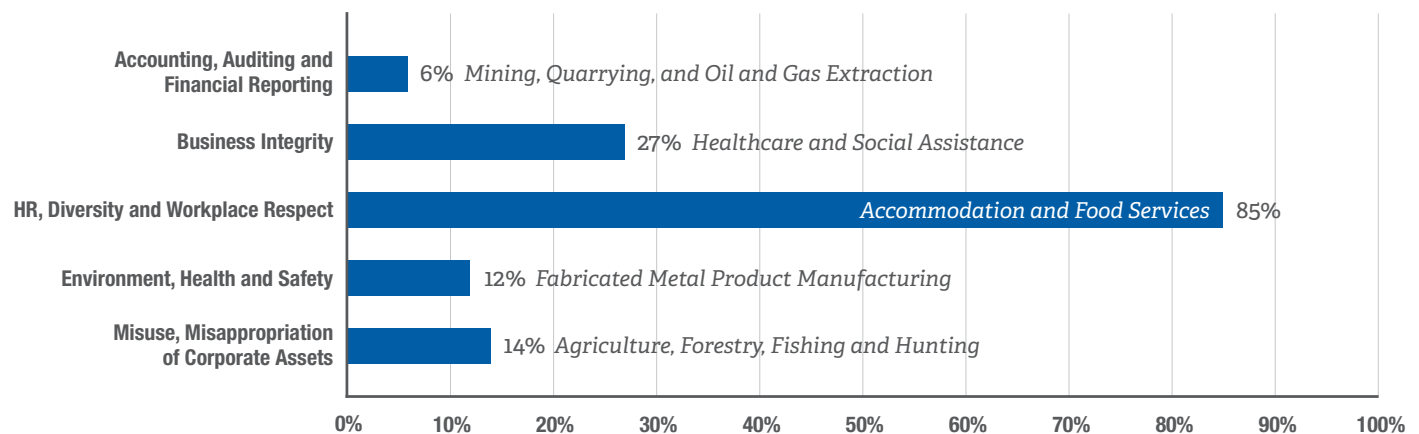
Industries with the Highest Median Reporting Rate per Allegation Category

We reviewed the data to determine which industries received the highest rate of reporting in each allegation category.

Findings: The healthcare industry once again leads for the highest percentage of Business Integrity-related reports due to the inclusion of HIPAA-related reports in this category. Accommodation and food services had the highest level of HR, Diversity and Workplace Respect reports this year, exceeding the overall median rate by 13 percentage points.

2017 Highest Median Reporting Rate per Industry

| Category	Value	Industry
Accounting, Auditing and Financial Reporting	6%	*Mining, Quarrying, and Oil and Gas Extraction*
Business Integrity	27%	*Healthcare and Social Assistance*
HR, Diversity and Workplace Respect	85%	*Accommodation and Food Services*
Environment, Health and Safety	12%	*Fabricated Metal Product Manufacturing*
Misuse, Misappropriation of Corporate Assets	14%	*Agriculture, Forestry, Fishing and Hunting*

Reporter Allegations vs. Inquiries

This metric helps organizations answer the question: Are employees using ethics and compliance reporting channels to report allegations or ask questions?

Findings: The ratio of allegations vs. inquiries in the databases has been generally split between 80 percent allegations and 20 percent inquiries over the years we have reported on this metric. This year, 80 percent of the cases were allegations, down

slightly from 83 percent in 2016. Organizations have an opportunity to encourage their employees to see their hotline as a resource for seeking information, rather than just a channel for reporting. In addition, tracking both inquiries and allegations received directly (i.e., in-person or direct email) in the incident management system will provide a better understanding of the types of questions the organization is routinely receiving. This will enable better decision-making on additional training and communications needs.

Reporter Allegations vs. Inquiries

Year	Allegation	Inquiry
2012	79%	21%
2013	80%	20%
2014	79%	21%
2015	78%	22%
2016	83%	17%
2017	80%	20%
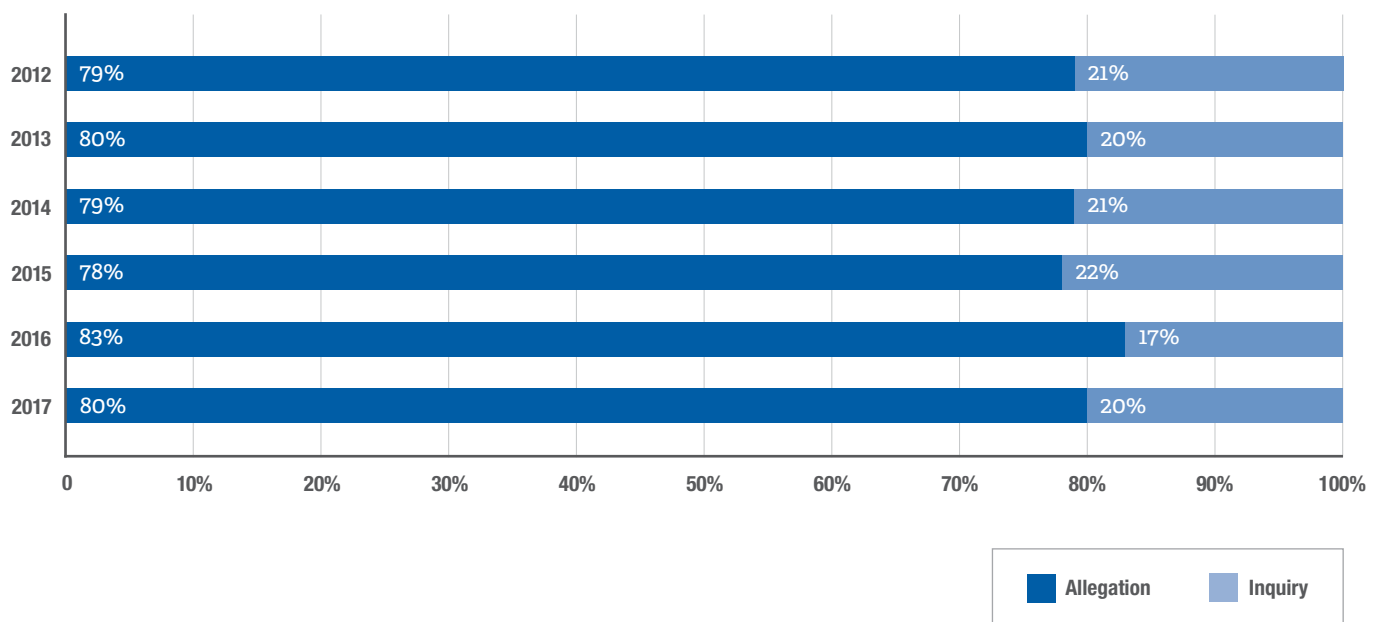
3: Anonymous vs. Named Reporters

Anonymous Reporting Continues to Decrease

Anonymous Report metrics show the percentage of all contacts submitted by individuals who chose to withhold their identity.

How to Calculate: Divide the number of contacts submitted by a reporter who withheld their identity by the total number of contacts received.

Findings: We have seen a slow but steady decrease in the rate of *Anonymous Reports* from the 2009 peak rate of 65 percent. A lower rate of anonymous reporting is an indicator of trust in the system and the people who manage it. Potential reasons for this downward trend include:

‣ More organizations are tracking reports from all sources and using manager report forms as well as documenting "open-door" reports

in the system. In these cases, the name of the reporter is more likely to be known and could influence the rate of *Anonymous Reports*.

‣ With the increase of external whistleblower payments (and the publicity surrounding these payments), reporters may be including their name more frequently in the event they believe they will need to report the issue to a government agency or to ensure they are protected from retaliation.

‣ With the ongoing legislation and focus on whistleblower protections, reporters may sense more protection from retaliation and therefore feel safer disclosing their identity.

‣ In a more stable economy, employees may feel more secure and more willing to identify themselves.

Median Anonymous Reporting Rate
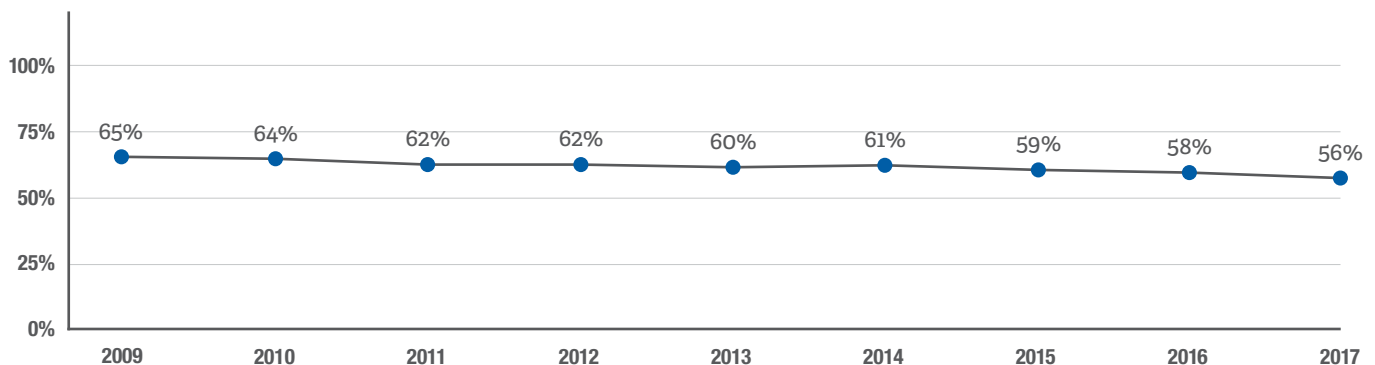
4: Reporter Follow-Up Rate to Anonymous Reports

Once Again, Little Progress

Effective hotline/helpline programs encourage anonymous reporters to check back in (anonymously) on the status of their report. If more information is needed to investigate a claim, ethics and compliance officers must be able to reach out, through the anonymized reporting interface, to ask questions or get clarification. The *Reporter Follow-Up Rate to Anonymous Reports* metric indicates the percentage of reports that were submitted anonymously and that were subsequently followed-up on by the reporter.

How to Calculate: Divide the number of anonymous reports with one or more follow-up case visits by the total number of anonymous reports.

Note: We do not include multiple follow-ups to the same report. We only calculate based on the first follow-up to an anonymous report.

Findings: The *Reporter Follow-Up Rate to Anonymous Reports* remains generally flat at 32 percent – this continues to be a disappointing result. We believe that if more anonymous reporters would follow-up and respond to posted questions relating to the investigation, the rate of *Substantiated Anonymous Reports* would increase.

We continue to encourage organizations to educate employees on all of the steps required for successful anonymous reporting – including the critical responsibility to check back on their report and provide the reasons why checking back is important.

Median Follow-Up Rate of Anonymous Reports

Year	Rate
2012	30%
2013	31%
2014	33%
2015	30%
2016	30%
2017	32%
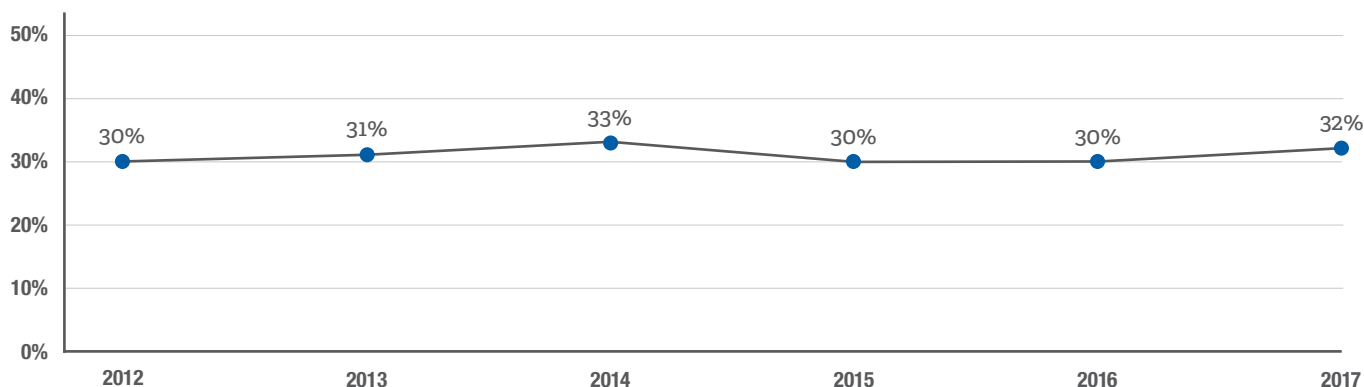
5: Substantiated Reports

Substantiation Rates Increase in Every Category & by 10 Percent Overall

Overall Substantiation Rate reflects the rate of allegations (from both named and anonymous reporters) which were determined to have at least some merit (substantiated or partially substantiated). A high *Substantiation Rate* reflects a well-informed employee base making high-quality reports coupled with effective investigation processes.
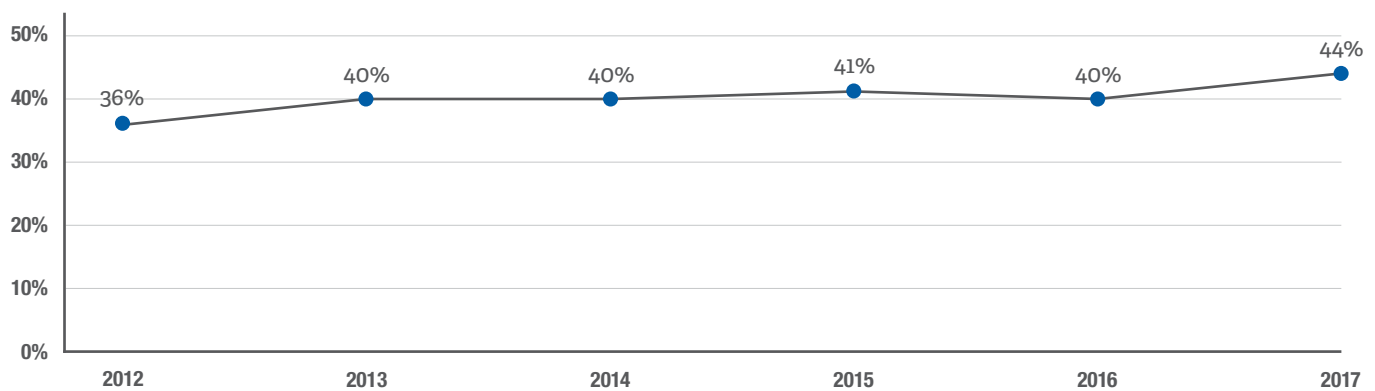
How to Calculate: Divide the number of overall reports that are (fully or partially) substantiated by the total number of reports that were closed as substantiated, partially substantiated and unsubstantiated.

Findings: The *Substantiation Rate* for all reports was 44 percent in 2017. We have seen substantiation rates increase over time and this year's 10 percent increase shows that organizations are continuing to receive more high-quality and actionable reports. This increase is particularly noteworthy because of the categories where improvements were made.

We found that substantiation rates increased in every allegation category. The most significant increases were in the Business Integrity category and in the HR, Diversity and Workplace Respect category. All categories except HR, Diversity and Workplace Respect were at or above 50 percent substantiation and the HR-related cases are approaching this metric. These are remarkable findings where nearly one out of every two reports are substantiated.
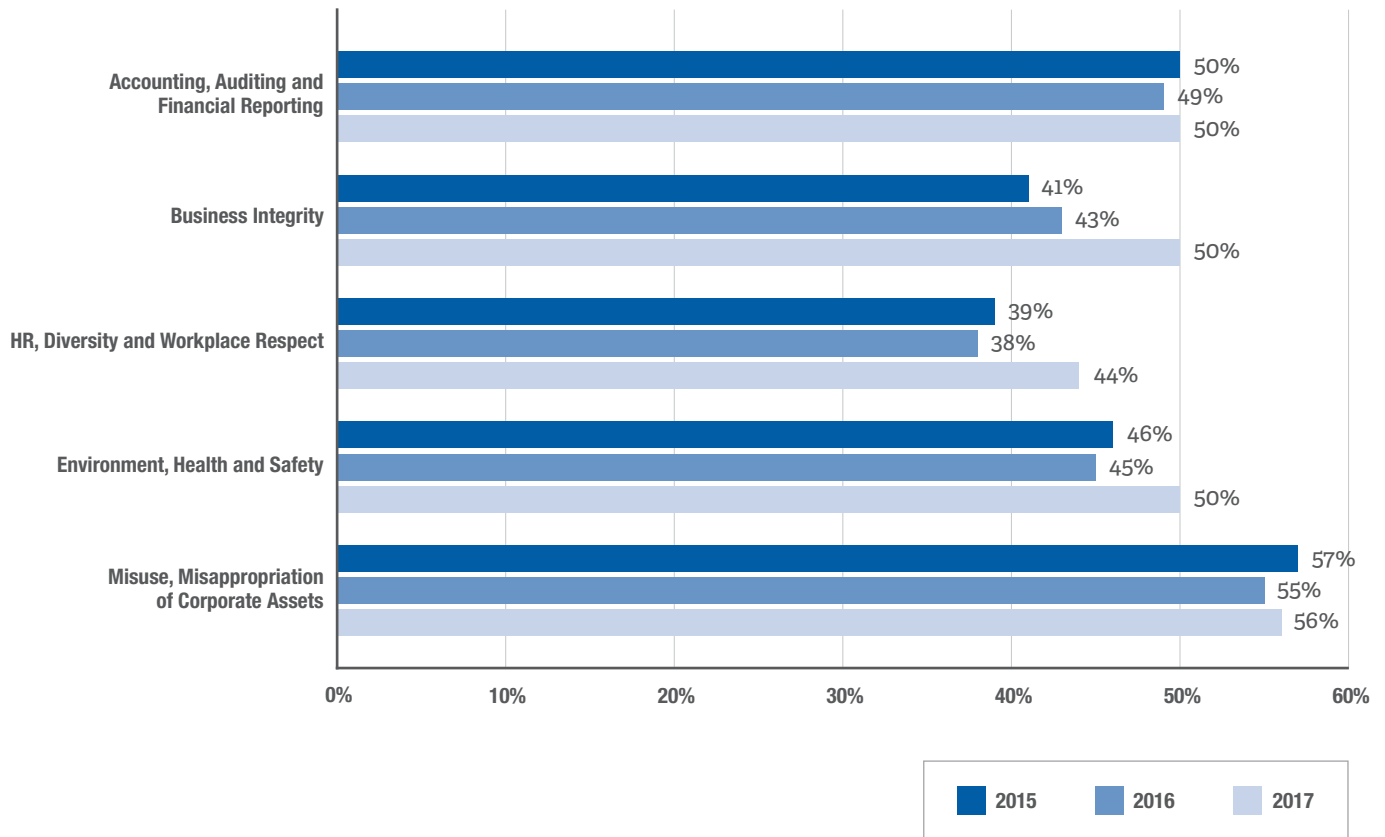
With HR, Diversity and Workplace Respect cases substantiated at a rate that is approaching 50 percent, these are very important cases for organizations to collect and track. And, if the organization also adds a separate reporting tier for HR and managers to enter reports received directly, the resulting report analytics will help organizations identify localized problem areas more quickly. This data also demonstrates the importance of ethics and compliance programs collecting HR-related reports regardless of whether other HR reporting mechanisms are in place.

Median Overall Substantiation Rate

Median Substantiation Rate by Allegation Category

Allegation Category	2015	2016	2017
Accounting, Auditing and Financial Reporting	50%	49%	50%
Business Integrity	41%	43%	50%
HR, Diversity and Workplace Respect	39%	38%	44%
Environment, Health and Safety	46%	45%	50%
Misuse, Misappropriation of Corporate Assets	57%	55%	56%

Legend: ■ 2015 ■ 2016 ■ 2017

Substantiated Anonymous vs. Named Reports

Senior leaders and board members may be reluctant to take anonymous reports seriously. However, research has shown that names are withheld typically out of fear of retaliation or a desire to not be involved – not because the issue reported is deliberately false or frivolous. As noted in the section on *Reporter Follow-Up Rate to Anonymous Reports*, the fact that investigators may be unable to get the information they need to follow up on anonymous reports may also explain some of the gap between substantiation rates for "named" and "anonymous" reports.

How to Calculate Substantiated Anonymous Reports: Divide the number of anonymous reports that are (fully or partially) substantiated by the total number of reports that were closed as substantiated, partially substantiated and unsubstantiated.

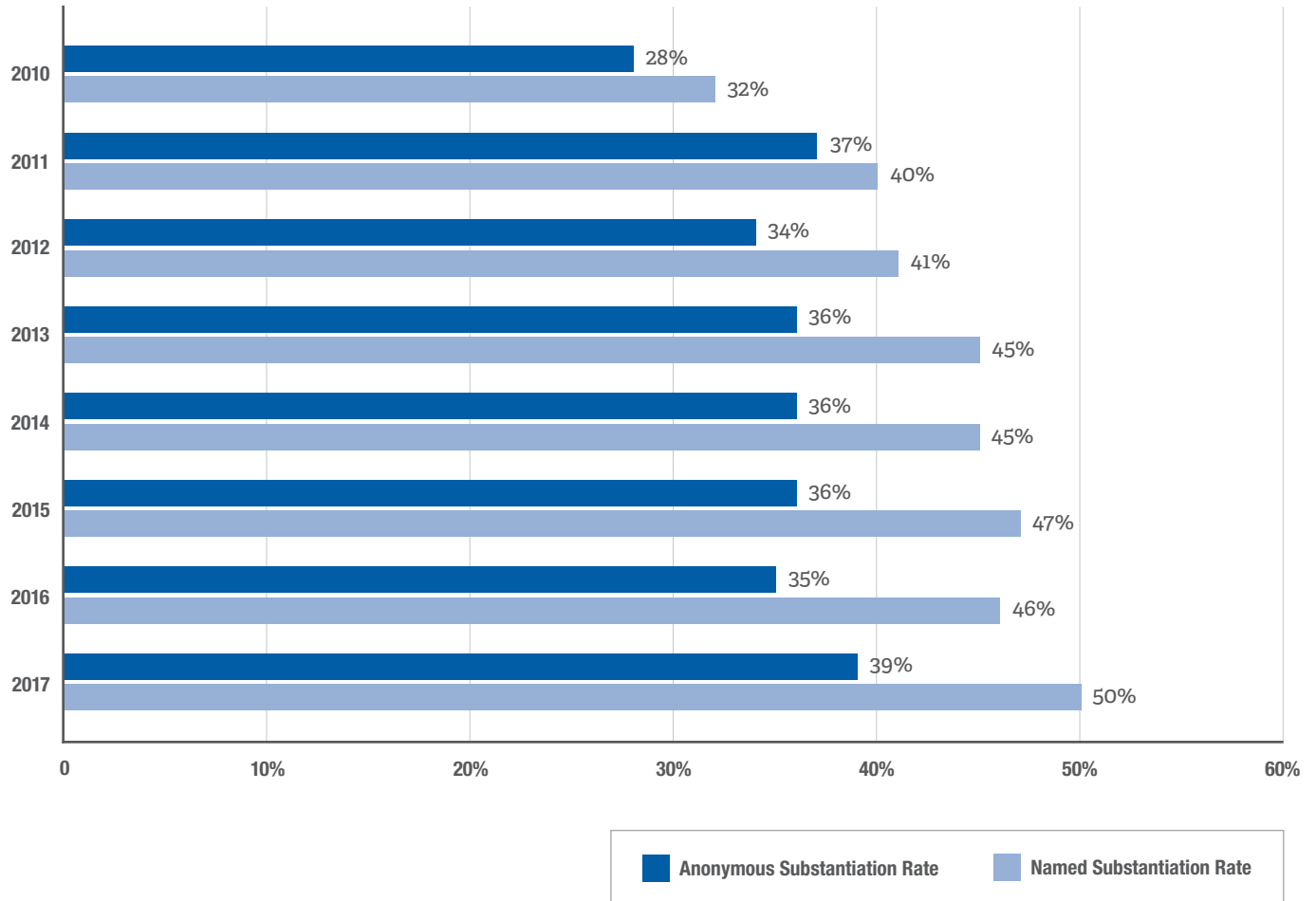How to Calculate Substantiated Named Reports: Divide the number of reports from named reporters that are (fully or partially) substantiated by the total number of reports that were closed as substantiated, partially substantiated and unsubstantiated.

Findings: In 2017, the *Substantiation Rate of Anonymous Reports* increased from 35 percent to 39 percent overall, indicating that these are valuable reports for organizations and should be taken as seriously as named reports. Named reports also saw an increase in the *Substantiation Rate* in 2017. Continued focus on increasing follow-ups to anonymous reports could increase the *Substantiation Rate of Anonymous Reports* as investigators would have a higher probability of obtaining responses to posted questions. As we will show later in this report, this is particularly important for those anonymous reporters who have filed their report via a web submission or via some other method.

From a substantiation perspective, it is encouraging to see that the rate of anonymous reports has been decreasing. Named reports allow investigators to gather information directly from the reporter, which can help improve the effectiveness of an investigation.

Comparison of Substantiation Rates Between Anonymous & Named Reporters

Year	Anonymous Substantiation Rate	Named Substantiation Rate
2010	28%	32%
2011	37%	40%
2012	34%	41%
2013	36%	45%
2014	36%	45%
2015	36%	47%
2016	35%	46%
2017	39%	50%

Anonymous Substantiation Rate   **Named Substantiation Rate**

6: Case Closure Time

Slight Increase for *Case Closure Time*

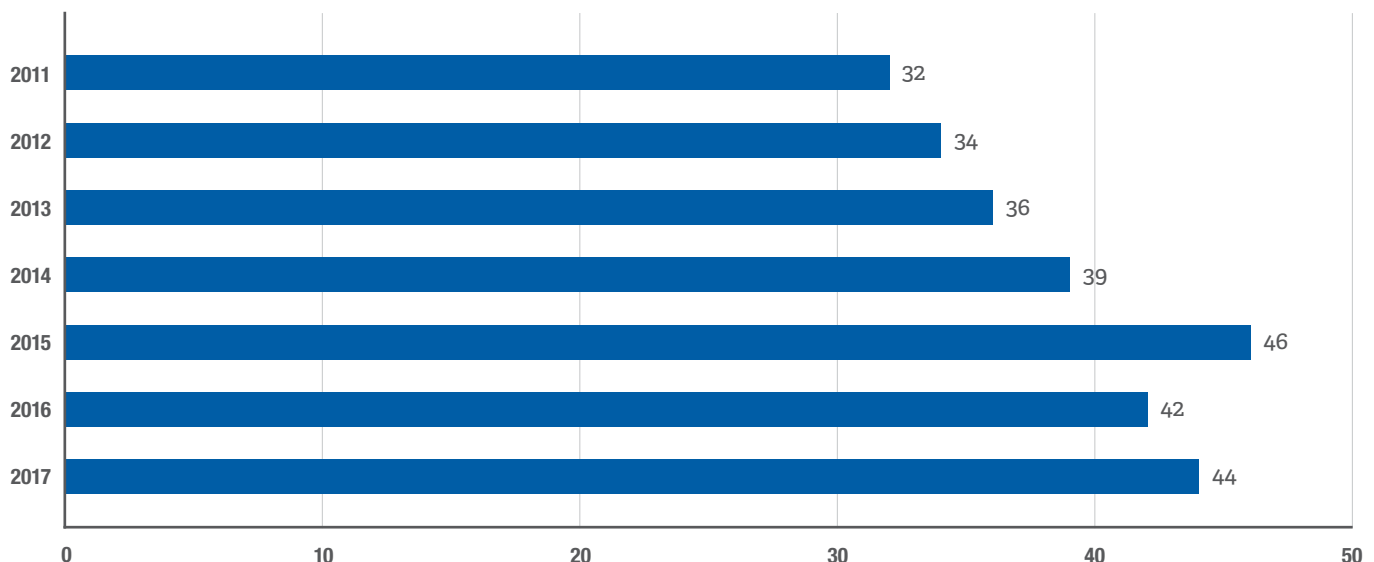*Case Closure Time* is the number of calendar (not business) days it takes an organization to complete an investigation and close a case. To earn employees' trust and ensure that they know their concerns are important and seriously considered, it is vital that organizations complete investigations in a timely fashion. If months go by without a case being resolved, reporters will conclude that the organization is not listening and not taking action which could be detrimental to an organization on a number of levels.

How to Calculate: First calculate the number of days between the date a case is received and the date it is marked closed. Calculate for each case closed during the reporting period. (Calculating the rate based on case open date will skew the data toward shorter closure times, making the result less accurate). Then, calculate the case closure time by dividing the sum of all case closure times by the number of cases closed in the reporting period.
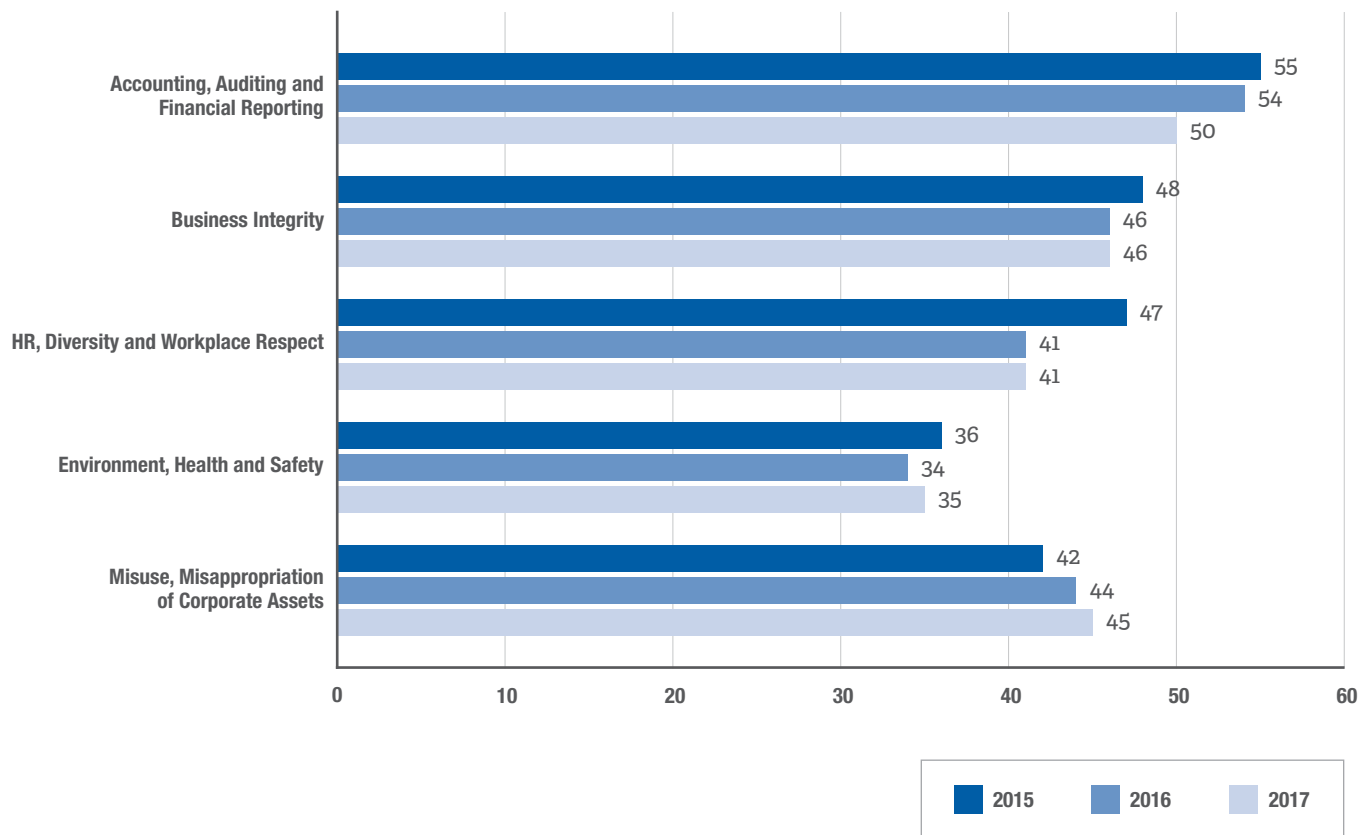
Findings: In 2016, we saw improvement in the median *Case Closure Time*; however, in 2017, this metric crept back up. The metric is important given that, under certain agency whistleblower provisions, an organization will have limited time to complete an internal investigation. Organizations that significantly or consistently exceed an average 30-day *Case Closure Time* are encouraged to review their case handling and investigation procedures and to review with senior leadership any gaps in available resources that need to be addressed.

Median Case Closure Time in Days

Year	Days
2011	32
2012	34
2013	36
2014	39
2015	46
2016	42
2017	44

Case Closure Time by Report Category* in Days

Legend: 2015 (dark blue), 2016 (medium blue), 2017 (light blue)

| Report Category	2015	2016	2017
Accounting, Auditing and Financial Reporting	55	54	50
Business Integrity	48	46	46
HR, Diversity and Workplace Respect	47	41	41
Environment, Health and Safety	36	34	35
Misuse, Misappropriation of Corporate Assets	42	44	45

Findings: *Case Closure Time* by report category shows that the case closure time has remained flat for two categories with a slight increase for two others. The only allegation category to see some meaningful improvement was Accounting, Auditing and Financial Reporting, which decreased to a median of 50 days to close as compared to 54 days in 2016. Employees have a window of 120 days after reporting to their internal compliance program to also report to the SEC and have that report be considered received at the same time as the internal report. This reduction in case closure time is an encouraging improvement. While it is a positive finding that HR-related cases are being substantiated at a higher rate (as noted earlier), there is still an opportunity to improve *Case Closure Time* as having a workplace issue fester for 40 days or more can be damaging to morale and operating success.

* Benchmark for this section includes only companies that track all intake methods in NAVEX Global's EthicsPoint® Incident Management.

Median Case Closure Time by Anonymous Vs. Named Reporting

Anonymous	45
Named Reporter	40

0   10   20   30   40   50
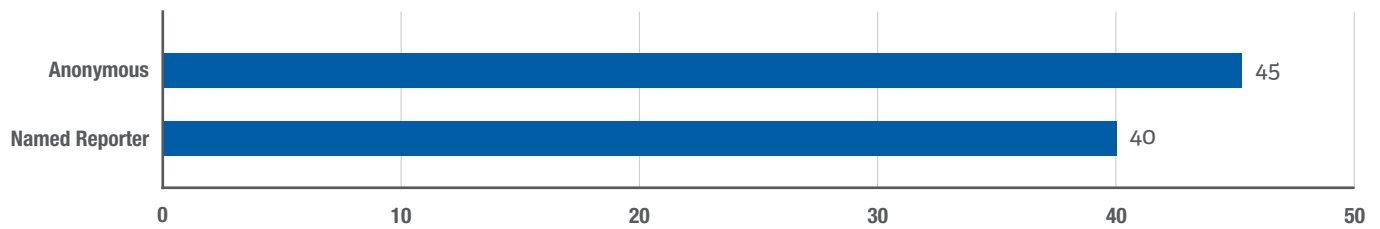
Findings: In a new metric this year, we calculated the median *Case Closure Time* separately for *Anonymous Reports* and *Named Reports*. As this chart shows, there is basically a one-week difference in the *Case Closure Time* between the two. Noting the high level of *Substantiation*

Rate of Anonymous Reports, the fact that organizations are still able to close *Anonymous Reports* in a similar time frame to *Named Reports* is additional evidence for the importance of encouraging anonymous reporting.

7: Reporting Intake Method & Substantiation

Small Changes in the Overall Mix but "All Other Methods" Has the Highest Rate of Substantiation

Monitoring the mix of reporting methods employees choose to use can provide insight into how aware employees are of their different reporting options and their comfort level with those options.
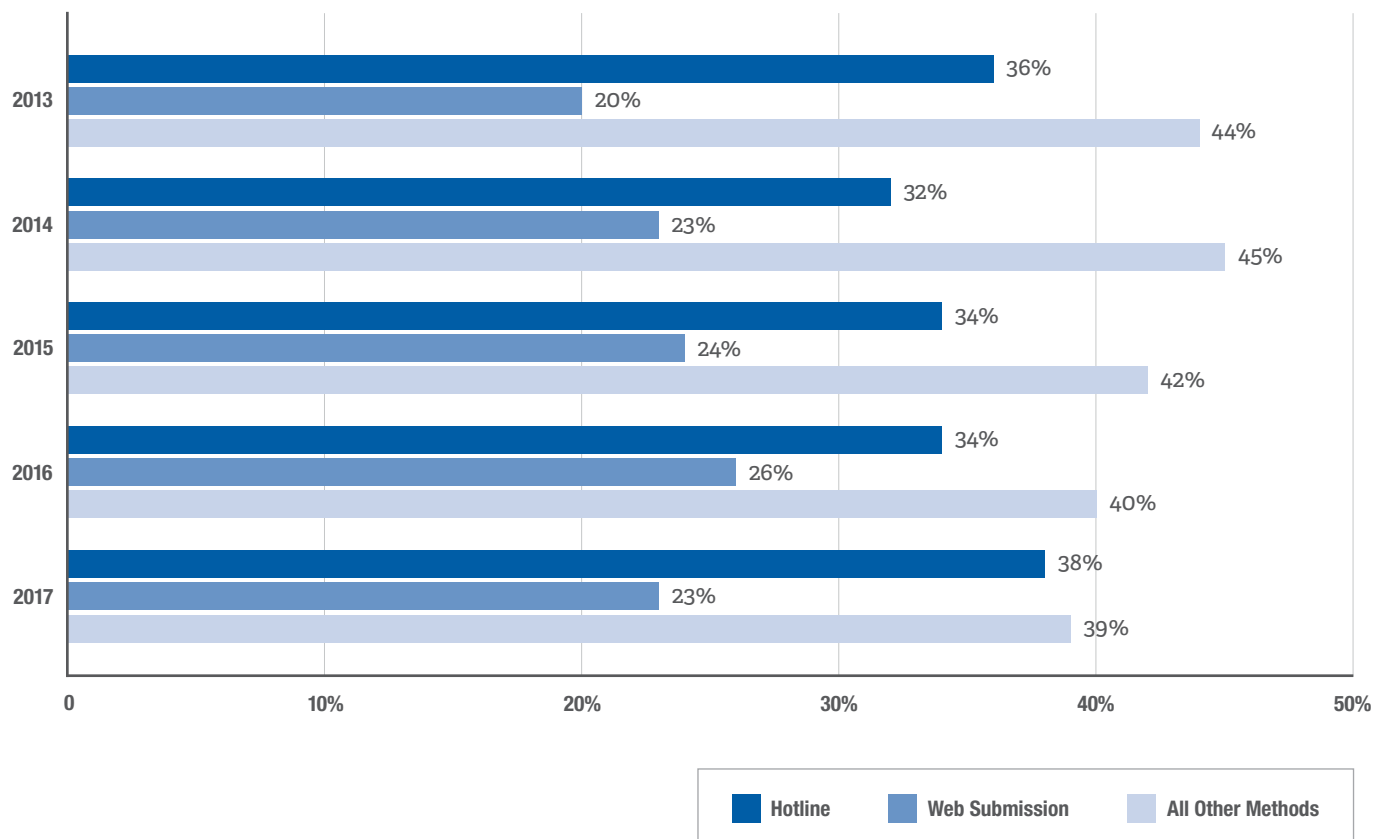
Several factors impact intake method. First, multiple reporting channels should be made available to employees. Second, those channels need to be easily accessible to employees. And finally, employees need to be aware of all the channels available to them so that when they have

a reporting need, they know where to go, what to do, and have one or more options available to them that they are comfortable using.

How to Calculate: Group all non-hotline and non-web report forms (like open door reports, manager submissions, letters, direct emails and more) as "All Other Methods," and then tally up the number of reports received by each method and divide by the total number of reports. The resulting percentages represent how employees are choosing to report.

Findings: Results for 2017 showed an increase in hotline (phone) submissions and a slight decrease in web submissions and "All Other Methods." The top three methods in the "All Other Methods" were email, open door and report forms.

Report Intake Method Comparison

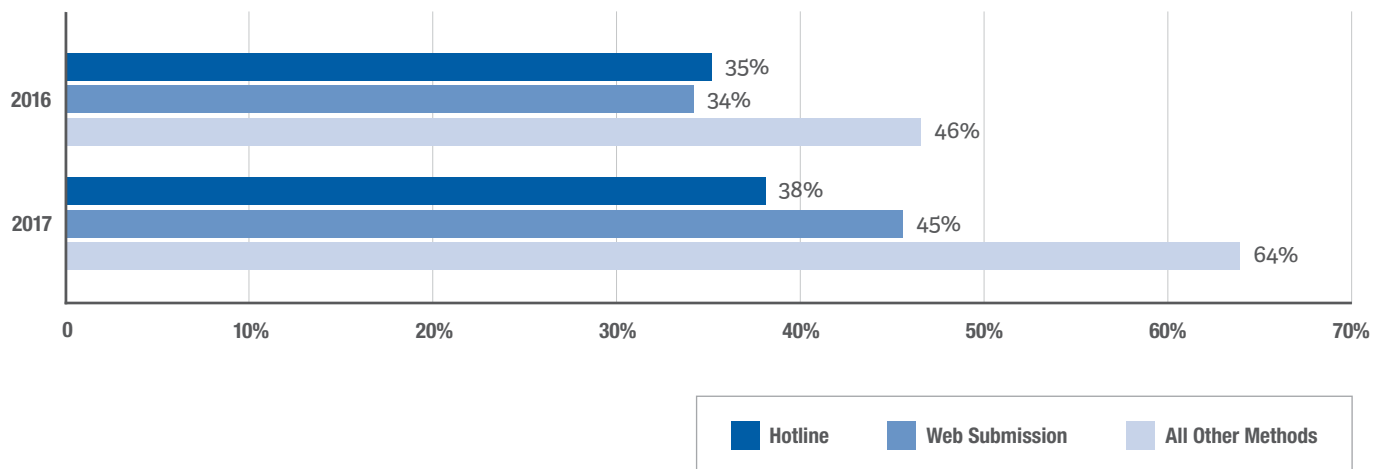| Year	Hotline	Web Submission	All Other Methods
2013	36%	20%	44%
2014	32%	23%	45%
2015	34%	24%	42%
2016	34%	26%	40%
2017	38%	23%	39%

Legend: ■ Hotline ■ Web Submission ■ All Other Methods

Substantiation Rates by Report Intake Method

How to Calculate: Identify and group each report by the intake method. Divide the number of overall, named and anonymous reports that are (fully or partially) substantiated by the total number of reports that were closed as substantiated, partially substantiated and unsubstantiated. Repeat this calculation for each intake method.

Findings: As shown below, reports received via "All Other Methods" were substantiated at a significantly higher rate than reports received via both the hotline and web. Furthermore, there was a significant increase in the substantiation rate of these specific reports over last year – an increase of 39 percent.

And while over one-third of the hotline and web reports are substantiated – and therefore are critical reports – this data highlights the importance of also documenting reports received from all sources to better understand the full spectrum of issues that may be occurring in the organization.

Median Substantiation by Intake Method

Year	Hotline	Web Submission	All Other Methods
2016	35%	34%	46%
2017	38%	45%	64%

Legend: Hotline, Web Submission, All Other Methods

8: Reports of Retaliation

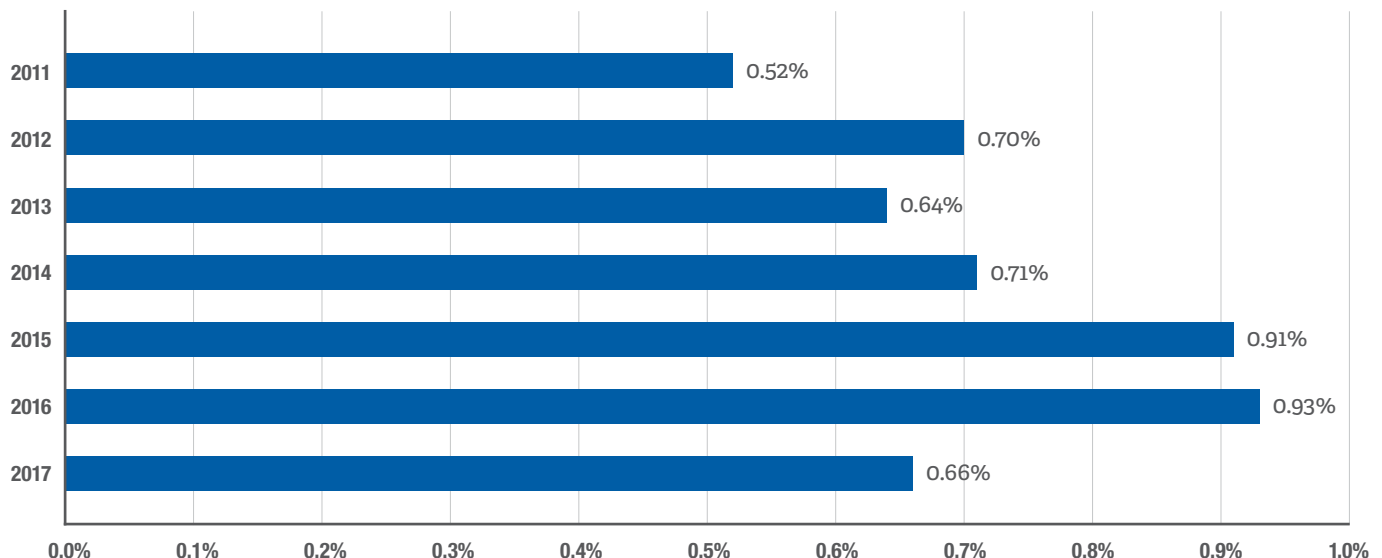## The Already Low Rate of Reports of Retaliation Drops but Substantiation Rate Increases

Retaliation continues to be a hot-button issue for regulatory agencies. In 2017, this issue was also front and center in media coverage of high profile cases. Fear of retaliation is one of the top two reasons why employees do not report known or suspected wrongdoing. The other is a belief that nothing will be done about the issue, which is why a focus on metrics like *Reports of Retaliation* and *Case Closure Time* are important for program success.
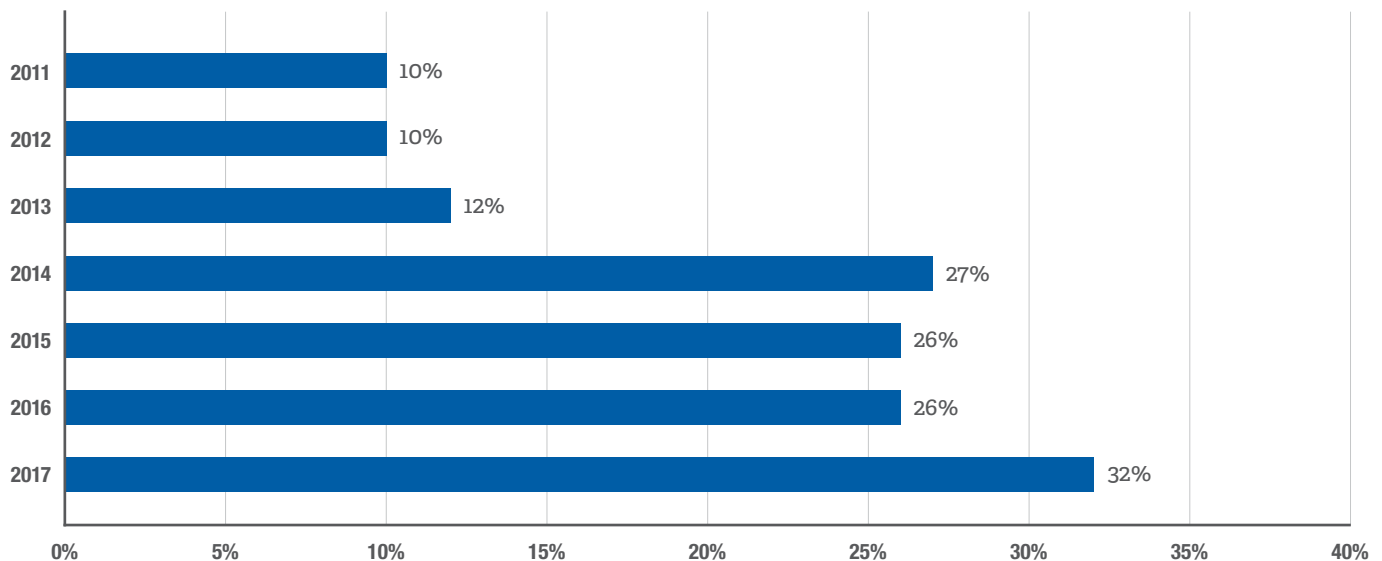
How to Calculate: Take the total number of reports made with retaliation as the primary allegation, and divide that by the total number of reports made.

Percentage of Retaliation Reports

Year	Percentage
2011	0.52%
2012	0.70%
2013	0.64%
2014	0.71%
2015	0.91%
2016	0.93%
2017	0.66%

Substantiation Rate of Retaliation Reports

Horizontal bar chart showing:
- 2011: 10%
- 2012: 10%
- 2013: 12%
- 2014: 27%
- 2015: 26%
- 2016: 26%
- 2017: 32%

Findings: Discussion of retaliation issues by the ethics and compliance community, as well as by government agencies, continues at an intense level. And, while reports of potential retaliation filed with the Equal Employment Opportunity Commission (EEOC) and other government agencies indicate that retaliation claims continue to rise, our data shows employees are still not using the hotline to report these concerns internally.

Our findings this year are a bad news/good news story. The bad news is that even fewer employees are reporting issues of retaliation internally, yet reports to external agencies continue at very high rates. The bottom line is that employees are not comfortable raising these issues internally, which prevents organizations from having a "speak-up" culture.

The good news is that the *Substantiation Rate of Retaliation Reports* increased significantly (23%) in 2017. Some may say this is not good news; however, this metric can be used to demonstrate to those who dare to raise this type of concern, that the organization will take the matter seriously.

Organizations should not be lulled into a false sense of security because they are receiving very few allegations of retaliation. This **does not mean** that it is not happening. Organizations need to proactively and honestly address this issue, including at the board of directors level, before any progress will be made in this area.

9: Geographical Data
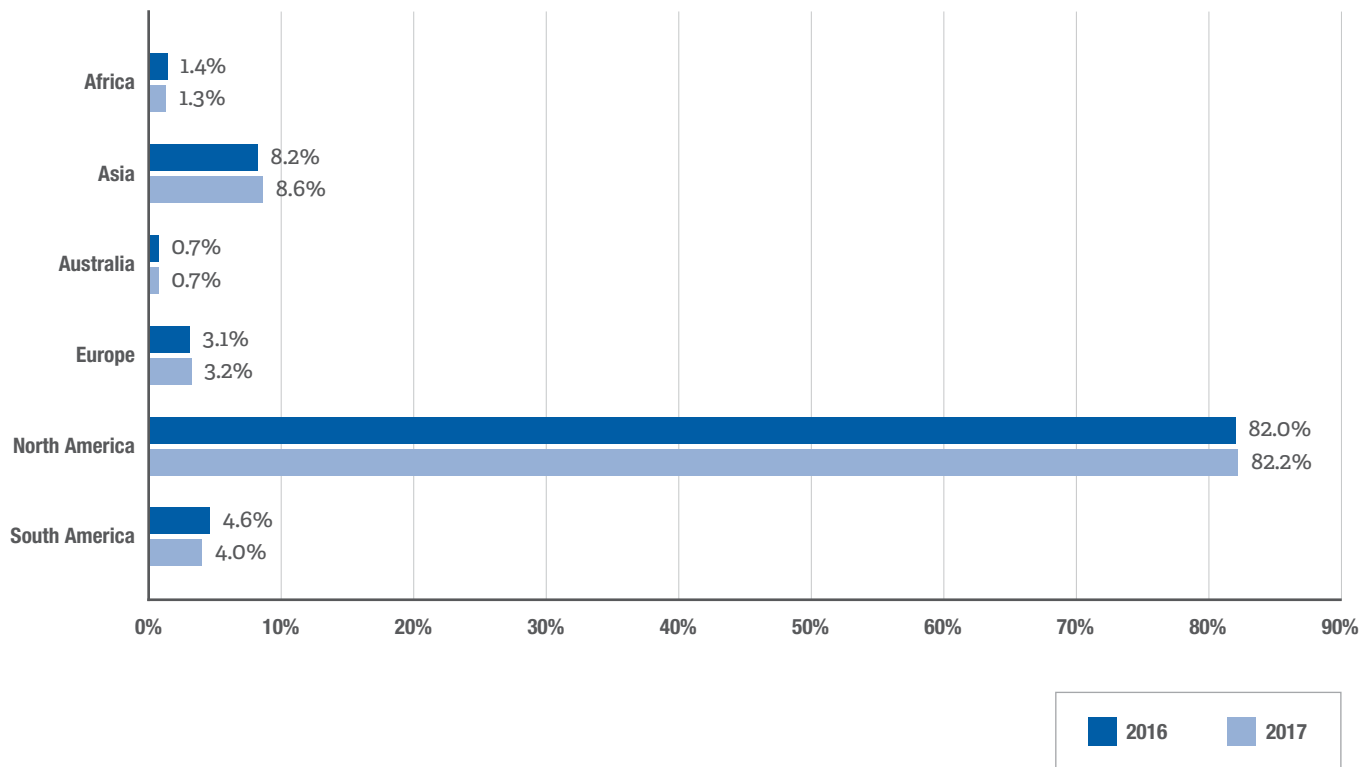
Little Change in the Geographical Data

During the years that we have been publishing our reports, we have been asked to provide more data based on region. For the second year, we were able to look deeper into the breakdown of report origination by geography.

How to Calculate: First, identify the country location for each report, then categorize that country by continent. To determine the report dispersion, divide the total number of reports

from each continent, by the total number of reports received. This calculation can be repeated for the anonymity and substantiation rates.

Findings: We once again found that by far the highest percentage of reports originated from North America (82%), with very similar breakdowns to what we saw last year in other geographies: Asia was second, South America was third and Europe was fourth. Africa and Australia received the fewest as shown in the chart below.
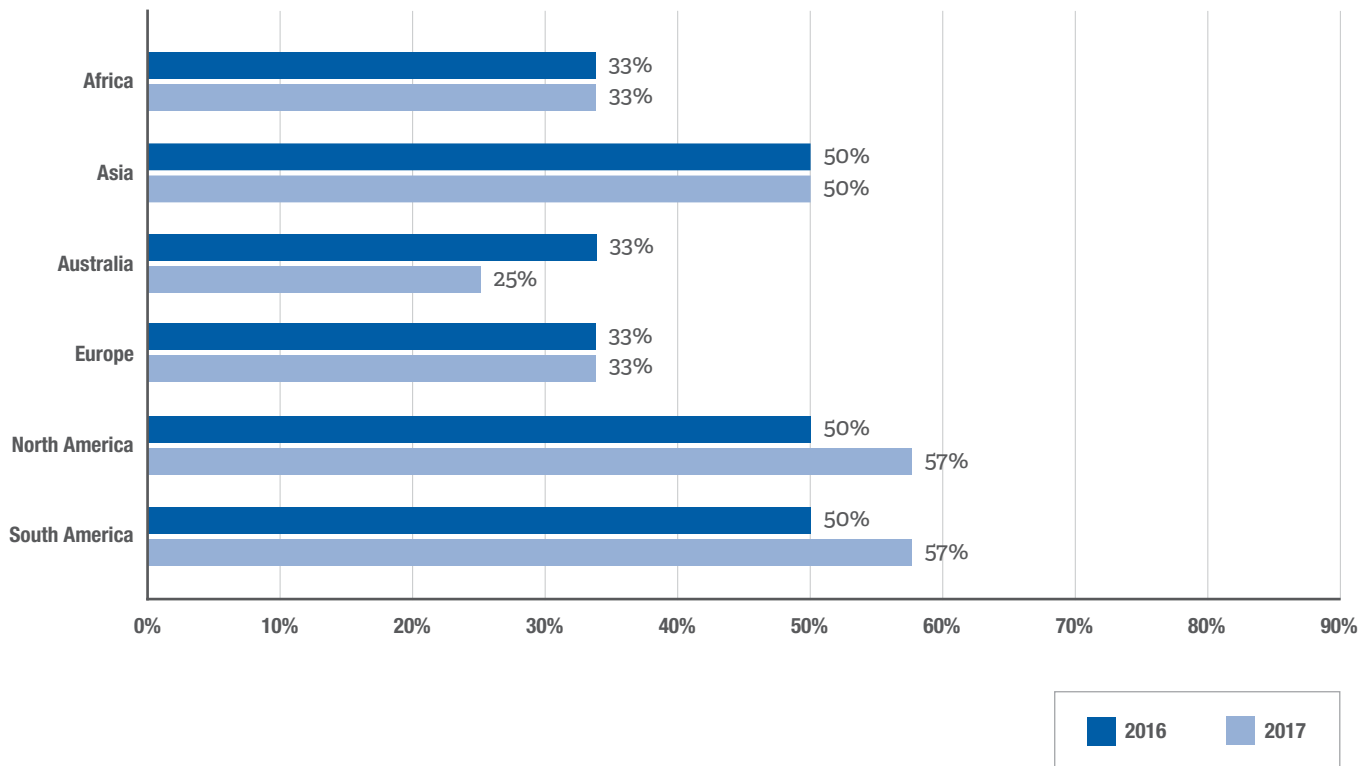
Report Origination Breakdown by Geography

Region	2016	2017
Africa	1.4%	1.3%
Asia	8.2%	8.6%
Australia	0.7%	0.7%
Europe	3.1%	3.2%
North America	82.0%	82.2%
South America	4.6%	4.0%

Anonymous Reports by Geography*

Findings: We also looked at the rates of anonymous reporting in regions around the world. Most notably, many cultural concerns surround anonymous reporting in Europe, so it is not surprising to find that the median for anonymous reporting in that area is 33 percent.

NAVEX Global will be providing additional information on geographical reporting data throughout the year.

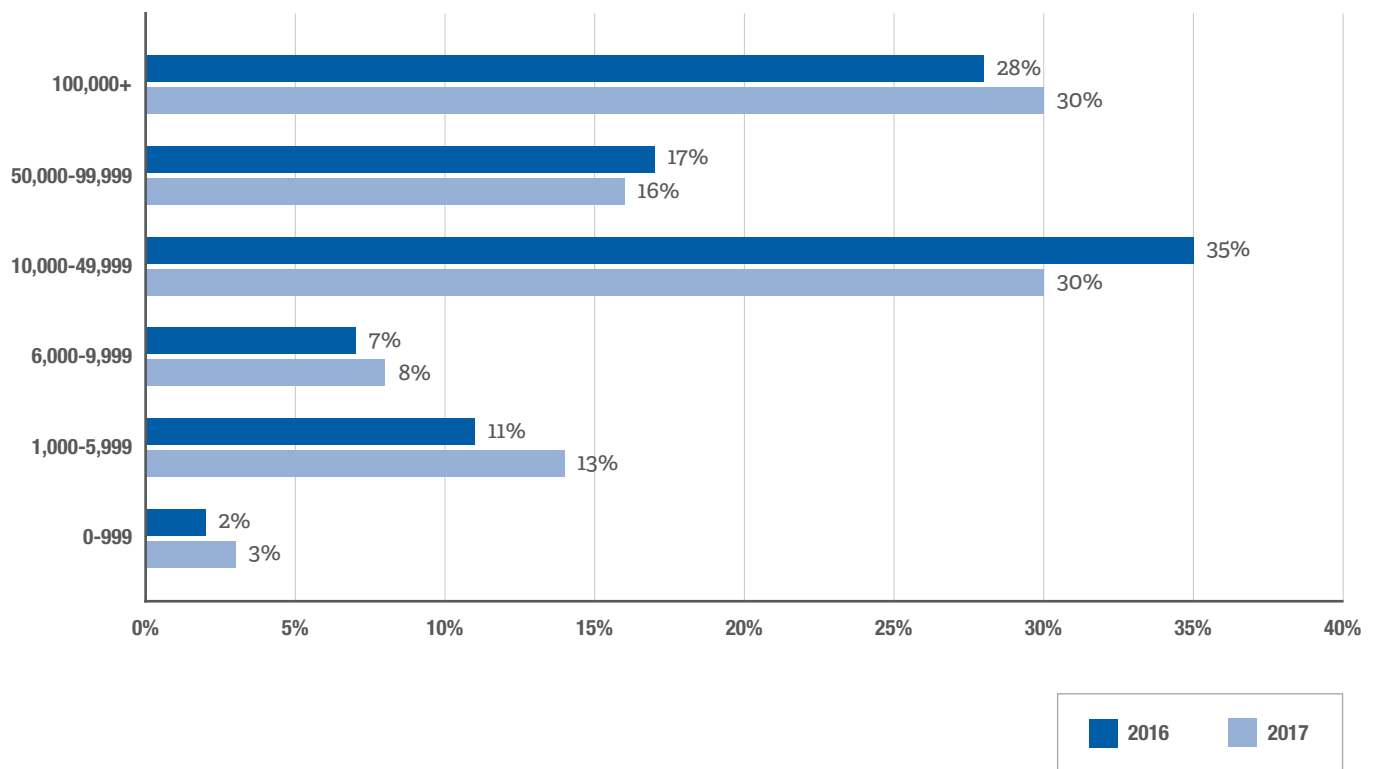** This chart reflects a correction to the 2016 numbers reported in last year's report.*

10: Data Based on Organizational Employee Count

For the second time, we analyzed our database by organizational size – specifically employee count. This data can help organizations further refine their benchmarking efforts. As we continue to analyze these demographic breakouts in coming years, we will be better able to track trends and provide more in-depth findings within employee ranges.

How to Calculate: For each metric below, we grouped organizations by their employee count, and then calculated each metric in its standard fashion.

Findings: For context, the chart below shows the dispersion of total reports by employee count.

Report Dispersion by Employee Count – % of Total

Employee Count	2016	2017
100,000+	28%	30%
50,000-99,999	17%	16%
10,000-49,999	35%	30%
6,000-9,999	7%	8%
1,000-5,999	11%	13%
0-999	2%	3%

CONCLUSION

Ethics and compliance officers have many opportunities to leverage the data in their hotline and incident management systems to improve their compliance programs – and their organizational culture of ethics and respect. This year's benchmarks point to several opportunities to increase program effectiveness:

▸ **Increase focus on anti-retaliation efforts.** The number of internal reports of retaliation dropped significantly this year. At the same time, retaliation reports were substantiated at a significantly higher rate. It is time to really focus internal attention on this important topic with training and awareness – and consider making this a regular part of board reports.

▸ **Continue work on getting case closure times back within best practice ranges.** We lost some ground this year in case closure time. A festering workplace issue can drag down morale, productivity and organizational culture. It can also lead to allegations being reported outside the organization to regulatory agencies directly. Best practice case closure time is an average of 30 days. Look carefully at the factors that could be causing delays in closing cases and address them.

▸ **Get a more complete picture of your risks by documenting all reports in one centralized incident management system.** With high substantiation rates for reports received from sources beyond the hotline and web reporting systems, documenting reports from all channels in an incident management system is more important than ever. Documenting all cases creates a more accurate, comprehensive and holistic view of your ethics and compliance cases – and the cultural health of your organization. It also increases the rigor with which you can track, investigate, analyze and resolve those reports.

▸ **Make the business case for matching your report volume with appropriate resources.** Report volumes are staying up. If your organization hasn't caught up to the "new normal" in reporting volume, use the data we've provided to help make the business case with your board and executive leadership for adding resources and tools.

▸ **Encourage employees to see your hotline as a resource for information, not just a channel for reporting.** This year, the percentage of contacts that were inquiries decreased. Increased awareness of the ability to use the hotline as a helpline can give employees permission to call when they need advice or assistance, not just to report an issue. Seeing the hotline as a resource can help increase the likelihood that your employees will feel comfortable asking for help – and take preventative action to avoid misconduct.

Hotline data that is carefully tracked, reviewed, benchmarked and presented with sufficient context often provides the early warning signs needed to detect, prevent and resolve problems. We at NAVEX Global hope that this report is helpful to your organization and we welcome any feedback on these findings.

NAVEX Global's comprehensive suite of ethics and compliance software, content and services helps organizations protect their people, reputation and bottom line. Trusted by 95 of the Fortune 100 and more than 13,000 customers, our solutions are informed by the largest ethics and compliance community in the world. For more information, visit www.navexglobal.com.

ABOUT THE AUTHOR

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Carrie Penman is the Chief Compliance Officer and Senior Vice President for NAVEX Global. Carrie has been with NAVEX Global since 2003 after serving four years as deputy director of the Ethics and Compliance Officer Association (ECOA). Carrie was one of the earliest ethics officers in America. She is a scientist who developed and directed the first corporate-wide global ethics program at Westinghouse Electric Corporation. Since joining NAVEX Global, she has conducted numerous program and culture assessment projects for its customers and regularly works with and trains company boards of directors and executive teams. She has also served as a corporate monitor and independent consultant for companies with government agreements. As Chief Compliance Officer, she oversees NAVEX Global's internal ethics and compliance activities employing many of the best practices that NAVEX Global recommends to our customers. Carrie is the author of numerous compliance related articles and commentary and is regularly quoted as a compliance expert in press and publications. Carrie has been featured in the *Wall Street Journal* and on the cover of *Compliance Week* magazine. In 2017, Carrie received the Ethics & Compliance Initiative (ECI) Carol R. Marshall Award for Innovation in Corporate Ethics for an extensive career contributing to the advancement of the ethics and compliance field worldwide.

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