



2014 HOTLINE BENCHMARKING TOOLKIT

This toolkit will help you learn from the hotline report data in your case management system, assess your organizational culture, and improve your compliance program.

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Webinar Presentation

**Benchmarking Your
Hotline: How Does
Your Data Measure Up
Against NAVEX
Global's 2014
Benchmarks?**



2014 NAVEX Global Hotline
Benchmark Report

NAVEX Global's Advisory Services Division

March 13, 2014



Presenters

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What We'll Cover Today

- What's Happening With Call Volume?
- The Repeat Reporter Story
- Allegation Categories Remarkably Consistent
- The Decline of the Anonymous Reporter?
- Substantiation Rate Gets Better
- Troubling Case Closure Trends
- Change in the Mix of Report Intake Method
- Concerns about Retaliation Reporting
- Best Practices and Recommendations



Ongoing Challenges

So much data, but not always clear what it means

Need to **demonstrate program effectiveness**

Reporting **meaningful and actionable data** to leadership

Comparing your performance to peers and others

Finding **context**



Hotline Benchmarking Data & Report

Statistics & Methodology

- ▶ Starts with **8,000+ NAVEX Global clients**
- ▶ We only use data from clients who received **10 or more reports** in 2013
- ▶ Approximately **2,200 clients** received 10 or more reports in 2013 (representing 42 million employees)
- ▶ These 2,200 clients received approximately **717,000 reports in 2013**
- ▶ 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
- ▶ Our report reflects **all intake methods**: Web, Hotline, Open Door, Mobile and Email
- ▶ Data covers **23 industries**, and an additional **45 sub-industries**

Statistics and Methodology: Why use Medians and Ranges and Not Averages?

- ▶ **Median:** midpoint of the data
 - Eliminates skew due to company/business unit size or outlier data
 - Reflects general trend of all companies/organizations in the database
- ▶ **Ranges:** capture the spectrum of experiences
 - Takes into account the variety of cultures
 - Flags the most extreme examples as potential areas of concern

▶ **In this report:**

- We use **median** when reviewing what the typical company sees in a given metric
- We use **average** when we're looking at the overall contents of the database



We Currently Calculate:

- Report Volume
- Report Categories
- Repeat Reporters
- Anonymous vs. Named reporters
- Follow-Up Rate
- Substantiation Rate
- Anonymous Substantiation percentage
- Case Closure Time
- Reporting Intake Method
- Retaliation Reports

Survey Question:

Do you currently benchmark your helpline data against other companies?

- A. Yes
- B. No, it has not been a priority
- C. No, but it is now a priority





Reporting to Leadership

Most frequently asked question by leadership:

How are we doing compared to others in the industry?

Requires: External Benchmarking

Key Findings & Takeaways from the 2013 Calendar Year Data





Report Volume

Survey Question:

Have you seen an increase in *report volume* over the past several years?

- A. Yes
- B. No
- C. Unsure



The Only Sure Things



Too many calls is not good news.



Too few isn't good either.

How Does Your Report Volume Compare to Others?

2009 Benchmark		2010 Benchmark		2011 Benchmark		2012 Benchmark		2013 Benchmark	
Report Volume Per 100 Employees Annually		Report Volume Per 100 Employees Annually		Report Volume Per 100 Employees Annually		Report Volume Per 100 Employees Annually		Report Volume Per 100 Employees Annually	
Median	0.9	Median	0.9	Median	1.1	Median	1.2	Median	1.2
Range	0.2-4.8	Range	0.2-3.9	Range	0.3-6.0	Range	0.4-4.9	Range	0.5 - 4.0

This represents a 33 percent increase in report volume in three years.

Survey Question:

What do you think is the top driver for this change?

- A. Increasing sophistication of E&C programs and training strategies
- B. Growing employee confidence in the overall reporting process
- C. Improved board and executive leadership
- D. Growing media coverage of protections and awards
- E. Government encouragement to report externally
- F. Improved utilization of case management system
- G. Other

Do you Track All Reports in the Same Management System?

Companies Who Track Only Reports from Web and Hotline



Companies Who Track Reports from All Sources



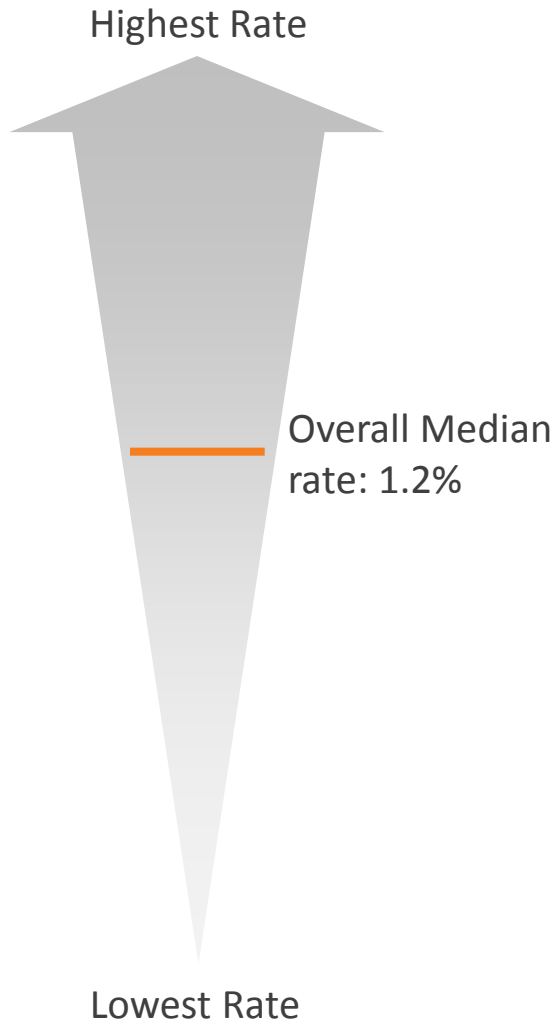
Survey Question:

Do you track all of your reports in the same management system?

- A. Yes, we track reports from all sources.
- B. No, we only track reports from the hotline and web.



Percent of Employees Reporting



- 1.Consumer Services**
- 2.Administrative Support Services**
- 3.Retail Trade**
- 4.Health Care and Social Assistance
- 5.Non-profits and Associations
- 6.Energy & Utilities
- 7.Commercial Transportation
- 8.Public Administration and Government
- 9.Computer Software
- 10.Finance and Insurance
- 11.Accommodation and Food Services**
- 12.Metals & Mining**
- 13.Agriculture, Forestry, Fishing and Hunting**
- 14.Professional, Scientific & Technical Services
- 15.Real Estate and Rental & Leasing
- 16.Construction
- 17.Aerospace and Defense
- 18.Education
- 19.Consumer Manufacturing
- 20.Industrial Manufacturing
- 21.Metal and Machinery Manufacturing**
- 22.Wholesale Trade**
- 23.Information and Publishing**

Where Does Your Report Volume Fall?

Percent of Companies with:	2009	2010	2011	2012	2013
<0.5% of employees reporting	32%	30%	25%	23%	26%
0.5%-1% of employees reporting	21%	24%	23%	21%	20%
1%-2.5% of employees reporting	25%	27%	27%	27%	26%
>2.5% of employees reporting	21%	18%	25%	29%	28%



Repeat Reporters

The Number of *Repeat Reporters* Doubled in 5 Years and Their Reports are High Quality

2009 Benchmark	
Repeat Reporters	
Repeat	14%

2010 Benchmark	
Repeat Reporters	
Repeat	24%

2011 Benchmark	
Repeat Reporters	
Repeat	27%

2012 Benchmark	
Repeat Reporters	
Repeat	27%

2013 Benchmark	
Repeat Reporters	
Repeat	31%

Substantiated Rate	2012	2013
First Time Reporters	36%	36%
Repeat Reporters	35%	40%

Caller Type	Accounting, Auditing and Financial Reporting	Business Integrity	Environment, Health and Safety	HR, Diversity and Workplace Respect	Misuse, Misappropriation of Corporate Assets
First Time Reporter 2013	1%	16%	9%	69%	5%
Repeat Reporter 2013	3%	16%	7%	68%	6%

Survey Question:

Why do you think the repeat reporter numbers are rising?

- A. Reporter satisfaction with handling of prior report(s)
- B. Organization has been clear about what to report and info needed
- C. Clear reporting expectation
- D. Comfort with the hotline
- E. Discomfort with other reporting options
- F. These reporters are more likely to witness misconduct
- G. Fear of retaliation drives them to make a “formal” report
- H. Other



Allegation Categories

Categories of Reports Used

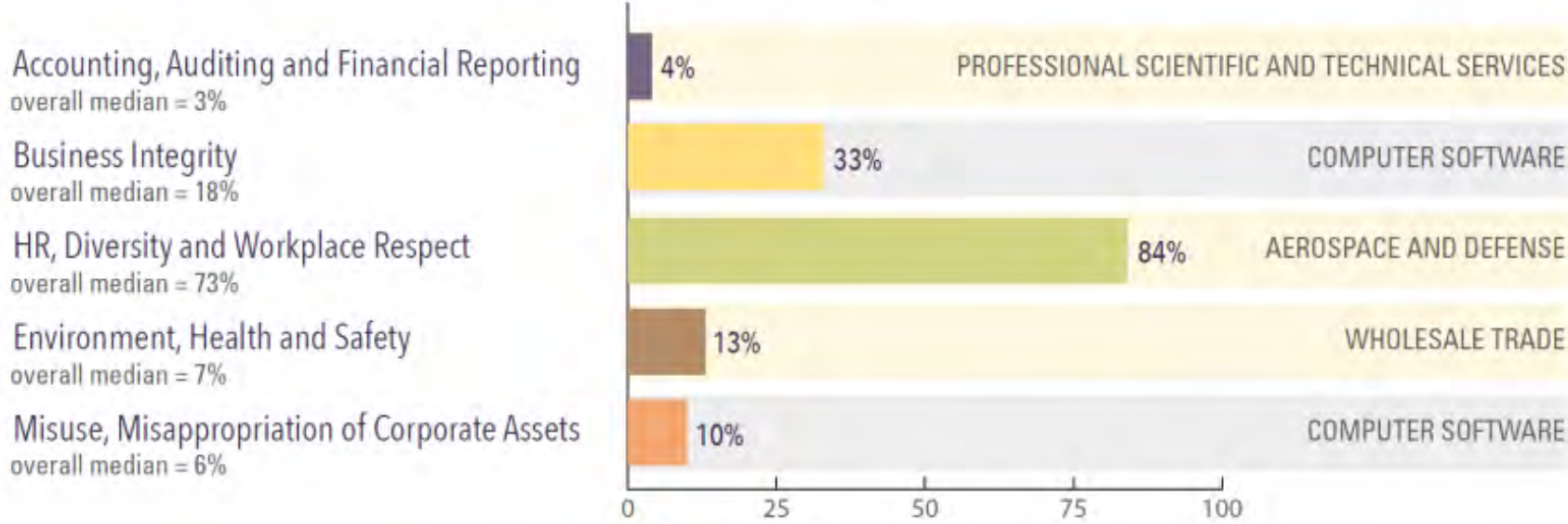
- 1** **Accounting, Auditing and Financial Reporting:** Financial misconduct, internal controls, expense reporting, etc.
- 2** **Business Integrity:** Bribery, falsification of documents, fraud, conflicts of interest, vendor/customer issues, etc.
- 3** **HR, Diversity and Workplace Respect:** Discrimination, harassment, retaliation, compensation, general HR-related issues, etc. as well as cases marked as "other"
- 4** **Environment, Health and Safety:** Environmental Protection Agency compliance, assault, safety, OSHA violations, substance abuse, etc.
- 5** **Misuse, Misappropriation of Corporate Assets:** Computer usage, employee theft, time clock abuse, etc.

Remarkable Consistency Across Allegation Categories

Allegation Categories	2009 Median	2010 Median	2011 Median	2012 Median	2013 Median
Accounting, Auditing and Financial Reporting	3%	3%	3%	3%	3%
Business Integrity	16%	17%	16%	17%	18%
HR, Diversity and Workplace Respect	71%	69%	68%	69%	73%
Environment, Health and Safety	7%	7%	9%	7%	7%
Misuse, Misappropriation of Corporate Assets	5%	5%	7%	6%	6%

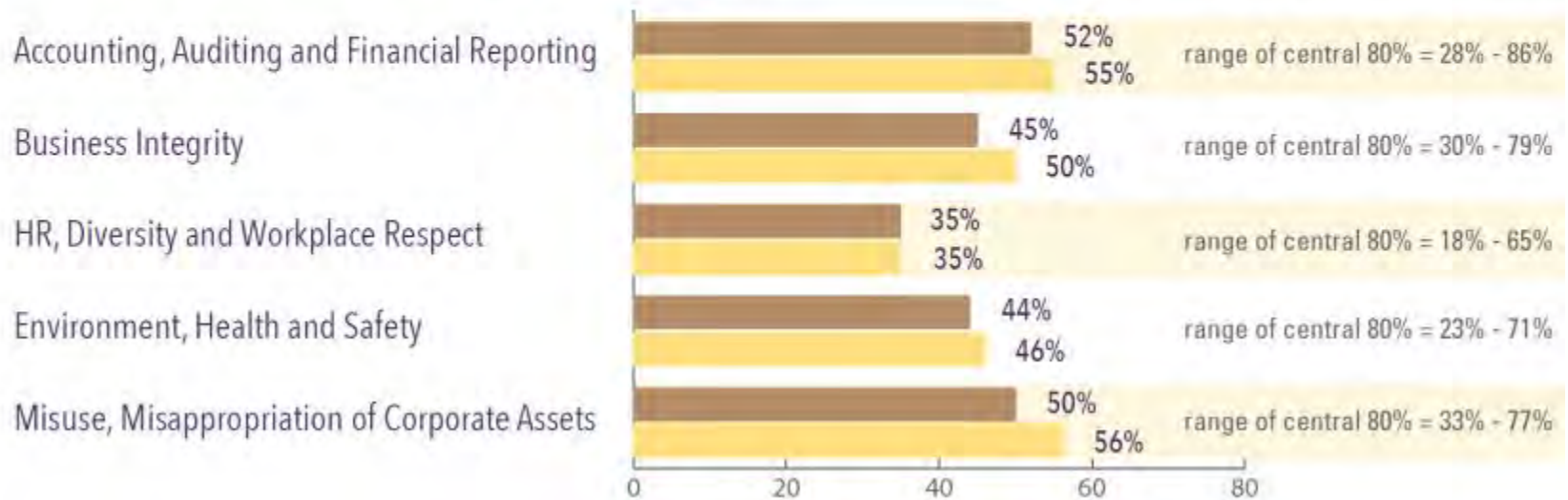
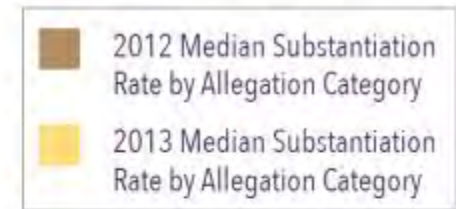
Highest Frequency of Allegation Types by Industry

Industry with the Highest Median Reporting Rate by Allegation Category



Significant Variation in Substantiation Rate by Report Category

Median Substantiation Rate by Allegation Category



Note: no category was substantiated less than 35 percent of the time.



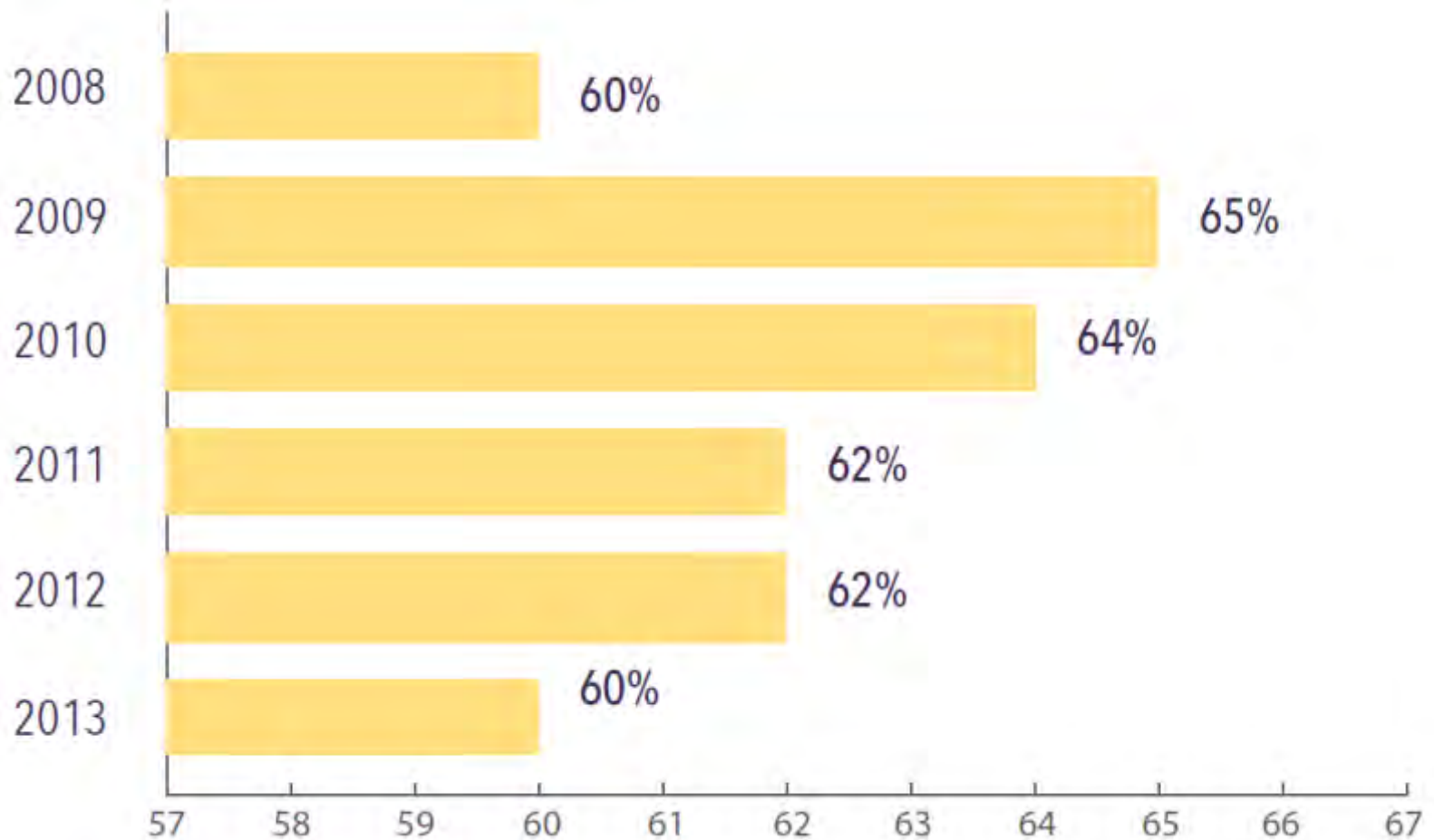
Anonymous Reports

Anonymous Reporting

- ▶ **Source of frustration for Ethics Officers** and senior leadership because of missing data and inability to talk directly with the reporter
- ▶ **Senior leaders often push back** on accepting anonymous calls due to:
 - Fear of malicious calls
 - Fear of inability to resolve case
 - Strong belief that reporters with real issues should be willing to give their name
 - EU requirements re: handling of anonymous reports



Median Anonymous Reporting Rate

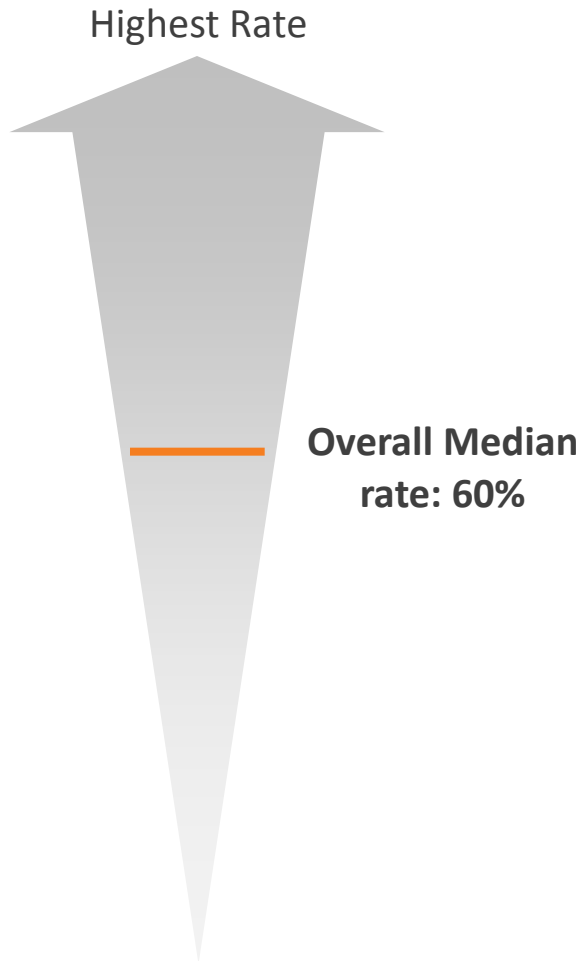


Survey Question:

Why do you think that the anonymous reporting levels have returned to the historical norm?

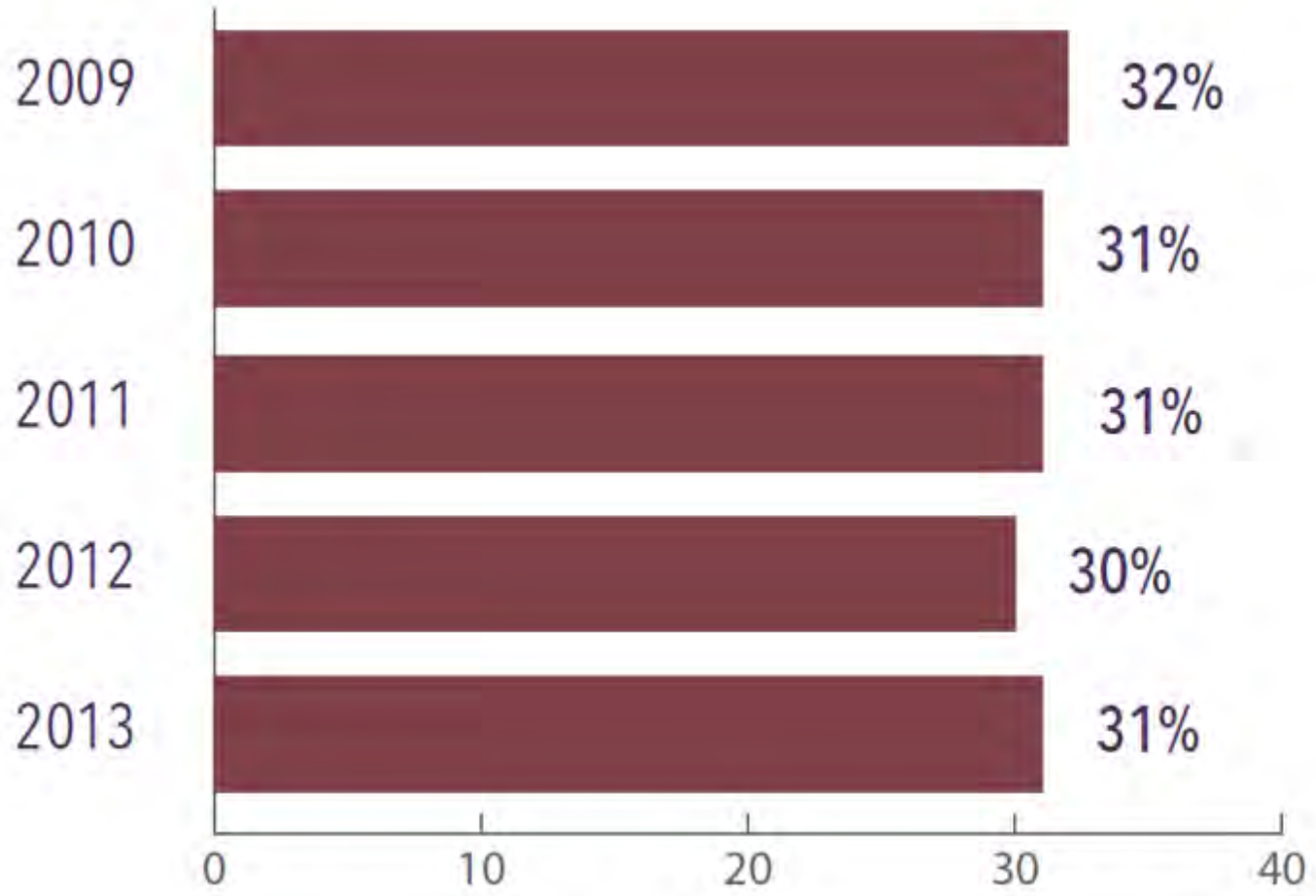
- A. The economic recession changed employee behaviors (more fearful), and we are now experiencing an economic recovery (increased security)
- B. New legal protections make employees feel more secure
- C. Reporters are motivated by external financial incentives and want to create a record of their internal reporting
- D. It's an anomaly
- E. Other

Anonymous Report Percentage



1. **Public Administration and Government**
2. **Education**
3. **Consumer Services**
4. Non-profits and Associations
5. Professional, Scientific & Technical Services
6. Consumer Manufacturing
7. Commercial Transportation
8. Finance and Insurance
9. Industrial Manufacturing
10. Metals & Mining
11. **Energy & Utilities**
12. **Health Care and Social Assistance**
13. **Computer Software**
14. Metal and Machinery Manufacturing
15. Construction
16. Retail Trade
17. Wholesale Trade
18. Information and Publishing
19. Accommodation and Food Services
20. Administrative Support Services
21. **Agriculture, Forestry, Fishing and Hunting**
22. **Real Estate and Rental & Leasing**
23. **Aerospace & Defense**

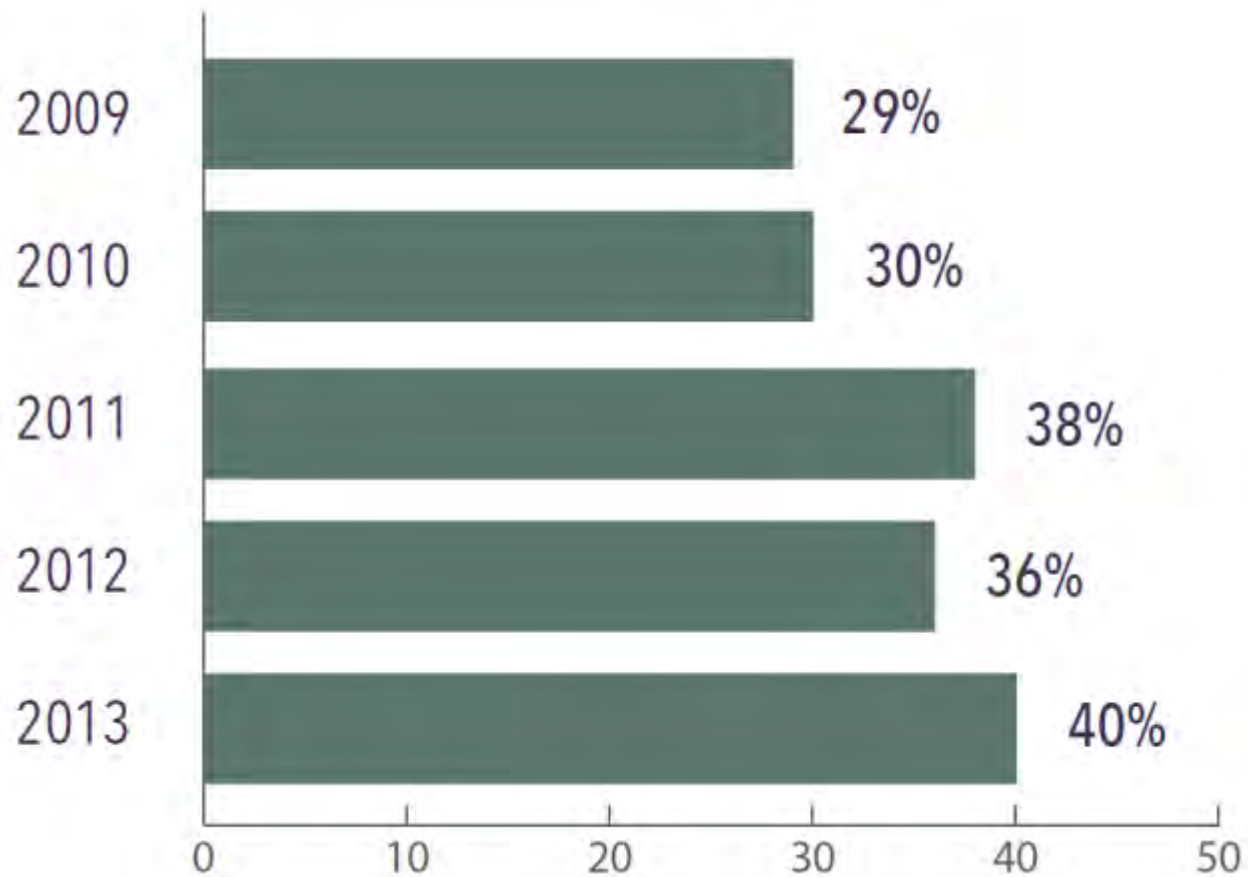
Median Follow-Up Rate to Anonymous Reports



Substantiation Rates



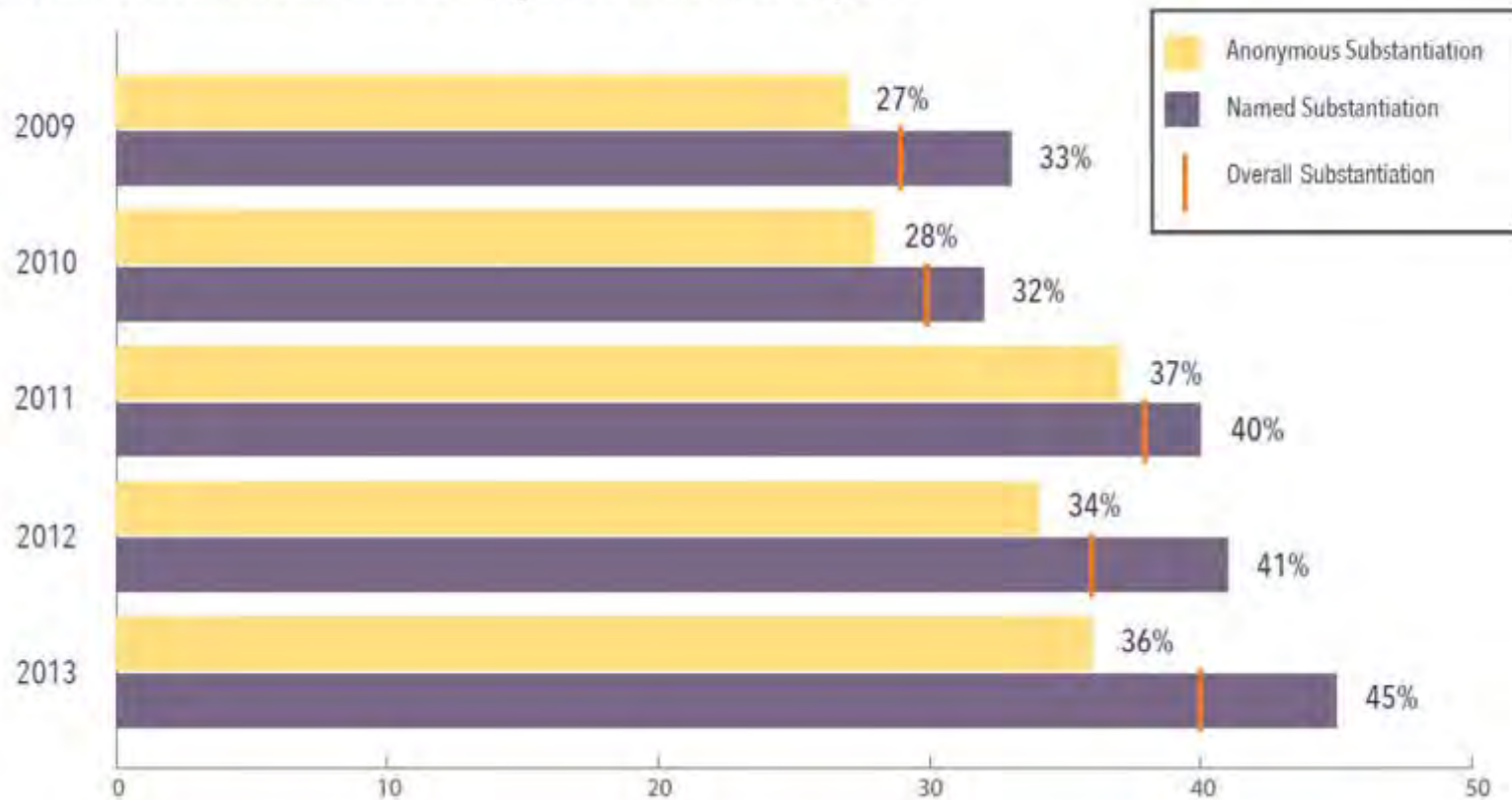
Overall Report Substantiation Rate Jumps By 11 Percent in Five Years



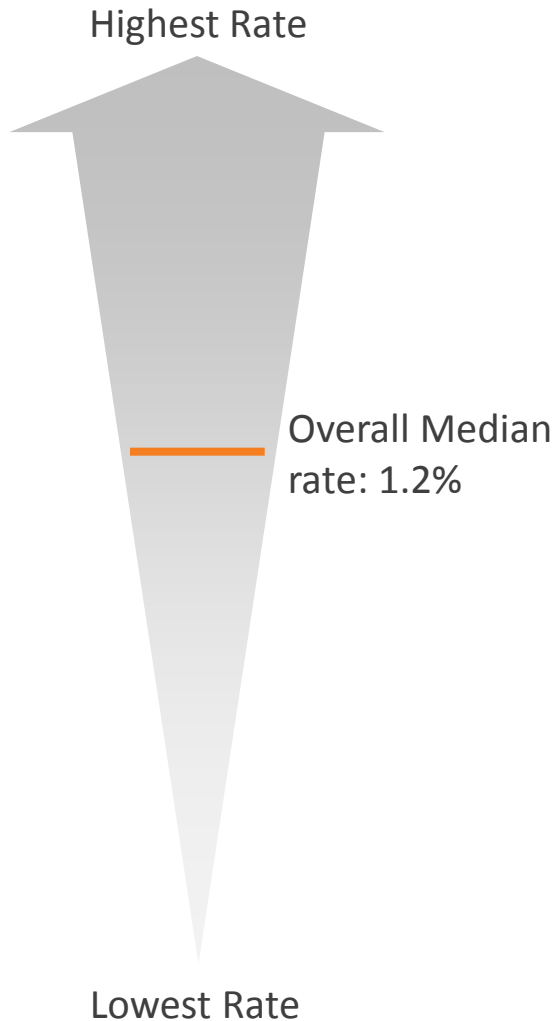
Substantiation Rates: Anonymous vs. Named Reporters

Is there a difference in substantiation rate if the reporter gives his/her name?

Median Substantiation Rates: Anonymous Vs. Named Reporters



Substantiation of Reports

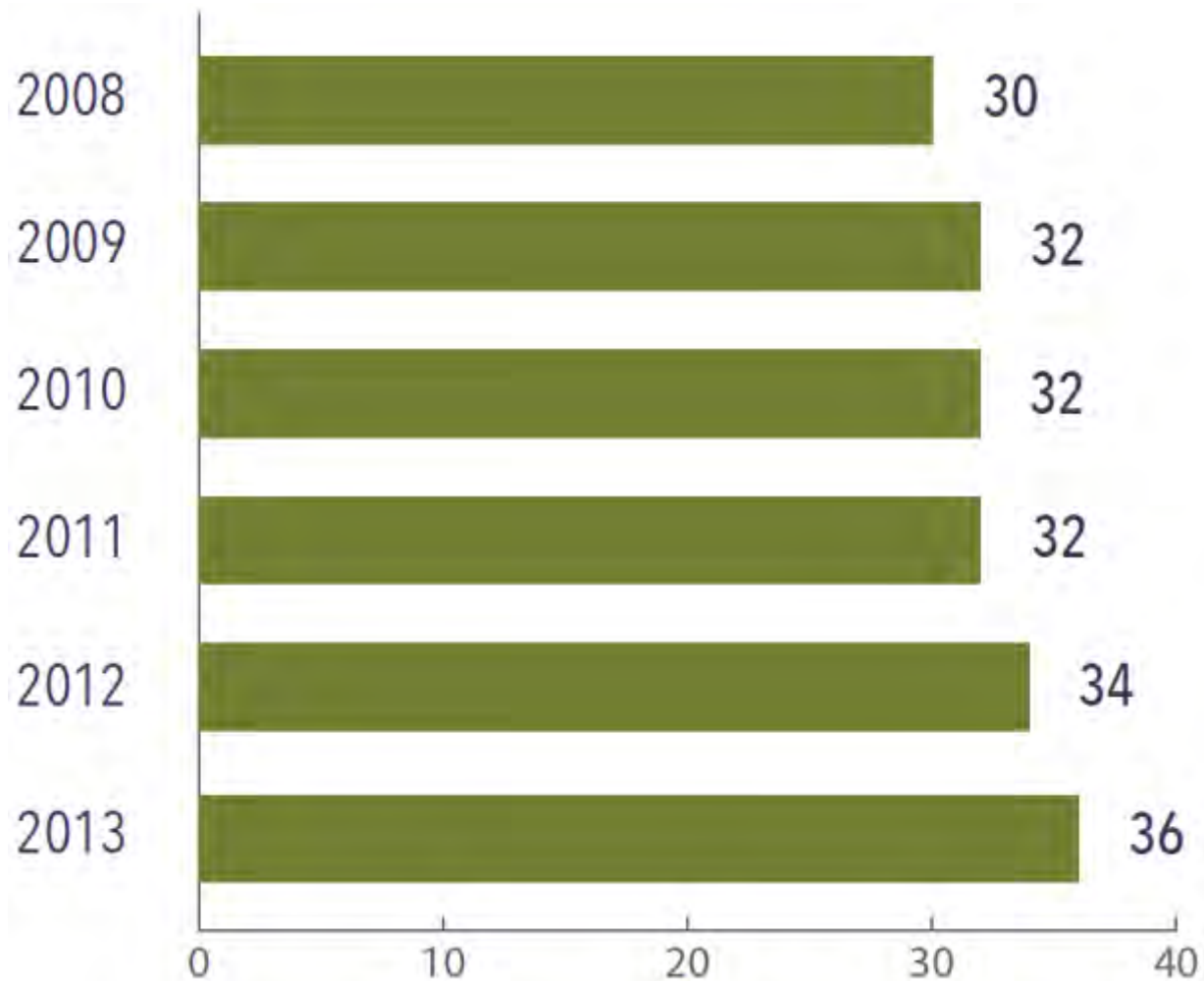


- 1. Administrative Support Services**
- 2. Non-profits and Associations**
- 3. Computer Software**
4. Retail Trade
5. Health Care and Social Assistance
6. Consumer Services
7. Accommodation and Food Services
8. Consumer Manufacturing
9. Construction
10. Information and Publishing
- 11. Education**
- 12. Metal and Machinery Manufacturing**
- 13. Finance and Insurance**
14. Real Estate and Rental & Leasing
15. Energy & Utilities
16. Professional, Scientific & Technical Services
17. Commercial Transportation
18. Aerospace & Defense
19. Industrial Manufacturing
20. Agriculture, Forestry, Fishing and Hunting
- 21. Wholesale Trade**
- 22. Metals & Mining**
- 23. Public Administration and Government**



Case Closure Time

Median Number of Days to Close a Case

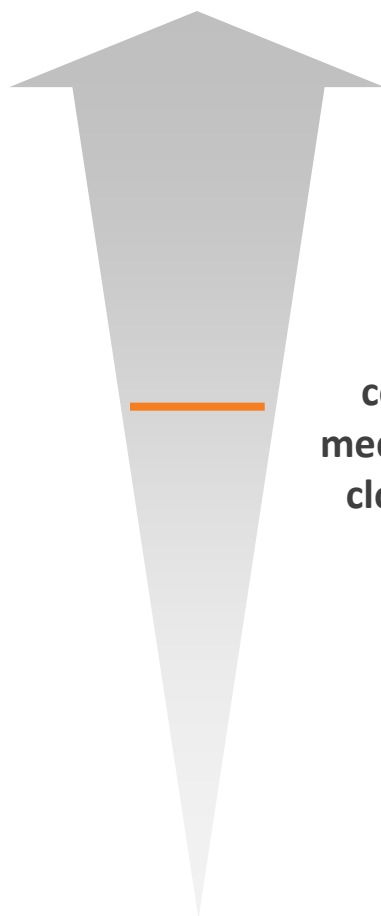


Median Case Closure Time by Allegation Category



Days to Close a Case

Longest Time



**Median
company's
median days to
close a case:
36 days**

1. **Computer Software**
2. **Public Administration and Government**
3. **Information and Publishing**
4. Aerospace & Defense
5. Consumer Manufacturing
6. Energy & Utilities
7. Metals & Mining
8. Industrial Manufacturing
9. Construction
10. Agriculture, Forestry, Fishing and Hunting
11. **Commercial Transportation**
12. **Administrative Support Services**
13. **Education**
14. Metal and Machinery Manufacturing
15. Finance and Insurance
16. Non-profits and Associations
17. Accommodation and Food Services
18. Health Care and Social Assistance
19. Professional, Scientific & Technical Services
20. Consumer Services
21. **Wholesale Trade**
22. **Retail Trade**
23. **Real Estate and Rental & Leasing**



Report Intake Method

Survey Question:

Do you use your Case Management system to track all intake methods, or just Hotline and Web?

- A. Yes, we track all Intake methods
- B. No, we only Hotline and Web submissions



Overall Report Intake Method

HELPLINE

2012:

52%

2013:

36%

WEB SUBMISSION

2012:

15%

2013:

20%

ALL OTHER METHODS

2012:

32%

2013:

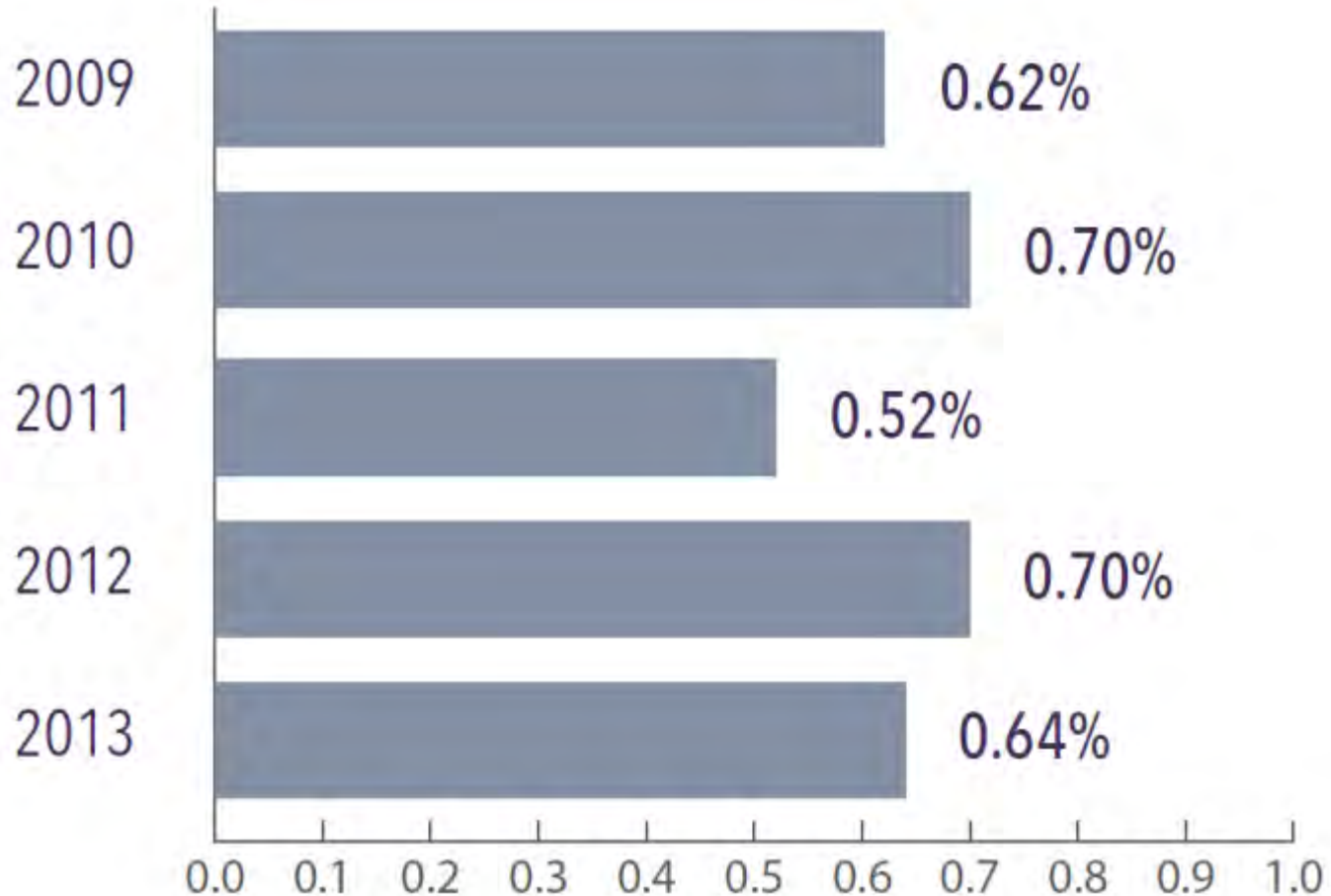
44%

** Benchmark includes only companies who track all intake methods in the NAVEX Global case management systems.*

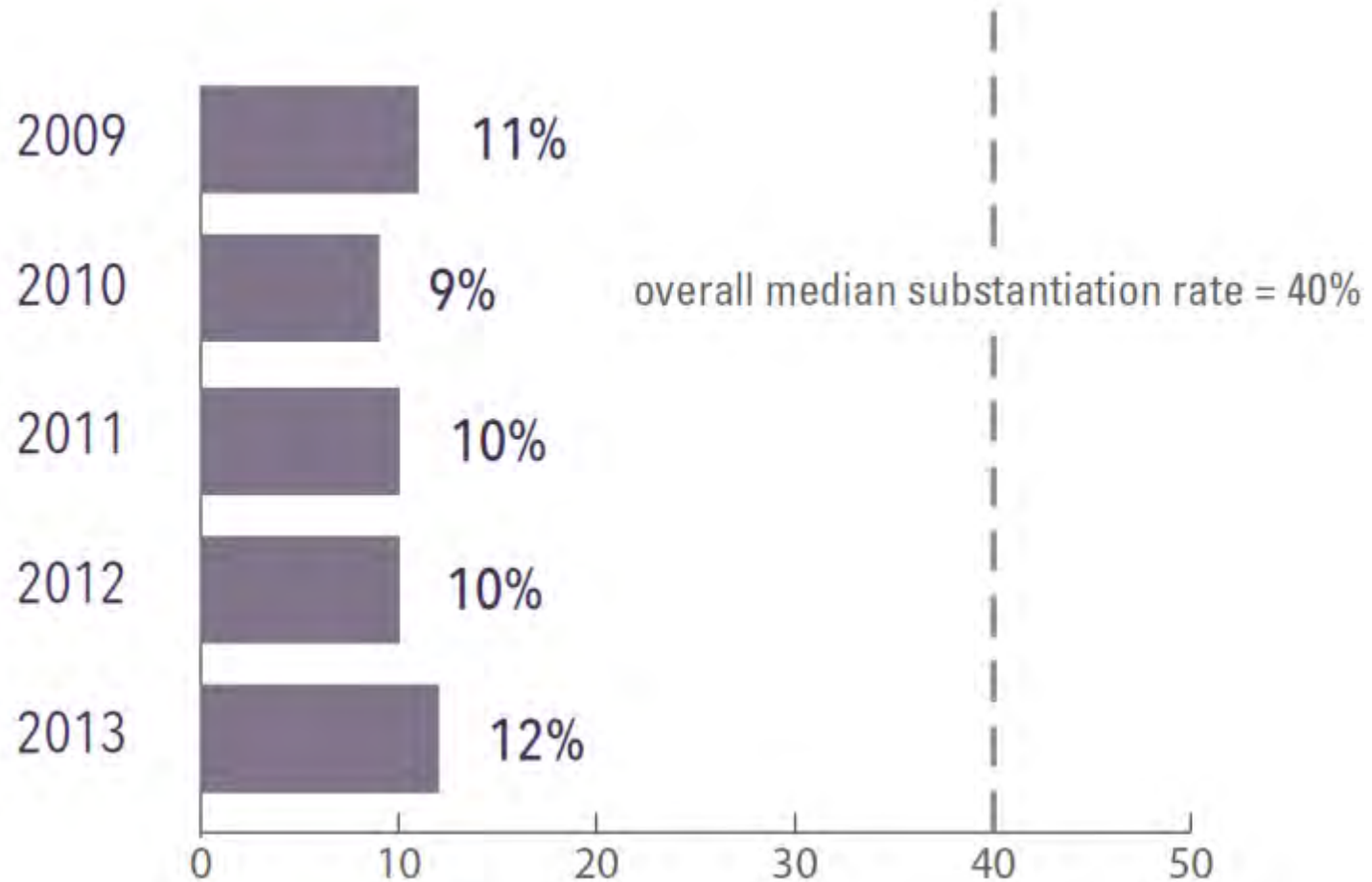


Reports of Retaliation

Reports of Retaliation are not coming to the Hotline



And if they do, they are rarely substantiated



Benchmarking Best Practices



Internal Benchmarking – What You Should Review?

Potential areas for review. Look for trends and red flags related to:

- ▶ Types of reports - call categories
- ▶ Allegations versus inquiries
- ▶ Anonymous versus named reporters
- ▶ Sources and allegation types: by groups, locations, businesses or services
- ▶ Substantiation percentage: for both named and anonymous reports
- ▶ Discipline/remediation actions
- ▶ Case cycle time
- ▶ Online vs. telephone reports
- ▶ Source of awareness
- ▶ Follow-up contacts from anonymous calls

Internal Benchmarking: Further Breakdowns

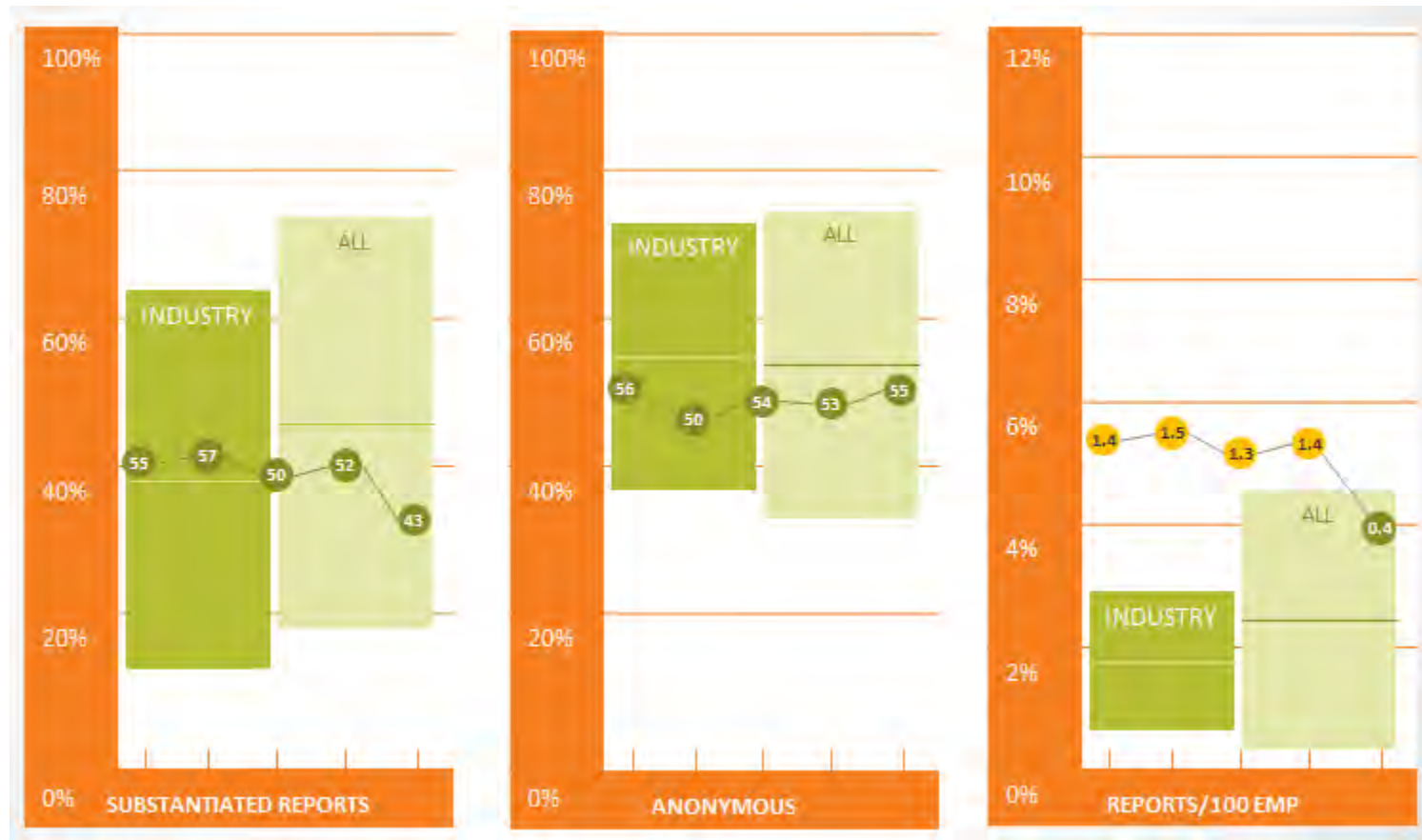
- ▶ Geographic locations calling (and not calling)
- ▶ Levels of employees calling (and not calling)
- ▶ Characteristics of anonymous calls
- ▶ Comparisons against prior years or quarters
- ▶ High volume of, or spikes in, HR-related calls
- ▶ Retaliation cases and outcomes
- ▶ Case closure time by investigating department or investigator
- ▶ Substantiation rate by investigating department/investigator
- ▶ Disciplinary actions taken – by business, by location and by level of employee
- ▶ Any anomalies

Context is Best Conveyed Through:

- ▶ Comparisons and trend analysis using internal and external benchmarking
- ▶ Look for:
 - **Significant changes** in internal data
 - **Deviations** from internal and external norms



Demonstrating Context: Trends Over Time



Data on this slide is fabricated for demonstration purposes

Survey Question:

What do you report to the board and executive leadership?

Check all that apply:

- A. Report Volume
- B. Reports by Category
- C. Reports by Priority
- D. Anonymous v. Named Reports
- E. Substantiation Rate
- F. Anonymous Substantiation Rate
- G. Anonymous Report Follow-up Rate
- H. Average Case Closure Time
- I. Report Intake Method



Survey Question:

When you report to the board and executive leadership, do you report data for the total company only or do you break down data by line of business?

- A. Total company only
- B. By line of business
- C. By some other method



Final Thoughts and Recommendations



What May Cause Changes in Reporting Trends?

- ▶ Training and communication initiatives
- ▶ Published (or rumors of) internal cases and disciplinary actions
- ▶ Internal restructuring/management changes/layoffs
- ▶ Policy changes: Code or HR
- ▶ Mergers, acquisitions, changes in lines of business
- ▶ Regulatory changes
- ▶ News articles re: industry, competitors or the latest compliance scandal
- ▶ A real problem

Helpline Design: The Five Most Common Mistakes

1. Discouraging callers with questions or requests for advice
2. Investigations missteps:
 - Investigations that take too long
 - Poorly trained investigators
 - Maintaining objectivity and professionalism
 - Not vigorously protecting confidentiality
3. Not publishing sanitized outcomes to employees
4. Not looking for trends and related variables
5. Call data to board and senior management without context

Some Advice and Best Practices

- ▶ Use a robust case management system
- ▶ Run your data different ways
- ▶ Research anomalies
- ▶ Drill down to locations and businesses, issue types and topics, anonymous calls, substantiated allegations
- ▶ Sometimes you don't know it until you see it
- ▶ Follow your gut instincts on brewing problems
- ▶ Track and report on quality of case management and investigations
- ▶ Track disciplinary actions by offense, level of employee or group...

Questions?



There's More!

- ▶ **Download the NAVEX Global Helpline Benchmarking Toolkit**
 - Contains data not covered in this presentation
 - Link will be provided in follow-up email

- ▶ **Integrity Diagnostics report contains:**
 - Industry-specific benchmarks
 - Expert analysis of your data
 - Actionable recommendations based on your results
 - See an excerpt from an Integrity Diagnostics report in the Toolkit

Thank You for Your Participation

If you have further questions,
please contact:

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Frequently Asked Questions: “Benchmarking Your Hotline: How Does Your Data Measure Up Against NAVEX Global’s 2014 Benchmarks?” Webinar

Question	Answer
Can you clarify what exactly qualifies as a “repeat reporter?”	A “repeat reporter” is someone who self identifies as having previously reported on a separate issue. This number does not include those that follow up on a specific issue, or report the same issue twice.
What is your advice concerning repeat anonymous reporters who continue to make unsubstantiated claims? These misleading reports take up time and valuable resources to investigate and lack any merit.	If this is a common issue, we recommend reviewing those unsubstantiated claims to see if there are any trends. It may help to develop an awareness campaign around the importance of reporting meaningful and valuable reports. Consider outlining what types of incidents are typically reported. It is possible that employees are not informed about how the hotline/helpline should best be used.
What is your opinion regarding the summary results being distributed companywide to aid in reducing employee retaliation fears?	We strongly support company-wide publication of sanitized cases and overall reporting statistics – including noting that reports received resulted in appropriate disciplinary actions.
Should disciplinary actions be made public?	Specific disciplinary actions should not generally be made public as personnel actions are confidential to the employee. There are situations where these actions are made public and typically these relate to high-profile allegations of wrongdoing that are already in the media.
Please clarify why you feel that anonymous reporting is an issue? One of the seven components of an effective compliance program requires the following: "Does at least one of your mechanisms permit anonymous reporting of potential compliance issues?"	We do not believe that anonymous reporting is an issue. In fact, we believe the opposite – these are important reports as shown in the substantiation rate of anonymous reports. We do believe, however, that if 90-100 percent of the reports are anonymous there is a strong likelihood that there are underlying culture or management issues that need to be addressed. It is also important to ensure that employees are using their ability to report anonymous responsibly. By this we mean that employees need to understand that they have an obligation to stay involved and check back for questions in the requested time frames.

<p>Are there any best practices around how to categorize matters to ensure optimal reporting ability?</p>	<p>During the report intake process we recommend having a comprehensive list of issues. For reporting metrics, it is worthwhile to develop a set of normalized groupings. This will allow for better tracking of general issue types.</p>
<p>We are a private company and we have not had any hotline reports in the last two years. Is this common for a private company?</p>	<p>“Private” versus “public” company should not be a driver of reports. Small companies tend to have a lower overall report volume. But no reports over a period of years usually indicates either lack of awareness or fear of retaliation. It may be worthwhile to implement a training or awareness program to ensure awareness and understanding of the hotline/helpline and what it should be used for.</p>
<p>Has any study been done on why HR cases are more unsubstantiated than others?</p>	<p>There have not been any official studies done to determine the reasoning behind this, but from our experience these cases tend to be more he said/she said types of cases. Often times these are difficult to substantiate due to the lack of documented evidence.</p>
<p>How are you defining the word "report?" Does this include allegations and inquiries or just allegations/complaints? We get a lot of questions that we log as well.</p>	<p>When calculating general report benchmarks the term report does include allegations and inquiries. When we calculate substantiated allegations etc., we only use those that are classified as an allegation.</p>
<p>In your benchmarking, can you tell us how many companies grant access to their board members?</p>	<p>We are not able to determine this from our benchmarking; however, our experience is that direct access by the board is less frequent. Some boards operate their own separate helpline and in these situations, board members do have direct access.</p>
<p>Do your case closure times include post-investigation administrative actions, or is it closeout with the reporting party?</p>	<p>The case closure time we use is calculated based on when the case was marked as closed in the system and a resolution was given. Best practice is to close based on the date feedback is provided to the reporter either directly or posted in the system for anonymous reporters and when any disciplinary actions have been delivered. Administrative actions that go beyond this time frame do not need to be considered.</p>
<p>Do you have numbers by country?</p>	<p>We do not have specific numbers by country location.</p>

<p>Since we know the majority of misconduct is reported to supervisors and never make it to the helpline, how can we be sure that the comparatively small number of reports received by the helpline really reflect what's going on in the organization?</p>	<p>This is a good question and the answer is: you can't be sure. Reports that get to the hotline/helpline can, however, be a leading indicator of a potential problem. In order to broaden this perspective, companies use their case management system with other functional groups such as HR, Legal, or Security to have a broader perspective. Often a supervisor will take the concern to one of the other functional groups or a local ethics officer and the issue can be captured in this way.</p>
<p>Has anyone had their outside auditors ask to audit the alert line submissions?</p>	<p>Yes, this is a common request. But care needs to be taken here in how the data is provided. Names should be scrubbed from the reports to protect confidentiality. We also recommend that these reviews be conducted in-person with ethics leadership present so that copies of reports do not need to be circulated if at all possible, again to protect confidentiality.</p>
<p>Is there a well-accepted critical mass number below which reporting cannot be statistically reliable?</p>	<p>We believe that the acceptable number of to ensure statistically accurate data for our benchmarking purposes is 10 or more reports in a calendar year. A company's own reports "are what they are" and should be used to compare against the calculated benchmarks.</p>
<p>Is there any way to acquire benchmarking data for our specific industry?</p>	<p>Yes, we do calculate all of the same metrics on an industry-specific basis. We offer it on a client-by-client basis as part of our Integrity Diagnostics service. Looking at data specific to your industry is a seminal way to compare your hotline and case management data to peer organizations on a deeper level.</p>

About NAVEX Global

NAVEX Global helps protect your people, reputation and bottom line through a comprehensive suite of ethics and compliance software, content and services. The trusted global expert for more than 8,000 clients in 200+ countries, our solutions are informed by the largest ethics and compliance community in the world. More information can be found at www.navexglobal.com.



2014 Full Report

**The 2014 Ethics and
Compliance Hotline
Benchmark Report**

The logo for NAVEX GLOBAL, with 'NAVEX' in orange and 'GLOBAL' in grey, followed by a trademark symbol.

The Ethics and Compliance Experts

The 2014 Ethics and Compliance Hotline Benchmark Report

March 2014

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Introduction

Each year, ethics and compliance professionals gather and analyze report data made through their numerous reporting systems. The way the data is segmented may mean the difference between identifying a problem early or just having a collection of tables and charts with little context for departments, boards or senior executives to interpret and take action.

A greater perspective on a company's culture and effectiveness of its ethics and compliance program can be seen through analysis of reports alleging misconduct and the questions posed about company policies. The challenge, however, in helpline/hotline data analysis and reporting is that there is no right number of total reports or reports about specific incident types. Each organization and industry faces different risks which are reflected in the variety of concerns raised by employees.

NAVEX Global, through our delivery of intake services and case management systems, has access to the world's largest and most comprehensive database of reports and outcomes. This data (with all identifying characteristics removed) has allowed for the creation of industry-leading benchmarks and historical trends. These benchmarks will assist ethics and compliance programs in making informed decisions about program effectiveness, potential problem areas and necessary resource allocations.

This report reviews all-industry benchmarks created using data from all companies in the NAVEX Global database and should serve as an excellent starting point for companies wishing to assess their organization's reporting data.

For each benchmark provided and discussed in this report you will find:

- A description of the benchmark and what can be learned from it
- How we calculate the benchmark
- The 2013 combined data for all industries in the NAVEX Global database
- Historical trends
- Key findings and observations

Companies wishing to make the best use of their reporting data as a diagnostic tool should also compare their data to that of their peer industries since data within industries can vary significantly. NAVEX Global offers the benchmark data contained in this report specifically for 23 industries and 45 sub-industries, for companies of various sizes, and for other demographic cross-sections as part of our Integrity Diagnostics™ report service.

Note:

More information about Integrity Diagnostics can be found at the close of this document and on the NAVEX Global website.



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2014 Ethics & Compliance Hotline Benchmark Report:

● A Statistical Snapshot of the NAVEX Global Database

World's Largest Database of Reports

Starts with

8,000 Plus

NAVEX GLOBAL™
The Ethics and Compliance Experts

...→ **CLIENTS**

More than

4,000 Plus

...→ **CLIENTS**

used our



hotline



case management systems

in **2013**

2,200
CLIENTS

...→ { representing **42 MILLION** EMPLOYEES }

received

10 or more
REPORTS
in **2013**

These clients received
717,000
REPORTS IN 2013

...→ { representing **95%** }

of our

TOTAL
REPORT
DATABASE

we have received

2 MILLION
REPORTS

...→ OVER THE PAST



5 YEARS

report reflects all intake methods:



web



hotline



open door



walk-in



mobile



email

Our Data
Covers

23 INDUSTRIES AND **45** SUB-INDUSTRIES

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 &
RANGES**

provide context for
your individual benchmarks

MOST STATISTICALLY ACCURATE APPROACH



About Our Benchmarks

The primary, and simplest, method that other helpline data providers use to generate their benchmarks is to pool data generally by industry and calculating the average result for each given metric. The problem with this method of benchmarking is that it does not account for outliers, such as companies with an extremely high or low call count or a large or small employee population. As a consequence, the data is generally skewed away from the bulk of the companies and towards the outliers.

To reduce the impact of outliers, NAVEX Global calculates every benchmark for each company individually and then identifies the median data point. Where appropriate, we also provide a range of results which includes the middle 80 percent of data points. If a company's data falls into our calculated range, it is our opinion that the data is unlikely to be representative of a potential issue. If a company's data falls outside of our calculated ranges, it is possible that there is still no issue but we feel that the result warrants further analysis.



Note:

For purposes of this benchmarking report and statistical accuracy, we only included organizations who received 10 or more reports in 2013 in this analysis. For 2013, our database included 2,163 clients (with 10 or more reports) who received a total of 717,235 reports representing 95 percent of our total report database.



Benchmark Findings

● Report Volume: Sustained Increase After Years Below One Percent

Let's start with the most basic question... "Are we getting too many or too few reports?"

Reports per 100 Employees is a volume metric that enables organizations of all sizes to compare their total number of unique contacts from all the reporting channels (helpline, web forms, fax, email, direct mail, open-door conversations, manager submittals and more).

HOW TO CALCULATE: Take the number of unique contacts (incident reports, allegations and specific policy questions) received during the period, divide that number by the number of employees in your organization and multiply it by 100.

FINDINGS: Prior to 2011, the median report volume had remained at or near 0.9 reports per 100 employees (less than one percent) for many years. The consistency of the higher rate over the last three years indicates that this increase is not an anomaly. This rise in reporting may be attributed to a number of reasons:

- ▶ Increasing sophistication of ethics and compliance programs' communications and training strategies.
- ▶ Growing employee confidence in the overall reporting process. Employees tend to gain confidence in reporting if they see actual results.
- ▶ Lower confidence in line management's ability to respond appropriately.
- ▶ Greater involvement and accountability of the board and executive leadership teams.
- ▶ Growing media coverage of whistleblower protections, lawsuits and awards.
- ▶ More prevalent encouragement from government officials to report observed misconduct.
- ▶ Organizations are more fully using their case management system to enter and track issues received from sources other than phone and web-based reporting.

We have seen a significant rise in the reporting rate –

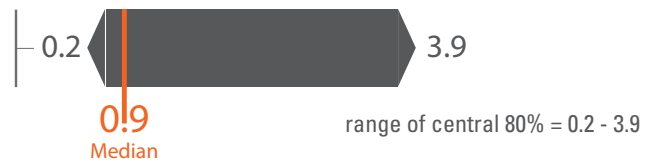
33% increase in 3 YEARS

How Does Your Report Volume Compare To Others?

2009 Report Volume per 100 Employees Annually



2010 Report Volume per 100 Employees Annually



2011 Report Volume per 100 Employees Annually



2012 Report Volume per 100 Employees Annually



2013 Report Volume per 100 Employees Annually



Benchmark Findings

● Report Volume: Sustained Increase After Years Below One Percent

Do you track all your reports in the same management system?

In order to test whether the increase in *Report Volume* is due to more robust use of case management systems, we calculated *Reports per 100 Employees* both for companies who track only reports from the web and hotline and companies who track reports from all sources.

HOW TO CALCULATE: We calculate this metric by determining how each client tracks reports in the case management system. Companies who only track reports from web submissions and hotline submissions are grouped together. We then evaluate all companies who track any form of report submission. Some examples of these reports can include walk in reports, emails, manager submissions and mailed entries. Once the two groups are separated we use the same report per 100 employee calculation as described above.

2013 Report Volume per 100 Employees Annually

Companies Who Track Only Reports from Web and Hotline



Companies Who Track Reports from All Sources



FINDINGS: Even companies who only track reports from the Web and Hotline show the increased *Report Volume*.



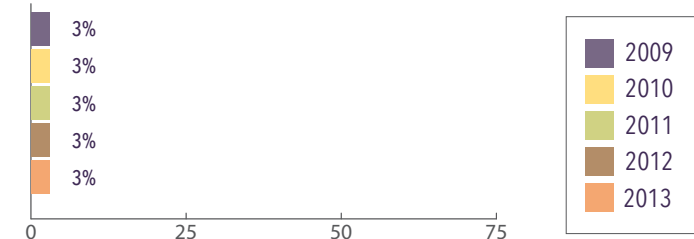
Benchmark Findings

● Report Categories: Categories Remain Consistent

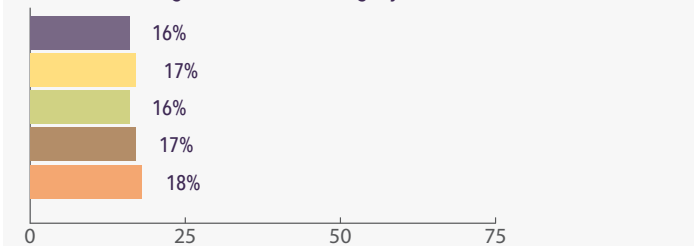
Reviewing the types or categories of reports which are being received provides insight into the efficacy of a company's training and policies by reflecting employees' understanding of what should be reported and when. Although many different categorization methods exist, we roll up reports into five categories:

Report Category Findings

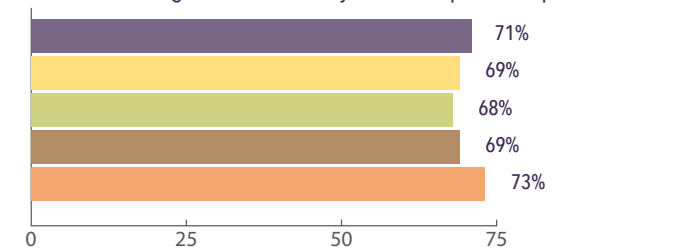
Median Percentage of Accounting, Auditing and Financial Reporting



Median Percentage of Business Integrity



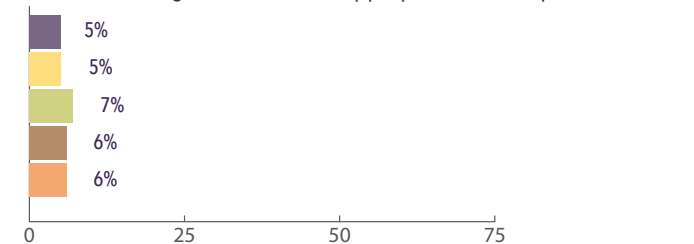
Median Percentage of HR, Diversity and Workplace Respect



Median Percentage of Environment, Health and Safety



Median Percentage of Misuse, Misappropriation of Corporate Assets



1 Accounting, Auditing and Financial Reporting: Financial misconduct, internal controls, expense reporting, etc.

2 Business Integrity: Bribery, falsification of documents, fraud, conflicts of interest, vendor/customer issues, etc.

3 HR, Diversity and Workplace Respect: Discrimination, harassment, retaliation, compensation, general HR-related issues, etc. as well as cases marked as "other"

4 Environment, Health and Safety: Environmental Protection Agency compliance, assault, safety, OSHA violations, substance abuse, etc.

5 Misuse, Misappropriation of Corporate Assets: Computer usage, employee theft, time clock abuse, etc.

Common report categories give us a way to compare (at a high level) the types of reports that different organizations and industries receive.

HOW TO CALCULATE: First, ensure that every report is categorized appropriately in one of the five buckets. Then, divide the number of reports in each of the five categories by the total number of reports created during the reporting period.

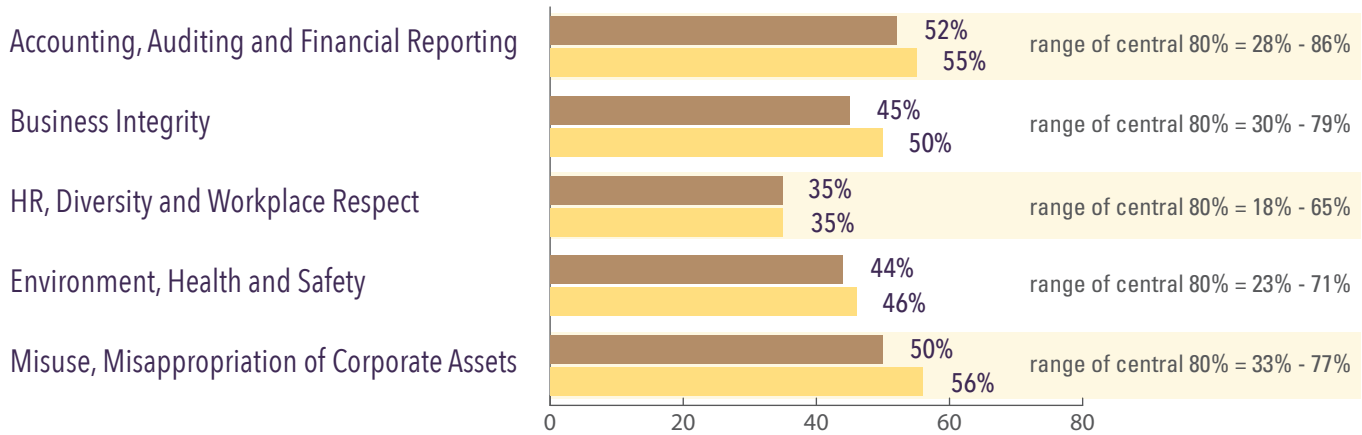
FINDINGS: As these charts demonstrate we have seen a relatively consistent trend over the past five years. While Diversity, Workplace Respect and Human Resources type issues have always been the leading category of issues reported, this year the percentage of these reports has risen to its highest level in five years – 73 percent of all reports made. And while we did see a four percent increase in these reports from last year, we did not see a change or drop in the substantiation rate from last year as shown on the next page.



Benchmark Findings

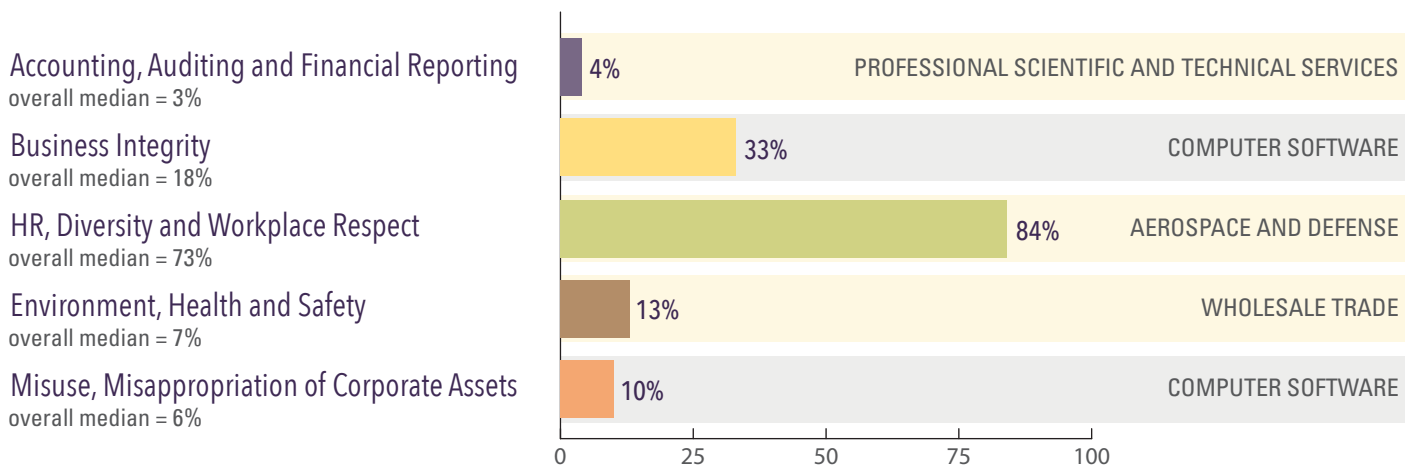
● Median Substantiation Rate by Allegation Category

Median Substantiation Rate by Allegation Category



We also reviewed the data to determine which industries received the highest rate of reporting in each category type. It is interesting to note that the Computer Software industry reached the top of two report categories – the Business Integrity category and the Misuse, Misappropriation of Corporate Assets category.

Industry with the Highest Median Reporting Rate by Allegation Category





Benchmark Findings

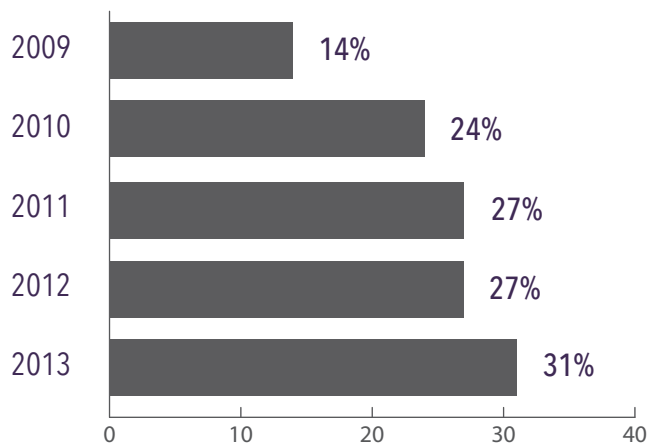
● Repeat Reporters: Repeat Reporters Doubled in 5 Years and Their Reports are High Quality

First Time Versus Repeat Reporters

Repeat Reporters are those who self-identify as having previously made a report on a different/new issue. Repeat Reporters do not include those who check back on a pending matter. The percentage of reports by self-identified Repeat Reporters has more than doubled in the past five years as shown below. Note, this change does not necessarily reflect a decrease in first time reports but just highlights a difference in percentage breakdown of first time versus Repeat Reporters. As shown earlier in this report, the overall rate of reporting has been increasing over the last five years.

HOW TO CALCULATE: To calculate the rate for Repeat Reporters, we look at reports from reporters who chose to indicate whether this was their first time submitting an issue or not. Once we have these reports separated from those reports where the reporter did not self-identify. We calculate the median of first time versus Repeat Reporters.

Median Percentage of Repeat Reporters



FINDINGS: Organizations should not be too quick to discredit Repeat Reporters. In 2013, reports from Repeat Reporters were substantiated at a rate five percent higher than those of first time reporters as shown in the chart to the right. Historically, we have seen reports from Repeat Reporters substantiated at rates equal to or slightly above their first time reporter colleagues so this is not an anomaly.

Substantiation Rates of First Time & Repeat Reporters

1st Time reporters:
36% in 2012
35% in 2013

Repeat reporters:
36% in 2012
40% in 2013

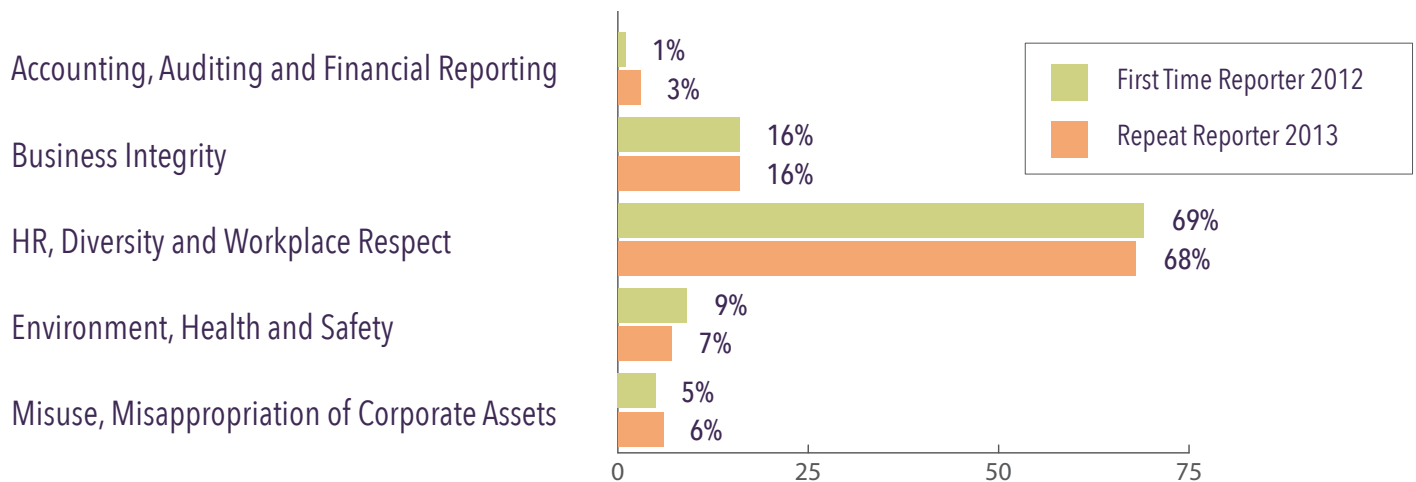


Benchmark Findings

● Repeat Reporters: Repeat Reporters Doubled in 5 Years and Their Reports are High Quality

Repeat Reporters are reporting about Accounting, Auditing and Financial issues and Misuse/Misappropriation of Corporate Assets at a higher rate than the first time reporters as shown below.

First Time Vs. Repeat Reporters: Median Reporting Rate by Allegation Category



Potential reasons for the higher substantiation rate for repeat reporters than first time reporters include:

- ▶ These reporters were satisfied with the way the organization handled their earlier report.
- ▶ These reporters may only be comfortable raising issues to the Hotline rather than through other established resources which could indicate a culture or management concern.
- ▶ Organizations with successful repeat reporters are providing clear guidance on the types of issues to be reported and the information needed for a full investigation.
- ▶ Organizations are emphasizing the expectation that employees should report any known or suspected wrongdoing.
- ▶ These reporters could be in a position where they are more likely to witness misconduct.
- ▶ Noting that repeat reporters are raising more issues relating to accounting, auditing and finance as well as misuse or misappropriation of resources, these reporters may wish to ensure that their concern is appropriately documented in a formal reporting system in case the issue needs to be reported outside the organization.
- ▶ Further, if these individuals are in positions more likely to witness financial misconduct, they may believe they are at more risk for retaliation and believe that formal reporting is their best protection.



Benchmark Findings

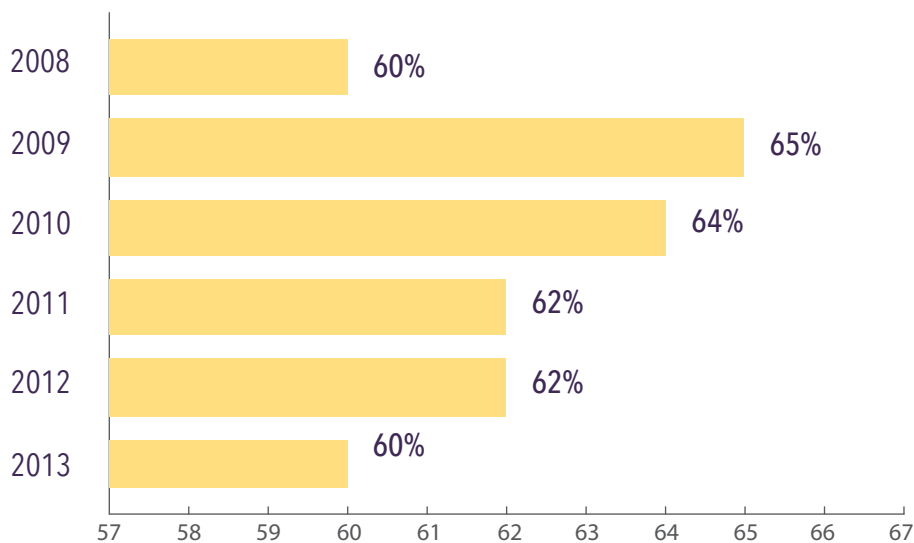
● **Anonymous Reports: Anonymous Reports Have Dropped Back to Historically “Normal” Levels**

How does your anonymous reporting rate compare?

Anonymous Reports 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.

Median Anonymous Reporting Rate



FINDINGS: Over the past few years we have seen a steady decrease in anonymous reporting rates returning to the 60 percent level. There are a few possible reasons for this decline:

- ▶ The anonymous reporting rate may have increased during the economic recession period because employees were more fearful for their jobs. With the improving economy, employees may now be more willing to provide their name.
- ▶ There is a growing comfort level with expectations that employees will raise issues when they think something is wrong.
- ▶ Reporters may be feeling more protected from retaliation with all of the recent legislation and focus on whistleblower protections.
- ▶ With the increase in external whistleblower payments (and the publicity surrounding these payments), reporters may be including their name more frequently in the event they ultimately believe they need to report the issue to a government agency or to ensure they are protected from retaliation.
- ▶ The increase could have been an anomaly.

IN 2013
this rate dropped
back to the
2008
median
reporting rate of
60%



Benchmark Findings

● Follow-up Rate to Anonymous Reports Remain Flat

How does your follow-up rate of anonymous reports compare?

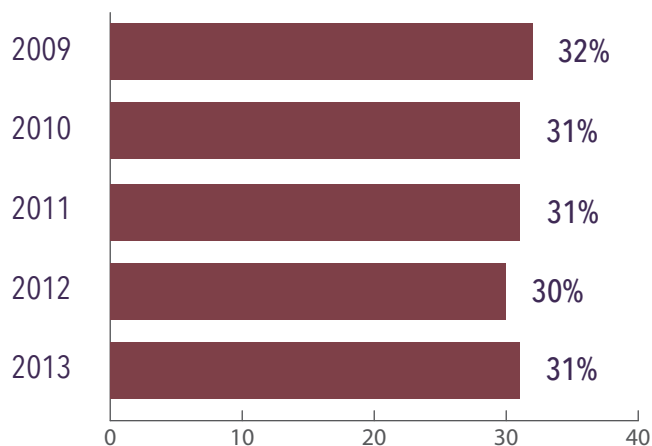
Helpline report intake processes attempt to collect as much information as possible about an incident, but investigators may still have follow-up questions for reporters. Because investigators cannot directly ask questions of anonymous reporters, it is vital that they stay engaged in the process and check in on their report periodically using the PIN they receive at the time of their report. Investigators may have posted additional questions or requests for information needed to complete the investigation and reach appropriate resolutions for each case. Further, lack of follow-up could be a culture red-flag indicator if reporters do not seem to want to know the outcome of the matter they raised.

Raising awareness of the need for follow-up should be included in communications to employees about the reporting process and tracking this metric is important for ensuring the message is being received. It is also useful to know whether reporters are interested in learning the outcome of their report which is typically posted with some limited information.

The *Follow-up Rate to Anonymous Reports* indicates the percentage of reports which were submitted anonymously that were subsequently followed-up by the reporter.

HOW TO CALCULATE: Divide the number of anonymous reports with at least one follow-up by the total number of anonymous reports.

Median Follow-up Rate of Anonymous Reports



FINDINGS: The *Follow-up Rate to Anonymous Reports* has remained flat over the past five years. Given the importance of this metric to successful resolution of an investigation, it is important that organizations communicate to employees their responsibility to check back in case additional information is needed. While it is possible that some anonymous reporters self-identify during the course of an investigation, it is doubtful that this could account for nearly 70 percent of the *Anonymous Reports* with no follow-up.

It is also important to let employees know that they are able to learn the outcome of their report by checking back. It is concerning that nearly 70 percent of anonymous reporters are not checking back for whatever reason. The lack of progress on this metric is notable for organizations to review as it could be an indicator of a cultural concern. Organizations should also consider reviewing their organization's "callback" instructions to ensure alignment with allegation priorities. And, protocols should remind reporters to keep their access code and PIN in a safe place so that they are able to check back as requested.



Benchmark Findings

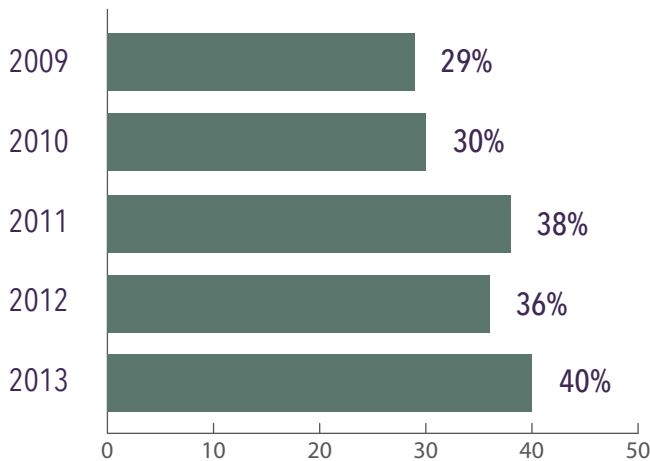
● Substantiated Reports: Substantiation Rate Jumps by 11 Percent in Five Years

How does your Substantiation Rate compare?

Substantiation Rate is a metric that reflects the rate of allegations made which were determined to have at least some merit (substantiated or partially substantiated). A high *Substantiation Rate* is reflective of a well-informed employee base making high-quality reports coupled with high-quality investigations processes.

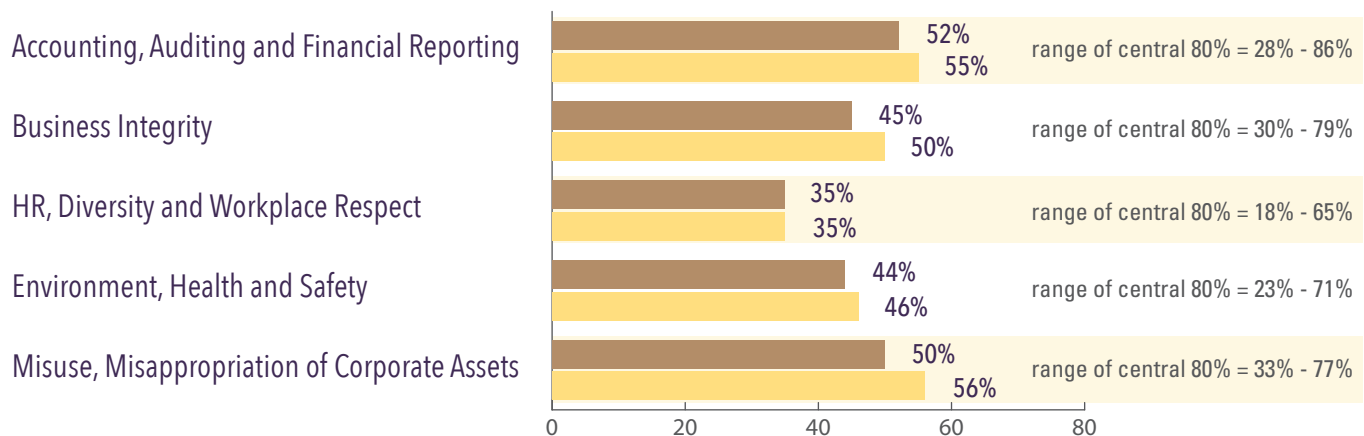
HOW TO CALCULATE: To determine *Overall Substantiation Rate*, take all substantiated or partially substantiated reports, and divide that by the total number of reports received.

Overall Median Substantiation Rate



FINDINGS: The *Overall Substantiation Rate* for all reports has increased by 11 percent in the last five years which is another remarkable finding. This indicates that organizations are receiving higher quality and more actionable reports and/or are conducting better or more thorough investigations.

Median Substantiation Rate by Allegation Category





Benchmark Findings

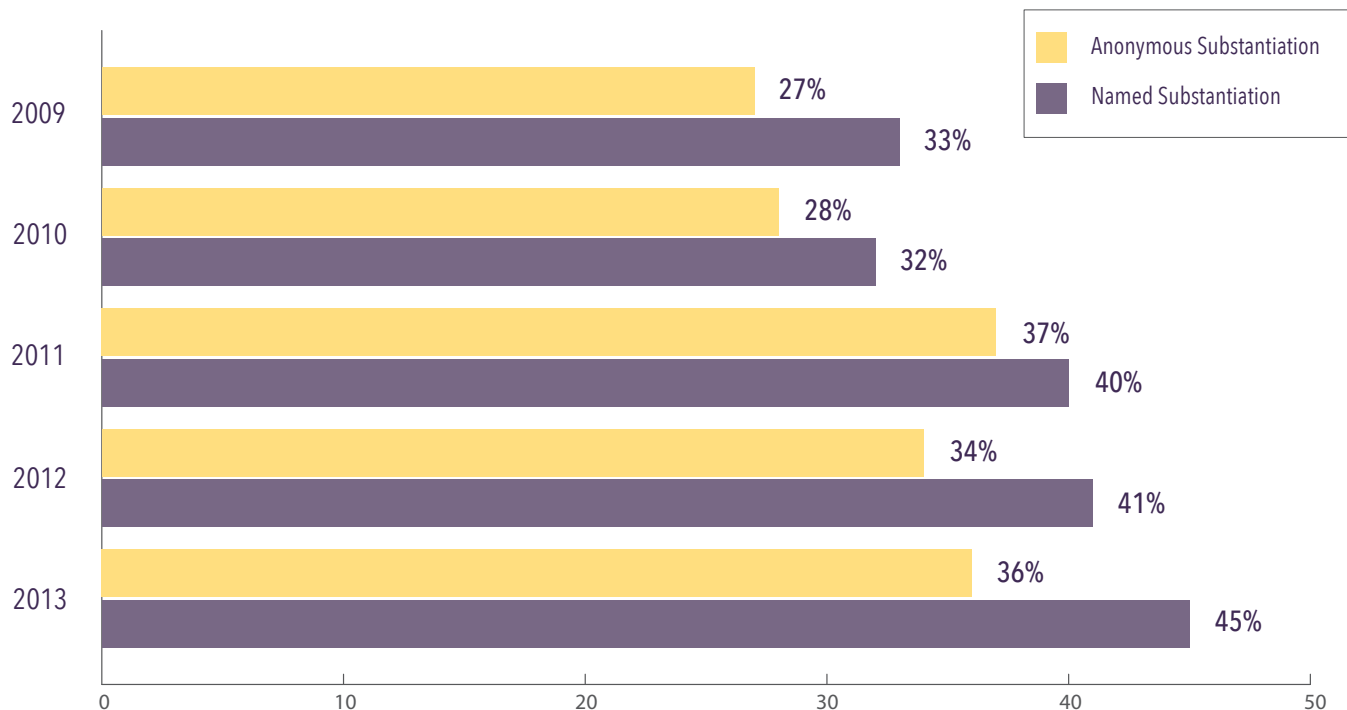
● Substantiated Anonymous Reports

A bias can exist among senior leaders and board members against the acceptance of *Anonymous Reports*. Many feel as though employees who choose to withhold their identity are doing so because they are making a false or frivolous allegation. Research also indicates this bias often extends to investigators. In our experience, however, 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.

Investigators' inability to contact anonymous reporters who do not follow-up likely explains some of the gap between substantiation rates for "named" and "anonymous" reports, but a significantly lower substantiation rate on *Anonymous Reports* could signal something else.

HOW TO CALCULATE: Divide the number of *Anonymous Reports* that are (fully or partially) substantiated by the total number of *Anonymous Reports* with a determined disposition. To calculate the *Named Substantiation Rate*, total all named substantiated or partially substantiated reports, and divide by total number of named reports received.

Median Substantiation Rates: Anonymous Vs. Named Reporters



FINDINGS: Despite the previously mentioned potential bias against anonymous reporters among some leaders and even some investigators, the gap in *Substantiation Rate* between Named vs. Anonymous reporters has remained at 9 percent or less over the last four years. And, given that over one third of these reports are substantiated, these reports are valuable and credible. As discussed earlier in this report, 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.



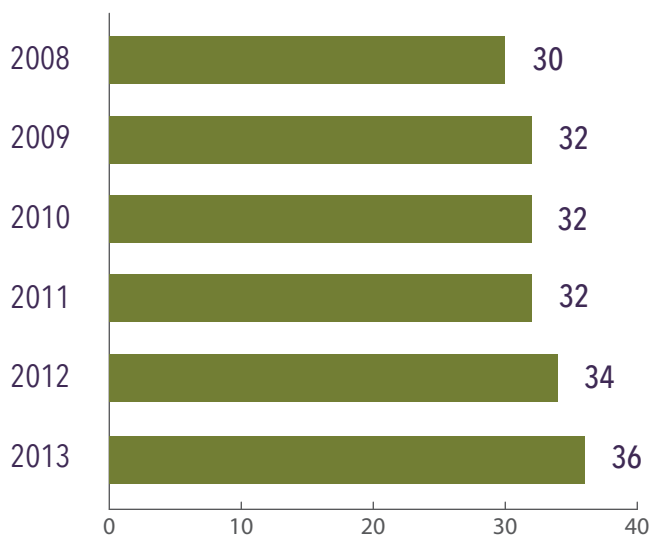
Benchmark Findings

● Case Closure Time: Days to Close Creeping Up

In order to engender the belief among employees that their concerns are important and are being 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 company is not listening and not taking action. This belief could be detrimental to an organization on a number of levels. *Case Closure Time* for an organization is the average number days it takes to complete an investigation and close a case.

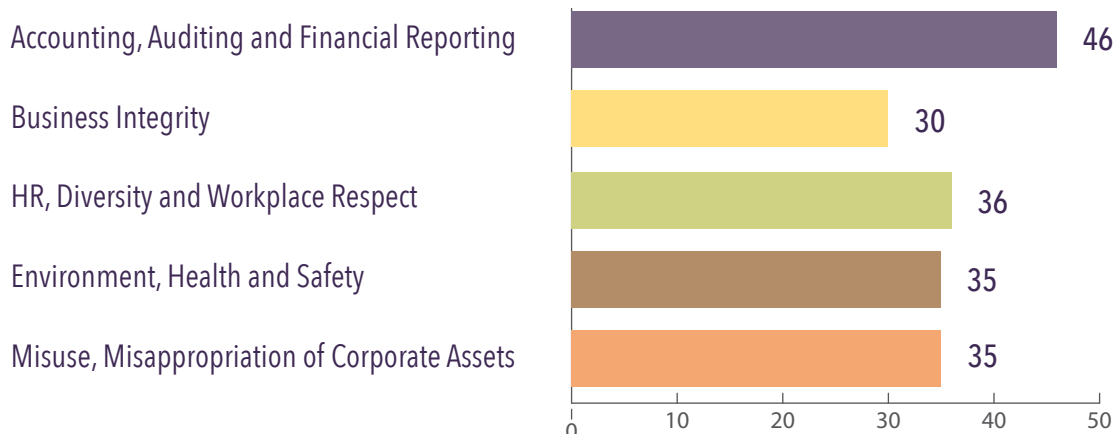
HOW TO CALCULATE: First calculate the number of days between the date a case is received and the date it is marked closed. Calculate for each case closed during the reporting period. (Calculating the rate based on case open date will skew the data toward shorter closure times, making the result less 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.

Median Case Closure Time in Days



FINDINGS: Over the last five years the median *Case Closure Time* has climbed from 32 to 36 days. The *Case Closure Time* rate in 2008 was 30 days so this rate increase is ongoing and presents opportunities for focus and improvement by organizations in the coming year. Given that nearly three quarters of the reports are HR-related and not typically as complex as a financial or fraud case to investigate, we would have expected this rate to have stayed closer to 30 days which is best practice. This trend is also notable 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 Times* are encouraged to review their case handling and investigation procedures. A breakdown of *Case Closure Times* by Report Category is provided below.

Median Case Closure Time in Days by Allegation Category





Benchmark Findings

● Reporting Intake Method: Substantial Change in the Mix

Providing multiple avenues for employees to report is important as some may be reluctant to report via the telephone and may be more comfortable using a different intake system. Capturing reports through multiple channels can result in a more complete picture of the imminent risks in your organization.

Several factors impact *Intake Method*. First, reporting channels have to be made **available** to employees. Second, those channels need to be easily **accessible** by employees. And finally, employees need **awareness** of the channels available to them so that when they have a reporting need they know where to go, what to do and they can do it in a manner in which they are comfortable.

A helpline contact is submitted when a reporter calls a toll-free phone number and is interviewed by an intake specialist who captures the reporter's information or question and enters it into the database. Reporters can also make their contact through web forms that have a series of questions and prompts similar to those used by helpline operators. With either intake method a form is generated which is submitted automatically to the case management system. Contacts, of course, are also still submitted via traditional channels (like ethics office walk-in's, email, direct mail, fax and manager submissions), and many ethics offices track these contacts in their NAVEX Global case management system.

HOW TO CALCULATE: Group all non-hotline and non-web report forms 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 your employees are choosing to report.

FINDINGS: Results for 2013 showed a significant change in the mix of intake methods from 2012 with "Helpline" (phone) submissions dropping by 16 percent and "All Other Methods" increasing by 12 percent. This indicates that ethics and compliance officers are doing a more comprehensive job of recording non-phone/web contacts in their case management system which will increase the quality of the reporting data for their organization. This increased use of the case management system may also be a factor in the increase in overall *Report Volume* as discussed earlier in the report.*

HELPLINE

2012:

52%

2013:

36%

WEB SUBMISSION

2012:

15%

2013:

20%

ALL OTHER METHODS

2012:

32%

2013:

44%

* Benchmark includes only companies who track all intake methods in the NAVEX Global case management systems.

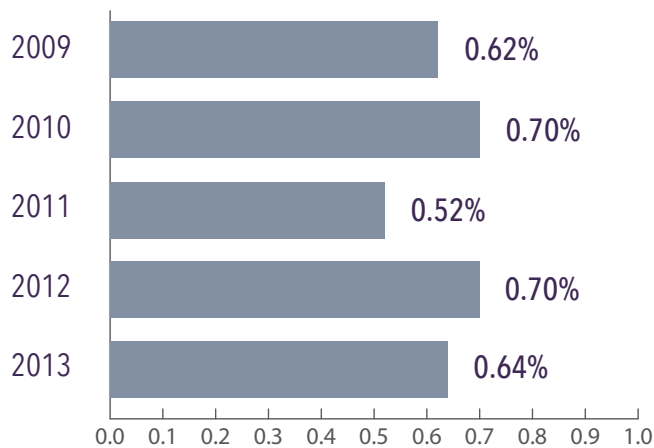
Benchmark Findings

● Reports of Retaliation: These Reports Not Coming to the Hotline and Those That Do Are Rarely Substantiated

Discussion of retaliation issues by the ethics and compliance community, as well as by government agencies, is at a feverish level. And, while reports of potential retaliation in recent surveys such as the Ethics Resource Center (ERC) survey and claims filed with the Equal Employment Opportunity Commission (EEOC) indicate that retaliation claims are on the rise, employees are not using the Hotline/Helpline to report these concerns internally as shown in the table below.

HOW TO CALCULATE: Take the total number of reports made, and divide that by the total number of reports made with retaliation as the primary allegation.

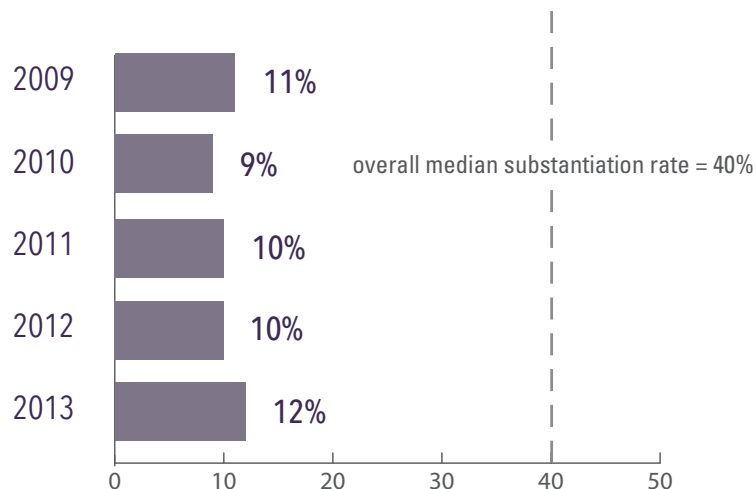
Percentage of Retaliation Reports in the Database



FINDINGS: Less than one percent of all reports received were primary allegations of retaliation. Further, we observed these internally reported retaliation claims are substantiated at a much lower rate than any other category of report. While 35 percent of the HR-related reports are substantiated (the lowest substantiation rate for any report category), only 12 percent of the retaliation reports in our database were substantiated in 2013.

One potential reason for this is that employees are looking to outside organizations to report retaliation (whether to a survey organization or to an outside agency), as it is possible that they do not trust internal resources or fear additional retaliation.

Substantiation Rate of Retaliation Reports



IV • Conclusion

Good data analysis and benchmarking will help organizations answer a number of questions driving the actions that make an ethics and compliance program more effective including:

- Do we need more training?
- Do we need to review or update our policies?
- Are our communications with employees reaching the intended audiences and having the desired effect?
- Should we dig deeper into data of concern with employee surveys and focus groups?
- Do enough employees know about our reporting channels?
- Are our investigations thorough and effective?
- Does our culture support employees who raise concerns?

Helpline/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. At NAVEX Global, we hope that this report is helpful to your organization and we welcome any feedback on these findings.



V. About Integrity Diagnostics

Key industry insights from the world's largest repository of ethics and compliance data

Integrity Diagnostics is NAVEX Global's proprietary, advanced diagnostic tool designed to help you understand your ethics and compliance program's historical patterns and benchmark them against your industry peer group and across various industries.

Our advisory services team provides expert data analysis to deliver insight on the underlying issues and your organizational culture accompanied by management-ready reports that include tangible recommendations and actionable program suggestions to improve ethics and compliance program effectiveness.

NAVEX Global's advisory services team, the Ethical Leadership Group, provides expert data analysis to deliver insight on underlying issues and your organizational culture. Integrity Diagnostics enables you to identify variances from the usual call report patterns of your peers, and to track key metrics over time. The high-level analysis of reports is an excellent tool to understand your performance. The deliverable, which includes tangible recommendations and actionable program suggestions to improve ethics and compliance program effectiveness, is delivered in a format designed to be shared with your executive leadership team, board of directors and audit committee.

VI. About the Authors

Carrie Penman is NAVEX Global's chief compliance officer and senior vice president of our advisory services division. She has been with the firm for more than a decade after four years as deputy director of the Ethics and Compliance Officer Association (ECO). Carrie was one of the earliest ethics officers in America – a scientist who transitioned into the ethics and compliance world and both 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 clients and regularly works with and trains company boards of directors and executive teams. She also serves as a corporate monitor and independent consultant for companies with government agreements.

Edwin O'Mara is an analyst on NAVEX Global's advisory services team. He leads the development of our Integrity Diagnostics product offering, as well as making key statistical and analytical contributions to our annual Ethics and Compliance Hotline Benchmark Report and client culture surveys. Eddy graduated from Bentley University with both a B.A. in Ethics and Corporate Social Responsibility and a B.S. in Business Management. He has been with NAVEX Global's Advisory Services team since 2012.

VII. About NAVEX Global

NAVEX Global helps protect your people, reputation and bottom line through a comprehensive suite of ethics and compliance software, content and services. The trusted global expert for more than 8,000 clients in 200+ countries, our solutions are informed by the largest ethics and compliance community in the world. More information can be found at www.navexglobal.com.



NAVEX GLOBAL™
The Ethics and Compliance Experts

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2,200
CLIENTS

...→ { representing **42 MILLION** EMPLOYEES }

received

10 or more
REPORTS
in **2013**

These clients received
717,000
REPORTS IN 2013

...→ { representing **95%** }

of our

TOTAL
REPORT
DATABASE

we have received

2 MILLION
REPORTS

...→ OVER THE PAST



5 YEARS

report reflects all intake methods:



web



hotline



open door



walk-in



mobile



email

Our Data
Covers

23 INDUSTRIES AND **45** SUB-INDUSTRIES

MOST STATISTICALLY ACCURATE APPROACH

we use



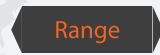
MEDIANS
[OR MIDPOINTS]

0.9
Median



rather than averages
to **reduce** the impact
of outliers

we calculate



RANGES

to help identify extreme data points
as potential areas of concern

**MEDIANS &
RANGES**

provide context for
your individual benchmarks

The background of the entire page is a close-up photograph of several bamboo stalks. The stalks are light green and have distinct nodes. Some of the nodes show signs of damage, with the outer sheath peeling away to reveal a lighter, fibrous interior. The lighting is soft, highlighting the texture of the bamboo.

Desktop Reference

**12 Internal
Benchmarks for
Helpline Reporting**



12 Internal Benchmarks for Helpline Reporting

Brief Explanation of Internal Benchmarks

While senior leaders and board members often express concerns about how a company's data compares to external benchmarks, it is equally important that companies review their data internally, not just at the high level but diving into each business operation, location, or geography. Such a review can provide specific insight into the effectiveness of communications and training, can highlight trends in the cultural health of certain parts of the company, can help to assess the efficiency of investigations, and can deliver a number of other key operational and cultural metrics. Internal benchmarking provides important context, particularly when observing deviations from the internal norms over time. Here, the sophistication of an organization's case management system, and how it is configured, will determine how robust the analysis can be—offering more tracked data, more context, and more opportunity for actionable conclusions. By looking at the data over time, an organization can compare trends, detect trouble spots, and measure the effectiveness of its program. We recommend the following metrics be included in an internal "deep dive" benchmark review of reporting data.

CALL CATEGORIES OR TYPES OF REPORTS

A review of the types of calls which come in over a certain period can indicate elevated risks of certain kinds of potential wrongdoing as well as gaps in understanding of the policies and laws which affect certain groups of employees. In addition to categories benchmarked externally, organizations may have internal reporting categories to monitor specific risks.



GEOGRAPHIES OR LOCATIONS REPORTING OR NOT REPORTING

An excessive number of reports submitted by a sector of the company may indicate a serious cultural concern beyond what is indicated by the allegations. The converse, an absence of reporting from a group or location, can indicate an equally serious concern.



ALLEGATIONS VS. INQUIRIES

A high ratio of inquiries to allegations can indicate that employees are aware of their responsibilities to uphold a company's policies and ethical standards and that they are considering their job-related choices carefully. This information can also help inform training needs.



LEVELS OF EMPLOYEES REPORTING (AND NOT REPORTING)

It is important that companies evaluate whether they are reaching all levels of employees with ethics and compliance initiatives and that these employees are fulfilling their obligation to report observed misconduct. Absence of entire levels of employee groups engaging in the process could indicate lack of awareness or more serious concerns or lack of trust in the systems.



SOURCES AND TYPES BY GROUPS, LOCATIONS, BUSINESS UNITS, DEPARTMENTS

A demographic review of reporting data can provide innumerable insights into a company's culture which can serve as a review of the efficacy of its communications and training strategy as well as the cultural health of various employee groupings and business levels.



CHARACTERISTICS OF ANONYMOUS CALLS

It is important that companies review their anonymous contacts to ensure that their substantiation rate is reasonable, that employees are following up on their anonymous reports so that investigators are able to ask questions, and that there are no patterns in anonymous reporting related to different demographic or allegation groupings that might indicate elevated fears of retaliation.



DISCIPLINE OR REMEDIATION ACTIONS

It is important that companies take a wide view of disciplinary patterns to ensure that employees at all levels and in all areas are held similarly accountable and that any disciplinary action is commensurate with the severity of the determined infraction and consistent with actions taken in other similar cases regardless of the level of employee involved.



HIGH VOLUME OR SPIKES IN HR RELATED CALLS

While many see HR related reports as a nuisance, our experience has found that a spike in HR-related reports is often indicative of other potentially serious issues in an area which may be going unreported, such as potential fraud or accounting violations, or poor local management practices or behaviors.



SOURCE OF AWARENESS

By reviewing how reporters became aware of the reporting channel they used, companies can assess awareness strategies and the efficacy of their communications.



RETALIATION CASES AND OUTCOMES

Retaliation, and the perception or fear thereof, can be the single biggest deterrent to reporting at a company. Reviewing this metric serves to not only measure the actual levels of retaliation a company is experiencing, it also helps to determine whether or not the company's non-retaliation policy is being properly enforced. Issues and outcomes related to this metric should be part of executive reporting.



SUBSTANTIATION RATE BY INVESTIGATING DEPARTMENT OR INVESTIGATOR

It is important that companies look for patterns among the allegations reviewed by each of its investigators and investigative groups to be certain that no prejudices or gaps in training exist and that the same quality standard is being met across all of the investigative resources.



CASE CLOSURE TIME BY INVESTIGATING DEPARTMENT OR INVESTIGATOR

A review of case closure times by investigator or investigations team can help to determine whether each is executing their assignments in a timely manner commensurate with the complexity of the investigation.

In addition to the 12 Internal Benchmarks described above, each of the metrics defined in our Desktop Reference entitled 9 External Benchmarks should be tracked internally by employee level, business operation, location, or geography and monitored over time for trends and deviations. Two of the External Benchmarks also deserve inclusion here.

Anonymous vs. Named Reporters:

Anonymous reporting is a good indicator of the level of employee trust in the system. Companies should review anonymous reporting across their various demographics to help to determine whether or not a particular group of employees has confidentiality or retaliation concerns.

Substantiation Rate for Named and Anonymous Reports

A significant difference between the substantiation rate of reports made by employees who chose to give their names and by those who chose to withhold it can indicate an issue with the investigations process or in the motives of the anonymous reporters.

Desktop Reference

**9 External
Benchmarks for
Helpline Reporting**



9 External Benchmarks for Helpline Reporting

A Brief Explanation of External Benchmarks

Executives and board members rely upon reports and metrics to gauge progress and make decisions that drive business results. The ethics and compliance function is no exception. Benchmark data gives business leaders external points of reference with which they can assess the performance of their programs. The following are 9 external benchmarks that every organization should be measuring and comparing against others in their industry with respect to helpline reporting and case management.

1 | Report Volume

Companies should review the total number of reports they receive in a given period from all intake methods (Phone, Email, Walk-in, etc.). Receiving too many reports is not good and may indicate significant problems or a misunderstanding of appropriate helpline usage. Too few reports may indicate a lack of awareness of policies and/or reporting channels, poor understanding of expectations and responsibilities around reporting, or elevated concerns about retaliation.

2 | Anonymous Report Rate

Nearly all companies allow their employees to make reports anonymously. Certain reporters, especially those fearing retaliation, would be reticent to make a report if they were required to give their name when making it. Others prefer to not be involved directly but want the issue to be addressed. The Anonymous Report Rate can provide a sense of how fear of retaliation affects those who report and how it may be affecting report volume.

3 | Follow-up Rate on Anonymous Report

Often investigators need more information to complete their investigation than was captured at the point of contact with the reporter. With named reporters the investigator can directly contact the reporter to ask them questions, but this is not possible with anonymous reports. For this reason, it is vital that these reporters check back in periodically in order to answer any questions which investigators may have. Employees should be trained on their follow-up responsibilities with anonymous reporting and tracking this metric will provide visibility into the effectiveness of this training/communication.

4 | Substantiation Rate

The substantiation rate is a metric that reflects the rate of allegations made which were determined to have at least some merit (Substantiated or Partially Substantiated). A high substantiation rate is reflective of a well-informed employee base making high-quality reports. A low substantiation rate could indicate a specific management problem or a lack of quality in investigative processes.

5 | Anonymous Report Substantiation Rate

A bias exists among some senior leaders and board members against anonymous reports. Many feel as though employees who choose to withhold their identity are doing so because they are making a false or frivolous report. Research also indicates this bias often extends to investigators. In our experience, names are withheld typically out of fear of retaliation and not because the issue reported is not a matter of concern. A significantly lower substantiation rate on anonymous reports could indicate a serious issue either among reporters or investigators.

6 | Case Closure Time

In order to engender the belief among employees that their concerns are important and are being seriously considered, it is vital that companies complete investigations in a timely fashion. If months go by without case resolution, reporters will conclude that the company is not listening or condones inappropriate behaviors. Such a belief could be detrimental to an organization on a number of levels and undermines the effectiveness of compliance initiatives.

7 | Intake Method/ Online Reports

Most companies offer employees the option of making a report to a third-party via a web portal in addition to a helpline phone number. Providing multiple avenues for employees to report is important as some may be reluctant to report via the helpline. The use of online reporting mechanisms has doubled in the last five years with no decrease in report quality. Ensuring that employees are aware of, and are comfortable with, online reporting options is becoming more important.

8 | Report Priority

Not all reports are created equal. Certain allegations require more immediate attention than others, and some require timely escalation to the audit committee or senior leadership. The use of a prioritization system allows companies to react quickly to urgent reports so that they can be handled in a timely fashion. By confirming that cases are being properly categorized companies can not only be more certain that cases are receiving the level of attention that they warrant, they can also ensure that their investigative resources are being optimally utilized.

9 | Report Category

Reviewing the types of reports which are being received provides insight into the efficacy of a company's training and policies by reflecting employees' understanding of what should be reported and when. Although many different categorization methods exist, we roll up reports into five major categories for benchmarking comparison:

1. Accounting, Auditing, and Financial Reporting
2. Business Integrity
3. HR, Diversity, and Workplace Respect
4. Environment, Health, and Safety
5. Misuse or Misappropriation of Corporate Assets



The background of the slide is a close-up photograph of a leaf, showing its intricate vein structure. A large, solid orange rectangle is positioned in the upper right quadrant of the slide. The text 'FYI' is centered within this orange rectangle.

FYI

Hotline Benchmarking Methodology





Hotline Benchmarking Methodology

When considering comparing organizational data to a set of benchmarks, ethics and compliance officers should arm themselves with questions about how those benchmarks were generated and what they really represent.

The primary (and simplest) method that many helpline data providers use to generate their benchmarks is to create averages across a set of metrics, pooling data generally by industry and calculating the average result for each given metric. However, this method does not account for outliers, such as companies with extremely high or low call counts or large/small employee populations.

Rather than viewing an industry as one large company, at NAVEX Global we equally weigh the data of all companies to find the **median** rate among all companies of a given size or industry, which paints a more accurate picture of what's actually happening in that category.

Additionally, because there is always more than one right answer to the question "how many reports should we be getting?" for any given metric, we also provide what we consider to be a healthy range of results. If a company's data falls into that range, even if that data is 10% or more above or below the median industry rate, our opinion is that it is unlikely the data is representative of an issue.

Ethics and compliance officers also need to understand what metrics are being considered in a set of benchmarks. NAVEX Global calculates benchmarks across a set of nine metrics, and applies appropriate calculation methods and filters to the data for each.



In order to prevent skewing by companies with insufficient data, we only use companies with at least ten reports in a given year and at least one report of the type considered for each metric in our calculations. In our Integrity Diagnostic report — our expanded benchmarking service — we review the following:

- Reports per 100 employees
- Anonymous report rate
- Follow-ups to anonymous report
- Overall substantiation rate
- Anonymous substantiation rate
- Case closure
- Web report rate
- Report priority (high, medium, low)
- Allegation category

Obtaining a good set of benchmarks is only a beginning; companies still need to know what trends and outliers mean. If a company's result is higher than a given benchmark, is it too high or is it still within reason? If the result is below a certain benchmark is that good or bad?

As the keepers of the largest helpline database in the world and insight into the data of thousands of companies, NAVEX Global is uniquely positioned to answer these questions. Our experience has demonstrated which factors need to be considered when reviewing a given metric. Utilizing our Integrity Diagnostics service provides our clients with recommendations for how to determine whether an issue exists and what to do to correct that issue going forward.

NAVEX Global knows the importance that the ethics and compliance industry places on high quality benchmark data. This data drives important program decisions and leadership reporting practices. Because of this, and the fact that we have access to the most comprehensive database in the world, we take very seriously our responsibility to clients and the industry to provide the most statistically accurate and relevant benchmarking information possible. Would you want to approach your Board with anything less?

The background of the entire page is a close-up, artistic photograph of dandelion seed heads. The seeds are shown in various stages of dispersal, with some still attached to their stems and others floating away. The lighting is soft, creating a gentle, ethereal atmosphere. The colors range from light beige to a pale, dusty purple, suggesting a soft, overcast sky.

Whitepaper

**Analysis and
Benchmarking:
Maximizing the
Benefits of Hotline
Data**



Analysis and Benchmarking: Maximizing the Benefits of Hotline Data

BY CARRIE PENMAN

President, The Ethical Leadership Group
Advisory Services division of NAVEX Global

Your board and executive management are numbers oriented. Every day they review metrics to assess the organization’s performance. And they know what those metrics mean: higher is better when it comes to revenues, but not expenses.

Lower is better when it comes to safety issues, while higher is better when it comes to customer satisfaction. Experienced ethics and compliance officers will tell you that the most robust source of numbers they have are the data points from their internal reporting systems. But are the numbers effectively measuring anything? And do your executives and board members understand what these numbers really mean?

Meaningful Data

Every year, ethics and compliance professionals gather data from the reports made through their various reporting systems. The way the data is “sliced and diced” may mean the difference between catching a problem early or just having a stack of tables and graphs with little context for you, your Board, and senior executives to interpret. As we conduct program assessments, we continually find frustrated ethics officers and their Boards trying to make sense of all the numbers. They know they received ‘x’ number of reports in one year regarding code of conduct issues, and ‘y’ number of reports on HR-related issues, but without any context – and more specifically, without good benchmarks for comparison – they are missing the kind of perspective that stimulates or quells concern. If the data is not meaningful, then leadership becomes complacent about the program and misses the organizational implications that can be gleaned from well-analyzed data.

Is there an easy way to perfectly mine data so that relevant information is readily at hand? The short answer is no. There are some challenges. And sometimes the analytical process is an art as much as a science. But there are approaches and resources which can dramatically change the way your organization looks at (and benefits from) its helpline/hotline data.

Challenges

The first challenge in helpline/hotline data analysis and reporting is that **there is no right number of total calls or calls about a specific issue type**. Every organization and industry faces different risks, which is reflected in the variety of concerns raised by its employees. Further, even within industries, such as healthcare or manufacturing, there are significant differences.

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“Sometimes the analytical process is an art as much as a science. But there are approaches and resources which can dramatically change the way your organization looks at, and benefits from, its helpline/hotline data.”

Most organizations also have in place multiple mechanisms to address employee concerns that could impact the number and types of issues raised through the ethics and compliance channels. For example, some organizations have a separate 800 number to deal specifically with Human Resources or Equal Employment complaints. In these organizations, we may then find the percentage of Human Resources issues received by the ethics and compliance reporting systems to be lower than those organizations that do not have a separate system because some of these issues will be handled through the alternate reporting channel. Other factors influencing call volume include:

- Workforce breakdown and staffing
- How the reporting system is promoted
- Geographic location of employees (both US and international)
- The organizational culture
- The economic climate

Though we know that there is no right number of reports, we do know that companies receiving too few or too many have reason to dig deeper. An excessive amount of reports may signal real compliance problems or management that is not trusted. A low number of reports may simply mean employees don't know about the channel, or it may mean they fear retaliation if they do report. The most useful data analysis provides context for the reviewer and allows the organization to focus on identified potential problem areas.

Creating appropriate context is the second challenge. Context is often best conveyed through comparisons, trend analysis, or benchmarking against both internal and external data sources. Such analysis looks for significant changes in data over time or deviations from norms.

The Art and Science of Benchmarking

A quick discussion of basic statistics will help frame the discussion of benchmarks and norms. When developing cross-industry as well as industry-specific benchmarks (norms), the best approach is to define acceptable data ranges based on a mid-point (median), rather than calculated averages. Benchmarks based on averages could be skewed by a few large companies, or a few companies with extreme values, that draw the average away from the results of the majority of participating companies. By using the medians and ranges, organizations are better able to recognize unusual occurrences and focus efforts and resources on them. We are now using the sizable NAVEX Global database of industry and cross-industry reports (approximately 370,000 reports in 2012, representing approximately 1,650 hotline/helpline clients), to solidly define these ranges for our clients.

Two Types of Benchmarking

There are two ways to benchmark your reporting system data. The first is to compare data internally within the organization. The second is to compare the data to external organizations both within your industry and across all industries. Each approach will provide valuable insights and each is necessary to understand the full picture.

INTERNAL BENCHMARKING

Internal benchmarking throughout an organization's various businesses and locations provides important context, particularly when observing deviations from the internal norms over time. Here, the sophistication of an organization's case management system will determine how robust the analysis can be – more tracked data, more context, and more opportunity for actionable conclusions. By looking at the data over time, an organization can compare trends, detect trouble spots, and measure the effectiveness of its program.

As noted earlier, a sophisticated case management system, one that allows tracking and analysis of critical data fields, will pay great dividends in evaluating program effectiveness. Most people have heard the phrase "garbage in, garbage out." This old adage applies to reporting system databases as well. The system (and resulting analysis) is only as good as the data entered. Accurate, consistent, and timely entry of data – and most specifically data points concerning case closure and outcomes information – will provide the most reliable analyses. There are two data fields in particular that will yield valuable insights: (1) whether or not the report was substantiated and (2) the case closure time.

Report substantiation rates provide important information on the quality of reports received. A high substantiation rate (typically over 40% of the allegations) indicates that employees know the types of issue that should be reported and are providing enough information to conduct a thorough investigation. There are two factors that would generally lead to a lower percentage of substantiated reports. One factor is the type of methods (or lack thereof) used to educate employees on the reporting process. If employees do not understand the process or the types of issues that should be reported, then the system will be dealing with low quality reports.

Second, a low substantiation rate could be an indicator of a need to review and/or improve the investigation process. One organization we reviewed had zero substantiated allegations during an entire year. While the organization could rationalize this data point by assuming the calls were junk level, a zero substantiation rate is highly unusual. In fact, we urge deeper examination whenever substantiation rates are below 20%. We encouraged the organization with no substantiated allegations to review the investigations conducted that year to ensure that they were properly and thoroughly completed – i.e. effective.

Case closure time is also an important measure of program effectiveness because long case resolution times will cause employees to believe that the company does not take them, or their issues, seriously. Employees are more likely to report genuine issues if their concerns are addressed in a timely fashion. While any organization will have investigations that are complex and take longer to review, best practice organizations close the majority of cases within 30 days. Tracking this statistic by investigating department will also help highlight those areas or departments that may need additional or different resources for timelier case resolution.

TWO TYPES OF BENCHMARKING, CONT.

Another essential aspect of internal benchmarking is the **comparison of different business units, departments, or locations across the total organization**. This comparison allows a better examination of how different parts of the operations are performing in relation to ethics and compliance. If there are more reports in certain areas, it could indicate a need for intervention. When looking at data as a whole, without trending over time or without grouping by organization or issue type, this would not be so obvious. Internal data mining and benchmarking do not always lead to an answer, but they can clarify which questions to ask. This may also lead to questions best answered by external benchmarking.

EXTERNAL BENCHMARKING

There is one question that Boards and executives always ask: How does our ethics and compliance program stack up against those of others in our field? By benchmarking within the industry, an organization can, for example, compare itself against the call statistics reported by its peers. This can inform an organization whether certain allegations are more common in the industry and its various sectors than others, or if the organization itself has higher numbers than its competitors. Using the NAVEX Global database, for example, looking at the number of calls received per 100 employees, we found striking differences just among the various health care sectors as shown in Figure 1.

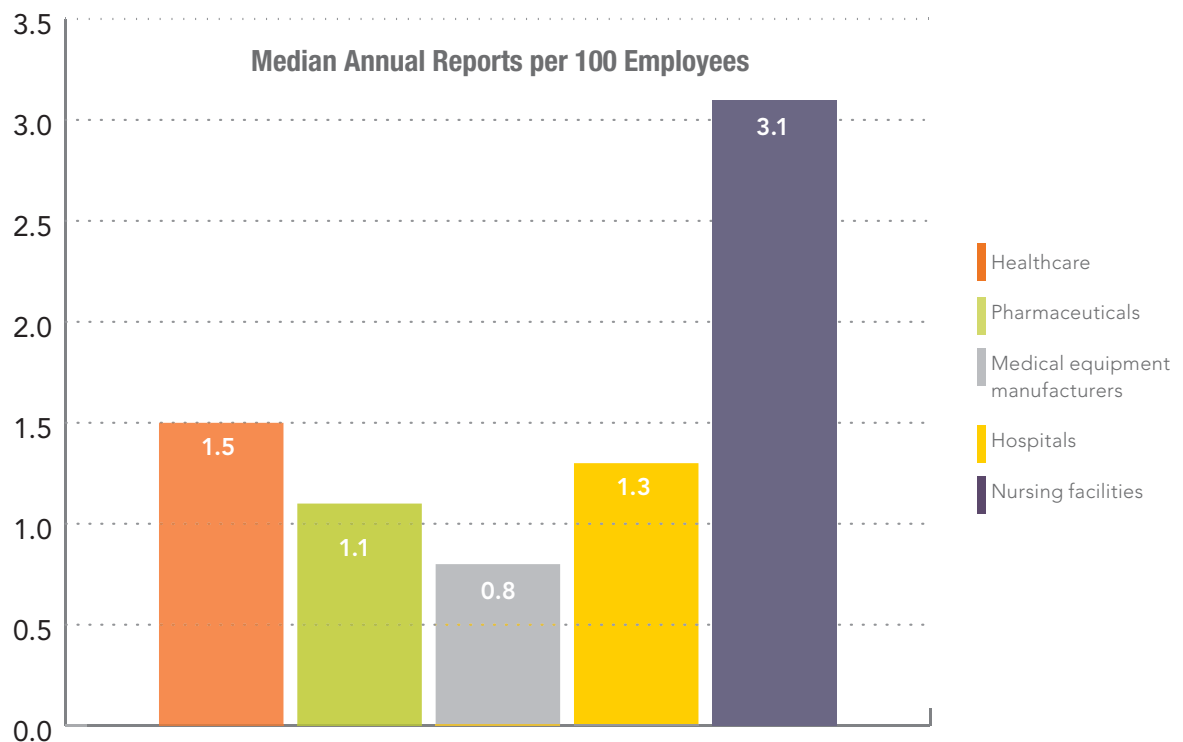


Figure 1: Healthcare Industry Median Annual Reports per 100 Employees, 2012

EXTERNAL BENCHMARKING, CONT.

In addition to looking within your own industry, benchmarking across all industries adds another useful perspective to your data analysis. Here, too, we found striking differences in 2012 as shown in Figure 2.

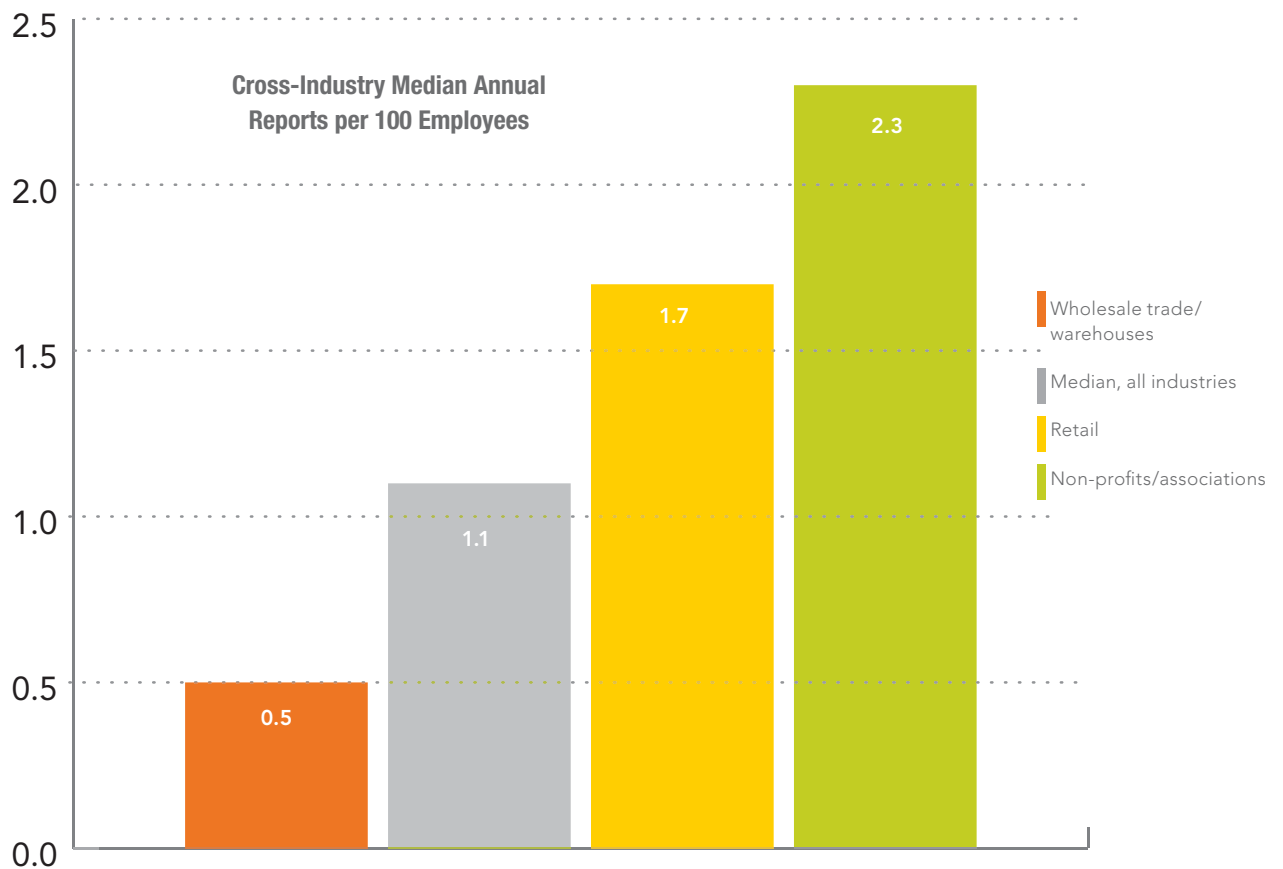


Figure 2: Cross-Industry Median Annual Reports, 2012

Call volume was not the only variable with a wide cross-industry range. There were other data points with significant variability by industry. These include:

- Human Resource issues
- Anonymous reports
- Online reporting
- Follow-ups on anonymous reports
- Case closure time

SPECIFIC DATA COMPARISONS

Internally and externally, there are certain types of data that can be most beneficial to review, including:

- Report volume
- Call categories or types of reports
- Anonymous report rate
- Allegations vs. Inquiries
- Follow-up rate on anonymous reports
- Geographies or locations reporting / not reporting
- Substantiation rate
- Employee levels reporting/not reporting
- Anonymous report substantiation rate
- Characteristics of anonymous calls
- Case cycle or closure time
- Discipline or remediation actions
- Intake method (phone/web/open door)
- Sources and types by groups, locations, business units
- Report priority
- Substantiation rate by investigating department or investigator
- Report category
- High volume spikes in hr related calls
- Source of awareness
- Retaliation cases and outcomes
- Case closure time by investigating department or investigator

SOME SURPRISING FINDINGS

Based on our analysis of the data collected, we discovered some remarkable trends and insights. This is the type of information executives and board members look for as they seek to understand whether or not your compliance program is effective. To better illustrate, consider our findings regarding anonymous reports and repeat reporters.

SUBSTANTIATION RATES: ANONYMOUS VS. NAMED CALLERS

Should we welcome anonymous reports? This topic has long been discussed in the ethics and compliance world. Many assume that anonymous reports are likely to be unsubstantiated. Managers often fear that anonymous reports will be used as a way for employees to make deliberately false allegations against a colleague or boss. Some even argue that anonymity should not be an option when making reports. They say, *“If they aren’t willing to give their name then they shouldn’t raise the issue.”* Our findings regarding substantiation rates of reports from named versus anonymous reporters show a far different situation:

CALL TYPE	MEDIAN
Percent of cases substantiated with a named reporter	40%
Percent of cases substantiated with an anonymous reporter	23%

Figure 3: Case Substantiation Rates for Named Versus Anonymous Reporters, 2012

In 2012, a spread of seven percentage points existed between the substantiation rate of anonymous and named reports. Although this difference exists, one should not overlook the fact that one-in-three anonymous reports were still substantiated. Based on 370,000 reports across all industries, this is strong support for encouraging the anonymous reporting option. This is not an anomaly. The gap in average overall substantiation rate between allegations made by named and anonymous reporters has remained at 7% or less over the last four years, indicating that such reports are valuable and credible.

SOME SURPRISING FINDINGS, CONT.

Based on 370,000 reports across all industries, this is strong support for encouraging the anonymous reporting option. This is not an anomaly. The gap in average overall substantiation rate between allegations made by named and anonymous reporters has remained at 7% or less over the last four years, indicating that such reports are valuable and credible.

SUBSTANTIATION RATES: FIRST-TIME VERSUS REPEAT CALLERS

Anyone who has dealt with Helpline reporters usually has a few stories to tell about certain employees who use the reporting system on a regular basis; some call them 'frequent flyers.' Management and others have typically dismissed repeat reporters as having another agenda or as less credible. Perhaps our most surprising finding was that for those reporters who identified themselves as repeat reporters, (approximately 30% in 2012) these cases were actually substantiated at a higher rate than issues received from first time reporters as shown in Figure 4. *This has been a consistent finding over the last four years.*

REPORTER TYPE	TOTAL REPORTS	SUBSTANTIATION RATE
First Time Reporter	70%	36%
Repeat Reporter	30%	36%

Figure 4: 2012 Case Substantiation Rates for Named Versus Anonymous Reporters

The Case for Benchmarking

Helpline/hotline data is a treasure trove of information about your organization and your compliance program. But data is just that until it is placed into context. The twin tools of internal and external benchmarking work together to extract the most useful information from your data and provide that context. We noted earlier that reviewing the data can be as much an art as a science. The art is to experiment with the types of analyses or comparisons you make. Experimenting with reports on the different variables may yield some surprising and unanticipated results.

With a state-of-the-art case management system, internal benchmarking can be a regular part of your ethics and compliance program, determining trends and adjusting the program to address the issues. By also benchmarking outside of your organization, through industry organizations and groups that aggregate cross-industry data, you can gain critical knowledge about the norms in your industry and in the business environment in general.

Advice and Best Practices

To refine the art of analysis and benchmarking, we offer the following recommendations:

- Use a robust case management system
- Determine your internal norms and ranges; trend this data over time
- Run your data different ways and research any anomalies
- Drill down to locations and businesses; issue types and topics; anonymous calls; substantiated allegations
- Sometimes 'you don't know it until you see it'
- Follow your gut instincts on brewing problems
- Track and report on quality of case management and investigations
- Compare your data against external benchmarks

ANALYSIS AND BENCHMARKING: MAXIMIZING THE BENEFITS OF HOTLINE DATA

Conclusion

Good data analysis and benchmarking leads to more questions: Do we need more training? What about better communication with employees? Should we dig deeper with employee surveys and focus groups? Are our investigations thorough and effective? Does our culture support employees who raise concerns? These are the important questions driving the actions that make your ethics and compliance program effective. And your helpline/hotline data, carefully tracked and reviewed, often provides the early warning signs needed to detect, prevent, and resolve problems before they lead to serious, damaging, and costly outcomes.



ABOUT THE AUTHOR

Carrie Penman is the president of Ethical Leadership Group (ELG), the advisory services practice of NAVEX Global™. She has been with the firm since 2003 after four years as deputy director of the Ethics and Compliance Officer Association (ECO). Carrie was one of the earliest ethics officers in America – a scientist who developed and directed the first corporate-wide global ethics program at Westinghouse Electric Corporation. Since joining ELG, she has conducted numerous program and culture assessment projects for its clients and regularly works with and trains company boards of directors and executive teams. She also serves as a corporate monitor and independent consultant for companies with government agreements.

The Ethical Leadership Group is the advisory services division of NAVEX Global, the trusted global ethics and compliance expert for more than 8,000 clients in over 200 countries. Together, we empower clients to build their business value through informed decisions, elimination of silos and increased visibility to drive revenue. A merger of industry leaders ELT, EthicsPoint, NAVEX Global Services and PolicyTech, NAVEX Global now provides the world's most comprehensive suite of solutions to manage governance, risk and compliance.

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The background of the page is a microscopic image of plant cells, showing large, rounded, yellowish-green cells with distinct cell walls. The cells are arranged in a somewhat regular pattern, with some larger cells in the foreground and smaller ones in the background. The overall color palette is warm, with shades of yellow, orange, and brown.

Article

**Overcoming 4
Challenges of Hotline
Reporting**

OVERCOMING 4 CHALLENGES OF HOTLINE REPORTING

Most companies provide employees with a formal system to ask questions about policies or to raise allegations of wrongdoing. Data from these systems can help a company detect problem issues or locations early and can tell a company a great deal about its culture and risks. However, attempts to turn the data from a reporting system into clear and useful information can present several challenges. These include:

SO MUCH DATA...BUT WHAT DOES IT ALL MEAN?

How many reports is the right number for a company of a given size? Is the fact that 50% of the helpline contacts received by a company are submitted anonymously a good thing or a problem? Should a company in a certain industry be getting so many HR-related reports? Data without context serves no real purpose. But what sort of context is there for this kind of information?

DEMONSTRATING PROGRAM EFFECTIVENESS

What, if anything, does a company's Helpline data say about the effectiveness of its ethics and compliance program? If a lot of reports are received related to a certain kind of issue, does this mean employees have a good grasp of the issue, or does it mean that they are grasping at straws? Was the company's training effective in educating employees about what should be reported and when? Does the fact that very few of the reports received by a company were substantiated mean that few violations are occurring?

RECOMMENDED APPROACH

One solution can help address all of these challenges: benchmarking. There is no "right" number of total reports or reports about a specific issue type. Every organization and industry faces different risks, which is reflected in the variety of concerns raised by its employees. The most useful data analysis provides "context" for the reviewer and allows the organization to focus on identified potential problem areas. Context is often best conveyed through comparisons, trend analysis, or benchmarking against both internal and external data sources. Such analysis looks for significant changes in data over time or deviations from both internal and external norms.

Comparing a company's data to internal historical results can highlight trends which might be indicative of cultural shifts or gaps in training. Robust external benchmarks help companies narrow the scope of their data reviews and provide the context companies need to assess the health of their reporting systems. Finally, a good set of benchmarks can offer insight and foresight, helping company leaders understand where a program's strengths are and where added resources are most effective.

REPORTING MEANINGFUL & ACTIONABLE DATA TO LEADERSHIP

Many Boards of Directors and senior company leaders want to know how their company's helpline data measures up. What's the best way to package the data and present it to the board? What metrics are most telling? What's the best way to use the data to bolster support for the ethics office's current strategic initiatives?

COMPARING PROGRAM PERFORMANCE TO PEERS FOR CONTEXT

Many Boards of Directors, senior company leaders, and ethics officers also want to know how their company's helpline data demographics compare to those of their peer companies. How do ethics and compliance officers answer this question? Where can a company find information about the kinds and frequencies of issues being submitted to other companies in their industry and across industries? Is it more important to compare your company to others in its industry? Does the size of the organization and geography also matter, and if so, how much?



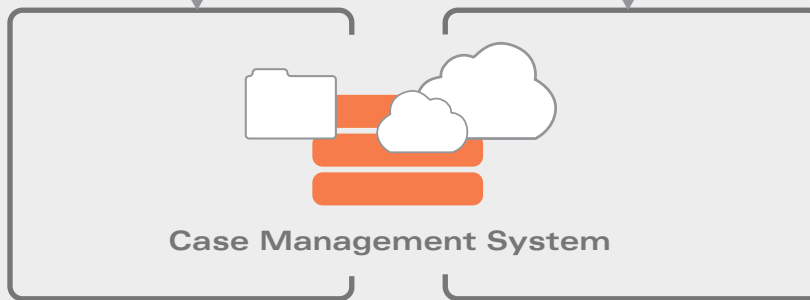
Infographic

**How Hotline
Reporting Informs a
Compliance Program**

How Hotline Reporting Informs a Compliance Program



INCIDENT REPORTING



Identify & Understand Risk





eBook

**The Definitive Guide
to Policy Management**

THE DEFINITIVE GUIDE TO POLICY MANAGEMENT

Assessment tools, best-practice tips, considerations, and more



SUMMARY

If you are looking for a deeper understanding of how to effectively and efficiently manage your organization's employee handbook, code of conduct, and policies and procedures, *The Definitive Guide to Policy Management* is your go-to resource. No matter where you are today in your understanding of policy management, or how effective your current system may be, this guide will close the gaps in your understanding and offer new and practical perspectives and insights. A definitive guide can be a lot to take in, so we have divided ours into three areas of study, each suited for a different user profile. Whether you wear one, two, or all three hats in your organization, these divisions will help you quickly access the information you seek.

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VISIONARY

For the visionary seeking a deeper understanding of policy management, the first area of study examines the purpose of policies and provides an elevated perspective on policy management to help you determine the best course of action for your organization.

Policy Management Redefined: Forget What You Thought You Knew

1.1 THE PURPOSE OF POLICIES

Policies are the backbone of your business. At their best they are a dynamic body of shared knowledge used to strengthen, support, and protect your company's success. Ensuring that you have the necessary policies and procedures in place—and enforced—will help you accomplish your organization's strategic vision while protecting its people, reputation, and bottom line.



“Policies and procedures are the strategic link between the company’s vision and its day-to-day operations.”

Ingrid Fredeen, Vice President,
Advisory Services, NAVEX Global

Your company’s vision, mission, and values serve as a clearly visible “north star” for policy development. Policies drive the various facets of corporate culture—ethical, social, professional, and legal. They should reflect and support the organization’s vision as well as its desired attitudes toward performance, including a culture of compliance.

Supporting the organizational vision by creating, maintaining, communicating, and training on your policies requires a significant effort. If your team becomes buried by onerous administrative tasks, you and they may have a tendency to begin regarding policies like some employees do—as a necessary evil and an inconvenience. Your team cannot afford to think this way; they must champion the idea that policies can and do change behavior, alter decision-making, and serve many vital purposes within the organization.

10

PURPOSES OF POLICIES

- 1 To convey the organization’s mission and enable the execution of its strategy
- 2 To ensure that employees clearly understand expectations and consequences
- 3 To influence employee behavior and decision-making
- 4 To create a positive and respectful workplace
- 5 To foster credibility and trust with customers and business partners
- 6 To improve productivity and business performance
- 7 To meet all legal standards required to operate
- 8 To protect the organization, its people, its reputation, and its bottom line
- 9 To avoid litigation and mitigate risk
- 10 To prevent, detect, and respond to criminal conduct

Training employees on the critical importance of company policies can have a positive impact on their perspective and attitudes toward policies and influence their behavior. One of the most effective ways to communicate the importance of policies is to promptly investigate allegations and enforce policies when violations occur. When employees observe company policies being swiftly and consistently enforced, it sends a clear signal about management’s attitudes toward policies and the consequences of their violation. It is critical that executives set the tone from the top about the value and the importance of abiding by company policies.

1.2 HIGH STAKES

In 2012 more than 4,000 federal rules were scheduled and more than 3,000 existing labor laws existed on the books. In the past 15 years, employee lawsuits have risen 400 percent, with half of those suits won by the employee.

The stakes are high when it comes to having the right policies and maintaining them. With the continuous growth of legal and regulatory requirements, complex business operations, global expansion, and employee litigation, it is certainly no surprise that companies need a well-thought-out approach to policy implementation and management. But what may be surprising to many is that a recent survey indicated that 66 percent of companies felt they had little or no control of their policies.

Are you one of those companies? Below is a short poll to help you consider the strength of your organization's current system.

Did You Know?

The average court award for employee lawsuits was \$493,000 before punitive damages and attorneys' fees, and out-of-court settlements average \$311,000.

Can you answer yes to the following questions?

- 1 **Do you know the last time your complete business policies came under review?**
- 2 **Are each of your policies reviewed periodically by Legal to ensure compliance with current laws and regulations?**
- 3 **Do you know who creates your policies as well as the standards and the methods used to implement and enforce them?**
- 4 **Do you maintain meticulous attestation records indicating that your employees have read and understood the policies that apply to them?**
- 5 **Can your employees find the most current version of any assigned policy in less than three minutes?**

If you cannot readily and definitively answer yes to these questions, your organization could be exposed to significant risk.

The following two case examples highlight the importance of keeping policies current, reviewing their content, and documenting how often employees are trained on or reminded of a given policy.

CASE
STUDY

1

In 2009 a large restaurant company was fined more than \$1 million for gender-based discrimination under Title VII of the Civil Rights Act of 1964.

The company had a longstanding policy (established in 1938) that banned the hiring of men as food servers. The company maintained the same policy for 39 years following the enactment of Title VII, until the discrimination charge was filed in 2003. It stands as an extreme example of failing to review and update policies but a powerful one nonetheless. An examination of Equal Employment Opportunity Commission cases reveals countless similar examples of organizations penalized for failing to update “longstanding” policies.

On the other hand, organizations that approach policy management strategically and exercise ruthless discipline with respect to their policies will yield returns in organizational alignment, corporate culture, and ultimately their bottom-line results. Not only that but when incidents occur or regulators come knocking, your organization will be prepared.

In 2012 the US Department of Justice (DOJ) declined to prosecute Morgan Stanley when employee Garth Peterson violated the Foreign Corrupt Practices Act (FCPA). The following DOJ statement explains the decision:

CASE
STUDY

2

“Morgan Stanley’s internal policies, which were updated regularly to reflect regulatory developments and specific risks, prohibited bribery and addressed corruption risks associated with the giving of gifts, business entertainment, travel, lodging, meals, charitable contributions and employment. Morgan Stanley frequently trained its employees on its internal policies, the FCPA and other anti-corruption laws. Between 2002 and 2008, Morgan Stanley trained various groups of Asia-based personnel on anti-corruption policies 54 times. During the same period, Morgan Stanley trained Peterson on the FCPA seven times and reminded him to comply with the FCPA at least 35 times. Morgan Stanley’s compliance personnel regularly monitored transactions, randomly audited particular employees, transactions and business units, and tested to identify illicit payments. Moreover, Morgan Stanley conducted extensive due diligence on all new business partners and imposed stringent controls on payments made to business partners.”

In addition to maintaining existing policies, assessing and keeping up with the pace of change in your particular business environment should be a priority. Given the staggering pace at which business conditions evolve, policies and procedures must reflect current realities. Asking some key questions will help ensure that your policies are aligned with constantly—and rapidly—changing business conditions.

Keeping Up with the Pace of Change: Questions You Can Ask

Workforce

Has the nature of your workforce changed?

Has the way your employees do their jobs changed?

Operations and Business Structure

Have there been changes to products, services, or delivery methods?

Are you now outsourcing certain jobs?

Have certain departments taken on additional responsibilities or oversight?

Have your operating budgets changed?

Are you offering customers new ways to pay?

Leadership

Do your policies reflect shifts in direction resulting from new leadership?

Technology

Do your policies reflect technologies currently in use?

Do employees use their own tech devices to perform their job functions?

Is your business technology keeping pace with your customers' technology?

Compliance and Legal

Are your policies completely in accord with new laws and regulations?

Is your policy language clear and explicit?

Have employees attested to these policies with electronic signatures?

Not having policies is akin to driving without automobile insurance. It is both against the law and extremely risky. No matter how safe a driver you are, at times you will be unable to escape the bad driving of others. In organizations it is only a matter of time before someone makes a mistake. If appropriate conduct has not been outlined, published, and communicated, the accountability and the liability of the action will fall on the organization.

1.3 POLICY MANAGEMENT REDEFINED

Policies, procedures, codes of conduct, and employee handbooks have existed for ages, but the art of “policy management” as a business practice is relatively new. In large part the prevailing understanding of policy management solutions available today has been shaped by solution vendors. Unfortunately, many vendors limit the scope of policy management to the challenges their solutions can favorably address.

In so doing they ignore important aspects of policy management.

A simple vendor definition of policy management might sound something like this: “Policy management is all the practices associated with managing your organization’s policies from draft to implementation, including the collaboration, communication, storage, and documentation at key stages of the life cycle.”

Policy management redefined applies the lens of the visionary, the practitioner, and the strategist at the same time: *Policy management is the art of enabling and empowering your organization to achieve its strategic vision by implementing safeguards that facilitate day-to-day operations by preventing, detecting, and responding to risks.* Later in this

guide, you will learn about how a vision statement or declaration document helps lay the groundwork for policy creation (see Section 2.2: Laying the Groundwork for Policy Development).

Modern policy management takes into account the elevated purpose of policies and the critical role they play in protecting an organization. Effective policy management—with strong, well-managed policies integrated across the business—sets forth standards for individual and business conduct that result in improved performance and enhanced corporate culture.

Once transformed, your policy practice will fulfill multiple functions:

- Communicate your company’s vision, mission, and strategic plan
- Articulate and build the desired culture
- Drive standards for individual and business conduct
- Shape, guide, optimize, and protect performance at every level
- Help ensure regulatory compliance
- Minimize risk by reducing litigation and liability

Ultimately, organizational leaders have a responsibility—legal, financial, and ethical—to make policy management a priority. But to get there—to transform your policy management practices—there are seven key steps:

- 1 **Assembling a team and assigning key roles and responsibilities**
- 2 **Laying the groundwork for policy development**
- 3 **Learning how to write effective policies**
- 4 **Managing policies throughout the life cycle**
- 5 **Assessing your current approach**
- 6 **Comparing alternatives for improvement**
- 7 **Determining a course of action and implementing it**

The remainder of *The Definitive Guide to Policy Management* is designed to help you understand each of these steps in greater detail. Section 2 provides practical how-to steps for getting started, writing policies, and managing the policy life cycle.



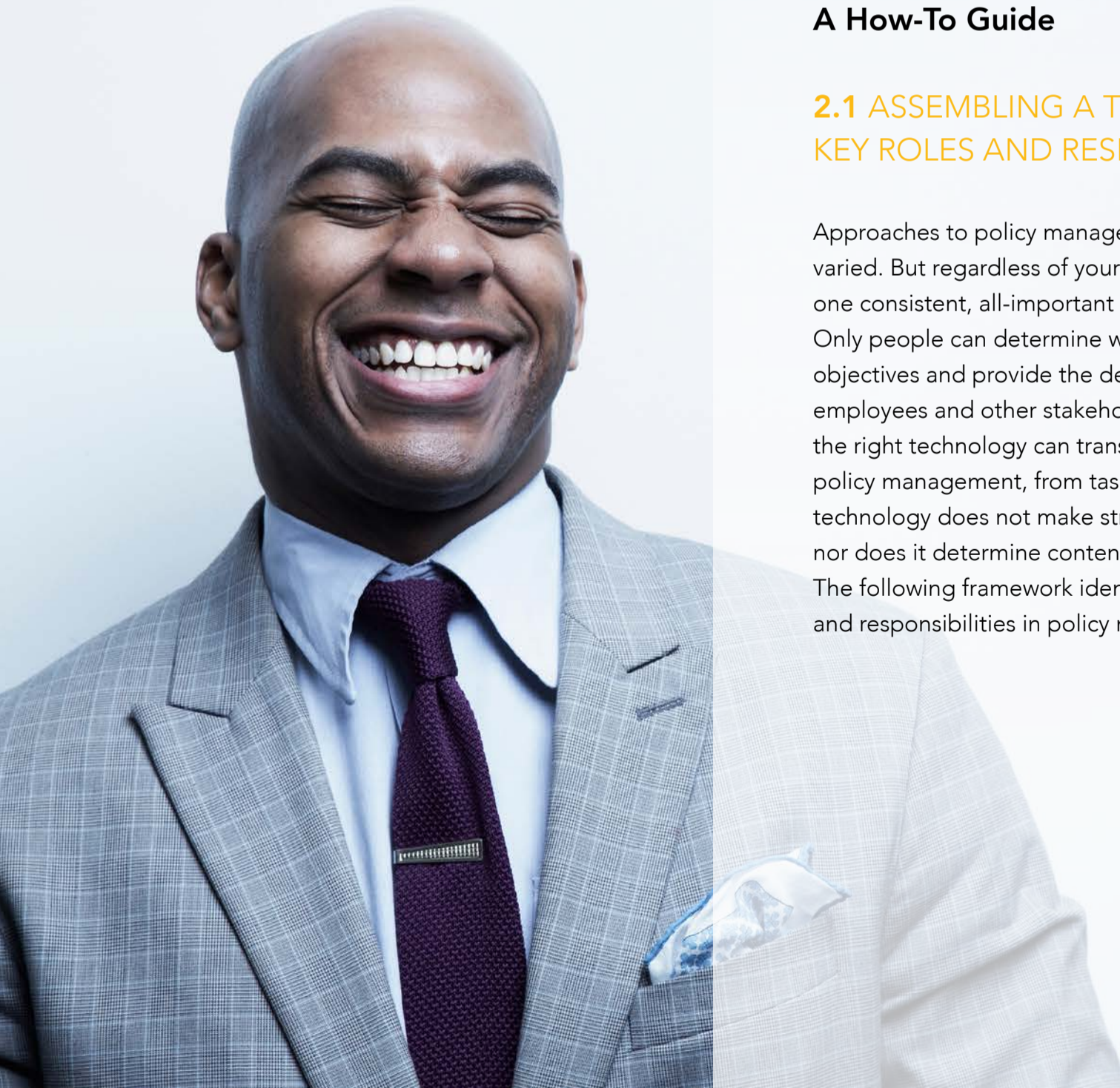
PRACTITIONER

For the practitioner who is in the trenches day in and day out, the second area of study provides instructions on how to get started, lay a foundation for success, and effectively manage policies at every stage of the document life cycle.

Policy Management Practices: A How-To Guide

2.1 ASSEMBLING A TEAM: KEY ROLES AND RESPONSIBILITIES

Approaches to policy management are many and varied. But regardless of your approach, there is one consistent, all-important element: people. Only people can determine whether policies meet objectives and provide the desired safety net for employees and other stakeholders. And while the right technology can transform the nature of policy management, from task-based to strategic, technology does not make strategic decisions nor does it determine content. Your people do. The following framework identifies the key roles and responsibilities in policy management.



FORMING A POLICY OVERSIGHT COMMITTEE

A Policy Oversight Committee of senior leaders and other key policy stakeholders is responsible for developing and implementing policies, procedures, and controls throughout the organization. The committee ensures alignment with the organization's vision, mission, and values at the heart of its business. These leaders also set a tone of enterprisewide respect for policy practice by making policy management a priority worthy of time and resources.

“Someone has to be given responsibility for managing the centralized process. It can't be an untended garden; it's a labor of love to do a great job managing policies.”

Ingrid Fredeen, Vice President,
Advisory Services, NAVEX Global

Who Should Sit on the Policy Oversight Committee?

Generally speaking, a Policy Oversight Committee comprises individuals representing the following groups:

- **Senior leaders with governance responsibilities who monitor and approve policies**
- **Leaders representing key areas connected to policy implementation, including Compliance, Legal, Risk, Information, Security, Quality, and Human Resources**
- **Leaders of broad employee segments affected by the policies**
- **Policy administrators with oversight of the policy and procedure process**

The Policy Oversight Committee delegates roles and responsibilities to any number of individuals and groups of policy stakeholders.

Document control administrators

(also known as policy coordinators) are system controllers in charge of all system functions, particularly when a company uses policy management software. The best document control administrators are effective trainers and skilled facilitators because they are responsible for guiding others through the policy creation process.

Document owners and authors

monitor the implementation and the life cycle of the policy from the time it is enacted. The owner is typically the same as the author, although separate people who work closely together may be employed to author and then own the policy. Document authors write a policy and manage the various stages of its revision. It is essential that the author is well versed in issues relevant to the policy (especially laws and regulations) and capable of producing a clear, direct, complete policy document.

Reviewers

are assigned by the document owner and have the option to accept, reject, or revise a policy under review. Reviewers evaluate existing and new policies during all stages of the policy management life cycle.

Approvers

have similar responsibilities to reviewers, but they also have the authority to give final sign-off when a policy meets the criteria to be enacted. A reviewer may or may not also act as an approver.

Additional stakeholders

are often called upon by the document owner or author to take part in the development process, including research, brainstorming, and the creation of policy outlines. These additional contributors may include subject-matter experts, employees affected by a given policy, or nonemployees who are integrally linked to operations (such as government agencies, creditors, or unions). There are also additional roles to consider:

Proxy authors write documents on behalf of a document owner who may be too busy but needs to maintain ultimate responsibility for the document.

Collaborators are content or subject-matter experts who can help write sections of the document pertaining to topics that are unfamiliar to the document owner.

Translators translate documents into other languages before they are approved.

Brainstorming Committees can be helpful to the process with the use of surveys, small-group meetings on specific topics, and policy management software.

Other responsibilities include distributing policies and managing the promotion or awareness efforts around the policy release. Policies that represent areas of particularly significant risk to people or the organization should be carefully implemented with training programs, include assessments to measure comprehension, and require attestation of readership by employees. Finally, someone on the team needs to bear ownership of maintaining critical documentation for audit and reporting purposes.

DOCUMENTING THE POLICY DEVELOPMENT PROCESS

BEST PRACTICE

At every stage of policy development, it is critical that you maintain records documenting the participants and their roles in the process. This includes setting milestones and deadlines to ensure that each participant brings the expected level of expertise to the table.

With a clear understanding of policy management roles and responsibilities, you are now ready to lay the groundwork for policy development. Next we discuss the importance of a meta-policy, key terms, and how to prioritize your policy creation and review efforts before you begin writing.

2.2 LAYING THE GROUNDWORK FOR POLICY DEVELOPMENT

As with any management practice, you should have a strategic approach that serves as a foundation for every step that follows. The first step should be a vision statement or declaration document that serves as a reference point for policy creation.

If you have policies or procedures that do not support your vision, they should be eliminated or modified, or your vision should be modified to reflect them.

BEST PRACTICE

The Declaration Document



The following is an example of a declaration document formerly used by PolicyTech.™

Vision Statement

Defines success for your organization

Our vision is to be the leading global provider of policy and procedure management software and to increase business efficiency and profit maximization for our clients.

Mission Statement

How you will accomplish your vision

We will accomplish our vision by developing and supporting user-friendly, flexible, and comprehensive policy and procedure management software.

Quality Policy

Also known as core values or guiding principles—the attributes that you believe to be essential to fulfilling your mission and realizing your vision

At PolicyTech™, IMAGE is everything.

- Instant customer service
- Manageable project implementation
- Appealing product design
- Genuine concern for customers and employees
- Expert and friendly staff

The Meta-Policy: Creating a Policy on Policies

Among a Policy Oversight Committee's chief tasks is creating a policy on policies, sometimes called a meta-policy, that establishes the approach to the policy life cycle from creation, review, and approval to distribution, tracking, and updating. Defining consistent guidelines and processes for creating and managing corporate policies is critical to having policies that consistently work toward the achievement of your vision.

“A policy should not be able to get into the central repository unless it follows the meta-policy, so you have that nice circle of control.”

Lisa Hill, President, PolicyScape Consulting, and Co-Chair, OCEG Policy Management Group

A meta-policy explains, in general terms, the factors that should be considered when creating and implementing new policies. This overarching policy may also prescribe where a policy is stored, the duration that a policy remains active, when it must be reviewed, and instructions for standardized formatting.

A strong policy management framework includes a Policy Oversight Committee, a policy on policies, and overarching guidelines for policy development.

Policy Management Glossary

As you get ready to draft policies, it is important to understand some key terms that often cause confusion. Here are some fundamentals.

policy

A document that contains several related policy statements

policy statement

An overarching, broad-stroke statement of what an employee or other resource will do (but not how to do it)

processes

General outlines that describe the steps needed to accomplish a major function, objective, or task identified by a policy

procedures

Detailed step-by-step outlines that describe how to accomplish the tasks needed to support a process or policy

quality record

Information generated that measures the quality of the completed process or procedure

Prioritizing Documents

As a rule of thumb, policies are necessary when they define organizational values or mandates, address regulatory obligations, or manage potential risk or liability. Keep in mind that too many policies burden the organization and too few expose it to unnecessary risk. It helps to prioritize which policies you will develop (or revise) first. The following questions should be considered as you prioritize your policy development efforts. This list could be used to prioritize the order in which you tackle policy creation or updates, or it might be used to identify policies that can be consolidated or eliminated altogether.

20

Questions for Prioritizing Policy Development Efforts

- 1 Does the document communicate executive direction such as vision, mission, values, or objectives?
- 2 How critical is the document to achieving your vision, mission, values, and goals?
- 3 How integral is the policy to the success, support, and enablement of daily operations?
- 4 How urgent is the need for written directions on this particular subject?
- 5 How unclear or complex is this issue to the average employee?
- 6 How often will employees refer to the document?
- 7 Is the policy integral to establishing or shaping your culture?
- 8 How many employees are affected by the policy?
- 9 What are the potential consequences of not having the policy or of its being outdated?
- 10 Is this policy critical to workplace health or safety?
- 11 Could the lack of this policy result in harm to people?
- 12 Could the lack of this policy halt or slow operations?
- 13 Is the policy required or recommended by local, state, or federal law?
- 14 Have recent events necessitated changes to or creation of a policy?
- 15 Is the policy required for regulatory compliance?
- 16 Is the policy required for a certification audit?
- 17 How probable or likely is an incident or violation of this nature to occur?
- 18 How serious would the ramifications be if an incident arose and no policy existed or a policy was outdated?
- 19 Would the policy resolve existing challenges?
- 20 Might the lack of the policy lead to reputational damage or misrepresentation by an employee?

5 Tips to Ensure That Policies Meet Long-Term Compliance Goals

- 1 **Align policies with compliance, assurance, and risk governance objectives.**
- 2 **Align and update policies based on shifts in the regulatory environment.**
- 3 **Define who is accountable throughout the policy life cycle.**
- 4 **Ensure that employees understand and adhere to policies.**
- 5 **Identify and address gaps in compliance and policy exceptions.**

With clearly defined roles and a strong framework in place, you are ready to begin writing and editing policies. Follow your priorities and work toward your policy objectives. Continually evaluate whether your policy development efforts are in alignment with the organization's strategic objectives.

2.3 THE POLICY MANAGEMENT LIFE CYCLE: HOW TO WRITE EFFECTIVE POLICIES

“Creating policies is not—nor should it be—a routine. Processes may need to meet highly specific regulatory requirements, create a corporate ethos, or back up social responsibility statements.”

—Ben Kerschberg, *Forbes* magazine

The Six Stages of the Policy Management Life Cycle

- 1 **Create**
- 2 **Review**
- 3 **Approve**
- 4 **Distribute**
- 5 **Track**
- 6 **Update**

The Basic

Elements of a Policy

What Every Document Needs

Policy title to simplify references to the policy

Rationale that briefly states why the policy exists or why a new policy is replacing an old one—with a focus on how the policy benefits the company and the user

Definitions, including key words and terms, to guard against ambiguity and misinterpretation

Scope statement that stipulates whether the policy is limited to individuals in certain roles or with certain responsibilities or whether it applies more broadly to departments or the entire organization

Related documents that provide context and background, including links to those documents

Key dates to identify when the policy was written, implemented, or altered

The First Stage in the Policy

Management Life Cycle: Create

Policy creation is the first of six stages in the policy management life cycle. The first stage focuses on how to write a policy draft—specifically, the important elements of a policy, the process, the writing style, the look and feel, and legal considerations. Section 2.4 we discuss the subsequent stages in the life cycle.

The Writing Process

1. Research

Before beginning to write, the policy owner—and writers assigned to the policy—should gather relevant information from a broad range of perspectives, both internal and external.

Internal

- Employee feedback
- Risk assessment
- Incident reports in the case management system
- Quality/compliance feedback
- Governance feedback

External

- Legislation
- Regulations
- Customer feedback
- Best practices
- Example policies from other compliant organizations

2. Brainstorm

Key stakeholders and subject-matter experts may meet to discuss and further define a policy or procedure's purpose, presumed audience, strengths and weaknesses, metrics for evaluation, and impact on other policies and procedures.

3. Outline

After researching and brainstorming the content with stakeholders and subject-matter experts, it is time for the owner or author to take the information researched and brainstormed and create an outline. The outline should reflect the different perspectives and feedback shared by stakeholders and subject-matter experts.

BEST PRACTICE

Consistent Terminology

Part of achieving clarity is using consistent language and terminology. Terms such as *web*, *Internet*, and *online* are often used interchangeably. Your IT people know the difference; make sure those on the Policy Oversight Committee do, too. Pick one term for what you mean and use it consistently throughout all company policies.

Writing Style

Policies should be direct, without room for interpretation, but they should never come off as hostile or condescending. Policies should be written in the same professional voice, regardless of the target audience.

The importance of clarity cannot be understated. Conflated, convoluted, circuitous statements thick with jargon will impress a point on no one. Policy content must be unambiguous, grammatically correct, and error-free to be certain that the policy means what it says and says what it means.

Below are some suggestions and legal considerations for writing style.

- Make sure wording is clear, precise, and easy to understand.
- Ensure that policies and procedures are complete, in proper order, and accurate.
- Do your best to know the applicable laws and regulations—and make sure the policy complies.
- Consider the informal and unwritten rules as well.
- Policies and procedures must be worded carefully. For example:
 - Avoid promissory language. The word *will* means that you are committed to that position or action. The word *shall* is the strongest legal commitment you can make.
 - Watch out for “weasel words” such as *can*, *may*, *must*, *ought*, *could*, *should*, and *might*.
 - Watch out for absolutes such as *always* and *never*.
 - Never use wording that restricts the organization’s ability to act or that unwittingly forms a contract.
 - Reserve the right to make changes.
- Be prepared to enforce whatever you write. If you write something without intending to enforce it, you are better off not writing it.
- Clarify who is required to read and follow the procedure.
- Make sure you are clear about who is responsible for each step in the procedure.
- Be specific about the consequences of noncompliance.
- Consider if the procedure is written in a safe, reasonable, and fair manner.
- Do not allow policies to become obsolete or inapplicable under a regulatory or legal regime.
- Always remember the policy and procedure motto: *say what you mean—and do what you say!*

Formatting: Looks Matter

It is important to use a standardized format for policies. Formatting discrepancies are confusing. They can give the impression of being outdated or disconnected from one another. If you really want readers to become engaged in the document, you must be cognizant that people are attracted to clean, well-designed documents just as they would be to an effective advertisement. White space is appealing, so don't try to cram too much text into a small amount of space, or you will find people tuning out the message.

Which Document Would You Rather Read?

A

or

B

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Mutationem Consuetudium Lectorum

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Fortunately, you don't have to be a graphic designer to create engaging documents. Here are some tips for improving a layout:

- Break up sections with headings and subheadings.
- Use bullets or numbers to define a list.
- Include images, tables, flowcharts, graphs, and quotes.

Policy management software helps control the look and feel of policies by providing and restricting document creation to templates you have created or uploaded, to ensure consistent formatting across the organization.

The following page is a basic template example.

{Title}

Introduction paragraph could go here. Text goes here. This is where one could type a complete paragraph describing the introduction. Text goes here until you have a complete paragraph of text to work with. Text goes here and lots more text goes here until you have a complete paragraph of text to work with. Text goes here until you have a complete paragraph of text to work with.

Main topics could go here:

Text goes here until you have a complete paragraph of text to work with. Text goes here until you have a complete paragraph of text to work with.

- Text goes here until you have a complete line of text to work with.
- Text goes here also.

11

Commandments of Policy Formatting and Writing

Thou shalt...

- 1 Use the same template for each policy so that employees know where to look for key information.
- 2 Limit policies and procedures to one or two pages. If more pages than that are required, consider dividing up the policy or procedure into smaller topical areas.
- 3 Put new policies or procedures on a separate page instead of front-to-back. While putting policies and procedures in a booklike format may require fewer printed pages, it will confuse readers and look intimidating. It is not effective.
- 4 Use bullets and lists to organize information. This makes the document easier to follow.
- 5 Make sure the title describes the policy or procedure and distinguishes it from similar documents.
- 6 Keep sentences short. A good rule of thumb is a maximum of 21 words. One study showed that sentences with 33 words or more lost two-thirds of the readers.
- 7 Keep paragraphs short. Long paragraphs are intimidating and hard to read. Four or fewer lines is optimal, if possible.
- 8 Keep lines short. Text lines that run on forever are hard to follow. If possible, consider formatting the policy to 30 characters wide.

Thou shalt **not**...

- 9 Use long words. Long words hurt readability. A good rule for words of three or more syllables is to use them sparingly—if at all.
- 10 Write in the passive voice. Use active verbs to make the reader more accountable and the writing more interesting and easier to comprehend.
- 11 Use vague modifiers such as *proper*, *relevant*, *appropriate*, *timely*, *normal*, *sizable*, and *small*. These modifiers create more questions than answers. Be specific. For example, when explaining size directions, you wouldn't say, "build a large fence." Rather, you should give specifics such as "build a 6-foot-high fence."

With a policy draft completed, it is time to circulate the document among key stakeholders for review and feedback. Section 2.4 takes you through the remaining stages of the policy management life cycle: review, approval, distribution, tracking, and updating.

2.4 MANAGING THE POLICY LIFE CYCLE

Best Practice: Administrator Accountability

To ensure that policies align with your governance principles and the meta-policy, a document control administrator should oversee the entire policy life cycle for all policies, including drafting, reviewing, and editing policies before final approval, distribution, and training.

Review and Approval: Embracing a Continuous Process

Policies proceed through a number of iterations before they are published. Rarely, if ever, does the first draft of a policy meet the criteria for approval. In fact, this should not be the goal. To develop a strong, effective policy system that supports, advances, and protects your business, policy development must be viewed as an ongoing process that requires careful attention, time, and resources.

With a draft complete, the owner submits a document to the reviewers. Reviewers ensure accuracy, completeness, and alignment with the pre-established guidelines of the meta-policy. If necessary, reviewers provide suggestions on how to improve the process or procedure, recommend ways to better communicate ideas in the document, and identify and correct errors.

The review cycle can be laborious. Reviewers may have differences of opinion, miss deadlines, or fail to provide feedback at all. The policy owner has to work with them to collect and consolidate feedback, reconcile disagreements, and make requested changes. Some documents require several rounds and varying levels of review. For example, first-round reviewers might edit the document for content and readability, second-round reviewers might ensure legality, and third-round reviewers might look at strategic alignment.

Once reviewers have signed off on a document, it is forwarded to those with the authority to approve it for publication. The approval stage can also result in a few iterations, but typically by this stage most major changes have been made and only minor changes are necessary. Upon approval, the policy is official and part of the company's greater body of policies. Approval also transforms the policy into a legal document in the eyes of the law. But simply creating, reviewing, and approving a policy is only half the battle—you still need to distribute, track, and, when necessary, update it.

BEST PRACTICE

LEGAL REVIEW

The organization's legal experts should review policies to ensure that they reflect current laws and regulations. Every one of your company's policies should hold up under legal and public scrutiny. If a policy seems only marginally defensible, you are inviting liability, litigation, and risk by implementing it.

Distribution

You cannot simply publish a policy and expect employees to read it, understand it, and refer to it as needed. Employees must be notified, reminded, and directed where to find policies and any actions required.

Before rolling out new policies, the document control administrator will develop a dissemination strategy to advise employees that policy changes are forthcoming and, if necessary, prepare them to adjust to those changes.

Audience

Keep in mind that not every policy needs to go to every employee. Determining the relevant “audience” can help prevent policy overload caused by overwhelming users with information that doesn’t apply to them. Too much information can be confusing and may lessen an employee’s retention of policies that are required.

Methods of Distribution

There are three common methods of policy distribution:

- Printed copies (binders or manuals) delivered physically to the employee
- Electronic copies hosted on an intranet, shared drive, server, or hard drive, with manual e-mail notifications for delivery
- Electronic copies hosted on policy management software, with automated e-mail notifications and reporting

Three Methods of Distribution: Pros and Cons

	Pros	Cons
Printed copies	<ul style="list-style-type: none"> You make a personal impression about how important the document is at the time of delivery. While handing out the document, you can answer questions people may have. People have a copy of the policy or procedure for easy reference. The policy is tangible and visibly present. 	<ul style="list-style-type: none"> The method is time consuming. There is a cost of manual distribution in employee time. There is a cost for paper and binders. Hard copies are often filed or discarded. Changes require a new handbook for each employee. Maintaining hard-copy policies discourages frequent updates. Obtaining signatures on thousands of documents can be impractical, if not impossible.
E-mailed copies	<ul style="list-style-type: none"> Appropriate staff members receive a digital copy to which they can refer. Distribution is much faster than hand delivery or shipping. The cost of printing or photocopying is reduced and in some cases eliminated. 	<ul style="list-style-type: none"> It may be difficult to find where a document is stored or saved. There is a risk of employees referring to outdated document versions. Extensive tracking is needed to confirm that e-mails are sent to the right people, especially new hires. Using e-mails as proof that documents were read may not stand up in court (see <i>Campbell v. General Dynamics</i>)
Software	<ul style="list-style-type: none"> Readers are automatically assigned to procedures based on roles, job titles, or their departments. New employees receive instant, ongoing notification of required readership tasks based on their job description. Employees are required to attest electronically that they have read and understood the document. Quizzes can measure individual reader comprehension. Real-time reports show who has read which documents. Employees can easily find policies at any time, at any location, with advanced search capabilities. 	<ul style="list-style-type: none"> The cost of software may be a factor. <p>Compare costs by downloading our free ROI Case Study</p>

Ongoing Accessibility

Distribution should inform users how to gain speedy and continuous access to policies through a central repository. Access is critical to ensuring effective implementation across the organization. When employees cannot quickly find what they are looking for, they will give up and do what they think is best—or they will ask someone else, who may not truly understand the policy either. Neither option leads to a standardized quality of services or product.

The following are some recommendations, depending on the type of system you will be setting up.

Paper/Binders	Intranet/Network Posting	Software
<ul style="list-style-type: none"> • Have a set of binders in each department. • Try to keep in that department only the documents that apply to those employees. • Maintain a current table of contents for each department in each binder. • Make sure titles of documents are self-explanatory so that employees can find them (with most-searched-for words at the beginning of the title, if possible). • Exchange newly approved policies or procedures for outdated ones as quickly as possible to avoid different employees following different, possibly conflicting, procedures. • Remove outdated copies from binders and archive them. • Archiving is best done in a secure area. A fairly large bookshelf that can hold many binders is required. • Keep tables of contents in archived binders current in case of audit or lawsuit. • Keep archived policies and procedures for at least seven years (some suggest much longer for sensitive policies). • If you have regulatory guidelines with which you must show policy compliance, it helps to create a spreadsheet with each document linked to each regulation with which it complies. 	<ul style="list-style-type: none"> • Design a site or folder structure that is easily navigable. • Although it may require posting duplicate documents in different folders or pages, it will be easier for employees if you can guide them to a folder or page that is customized for them. • Ideally, you will have a search tool. • Make sure the title contains relevant key words so that employees can search for and find it. • Add new documents as approved. • Make sure you remove all outdated copies. • Create a policy that your IT team will agree with, where they post new policies or procedures at a certain time on a daily or weekly basis. • Maintain a binder/bookshelf structure similar to that for a paper-based system because you will need to keep hard copies of all approved policies and procedures. • Use a spreadsheet to link to regulatory guidelines. 	<ul style="list-style-type: none"> • Ensure that the software is easy to navigate (or it won't be used). • Make sure documents can appear in multiple folders so that you can point staff to just the one that applies to them. • Have a powerful search tool, by title, key word, and full-text. • Software should automatically publish new policies when approved and notify relevant employees. • Software should have a compliant electronic signature system to avoid having to keep hard copies outside the system. • Software should automatically archive old policies when new ones are approved. • Software should link documents to regulations and be easy to retrieve by regulation.

Whichever method you choose, having a centralized policy management system that enables you to automatically search, catalog, and archive documents will minimize your frustration and risk.

“Policies are the vehicles that communicate and define values, goals, and objectives so that culture does not morph out of control. But the policies must also be well managed so that they are both effective and efficient tools to help the organization stay on the path it chooses.”

Michael K. Rasmussen, JD,
OCEG Fellow, CCEP, GRCP,
CISSP, Chief GRC Pundit, GRC
20/20 Research, LLC

Training

It is important that you have an effective process for educating employees about the policies and procedures they are responsible for following.

To solve this problem, IT research and advisory firm Gartner suggests a five-step closed-loop process:

- Educate employees.
- Monitor employees' activities.
- Take action when policies are misused.
- Explain the steps that were taken and why.
- Re-educate employees about changes.

With Gartner's recommendations in mind, there are several methods for training employees on new policies and procedures and assessing their comprehension:

- Quizzes
- Staff meetings
- In-service training
- Online training

Although training is extremely important, education may quickly fade if it is infrequent or if the employee cannot easily find and refer back to the original policy or procedure.

Ongoing Tracking and Updates

The policy owner is responsible for monitoring the policy's implementation and life cycle from the time it is enacted. In the last two stages of the policy management life cycle, it is important to establish and document methods to track conformance with the policy and its continued relevance.

Policies can become quickly outdated, as laws, technology, work habits, and social factors change. From the legal and quality standpoints, outdated policies and procedures can be a liability, so policy development must be a continual process.

Policies should be reviewed once a year to determine the need for revision. The review should ensure that policies stay relevant, accurate, and current with the business and still solve the problems they were meant to address.

The update period is also an appropriate time to decide when new policies might be needed to further support existing policies or when reauthorization or retirement of a policy is necessary.

When reviewing policies, it is important to maintain version control to make sure that only the current version of a policy is accessible to employees. Failure to do so can lead to employees' making decisions based on outdated or incorrect information. Additionally, outdated documents should be archived for easy access in case of an audit or investigation or for building a legal defense.

So how do you keep them fresh and timely?

- One method is to track policies and procedures in a spreadsheet. You could make a list of all the policies and procedures you are in charge of, when they were written, and when you should update them next.
- Another method is to schedule policy and procedure reviews on an electronic calendar with alerts.

The challenge with both of these methods is that policies may be missed. A million things are clamoring for time and attention, and policies and procedures are often put on the back burner. You may find it more efficient to use software that will help keep you and the organization's policy authors on top of this daunting but critical task.



STRATEGIST

For the strategist constantly assessing performance and looking for a better way of doing things, the third area of study provides an assessment of current policy management practices, outlines the pros and cons of alternative approaches to managing policies, and makes a clear case for implementing a policy management software solution that centralizes and standardizes policy management across the enterprise.

Transforming Policy Management Practices

3.1 ASSESSING YOUR CURRENT APPROACH

So far we have defined a new vision of policy management and outlined best practices for realizing that vision. With the destination in mind, it is time to pinpoint where you are today and discuss the tools and the approaches that will enable and accelerate the advancement of your program to where you want it to be.



In this section we ask a series of questions to assess your current policy management program and practices and your use of software to standardize and automate key processes. Although this is not meant to be a comprehensive assessment, we have broadly evaluated the key areas of policy management. You can use the results to address specific areas of your program, prioritize improvements, and build a case for policy management software.

See How You Are Doing with Policy Management

Policies	Strongly Disagree	Somewhat Disagree	Undecided/ Unsure	Somewhat Agree	Strongly Agree	We Use Software to Help with This
1 Policies We have policies and procedures that communicate leadership vision, define our standards of conduct, and reflect our risk profile.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2 Consequences Our policies set clear expectations about appropriate conduct and consequences for violating policies.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3 Enforcement Alleged misconduct and violations are investigated, and policies are promptly and consistently enforced.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4 Perception Our employees view our policies and procedures as integral to our daily operations and the achievement of our mission.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5 Culture Our organizational culture reflects our standards of conduct and commitment to compliance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Policy Look and Feel	Strongly Disagree	Somewhat Disagree	Undecided/ Unsure	Somewhat Agree	Strongly Agree	We Use Software to Help with This
6 Meta-policy We have a policy on policies that provides clear guidelines for the look and feel of policies as well as for processes for policy creation, formatting, and life-cycle management.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7 Templates We use templates to preserve a consistent look and feel across policies.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8 Content Policies are written in plain, concise language and are visually accessible.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9 Properties Document properties (i.e., title, version, owner, dates, review interval, and roles) are maintained on each policy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10 Links We link policies to related policies, training materials, and applicable laws and regulations. Our links are monitored to avoid broken links or ones that reference old versions of documents.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Policy Life-Cycle Management Practices	Strongly Disagree	Somewhat Disagree	Undecided/ Unsure	Somewhat Agree	Strongly Agree	We Use Software to Help with This
11 Assessments We periodically assess our risks to gauge compliance with applicable laws, regulations, requirements, and contracts.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12 Workflow We have standardized processes for writing, reviewing, approving, and distributing policies in a timely manner.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13 Overseer We have one person (document control administrator) responsible for overseeing the entire policy management life cycle for all of our policies.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14 Documentation We maintain meticulous records of all policies, statuses, dates, changes, versions, attestations, exceptions, and enforcement actions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15 Organization Policies are partitioned, categorized, tagged, and labeled for distribution and access with a particular audience in mind so that they can be found easily by the appropriate employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16 Writing We have clear processes and guidelines for those responsible for writing or contributing to a policy document.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17 Review Policies are reviewed and edited by the appropriate stakeholders, internal or external subject-matter experts, and Legal. Changes are documented and consolidated into a single document.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18 Approval Prior to being published, policies must be approved by the appropriate personnel (executives, department heads, subject-matter experts, and Legal).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19 Distribution Employees are notified of new or updated policies and are sent periodic reminders as deadlines approach. Policies are published and displayed where employees can readily view or access them.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20 Feedback Questions, comments, and feedback on policies are collected and documented.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
21 Updates All policies are periodically reviewed and updated on time, according to a schedule.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
22 Version control and archiving Policies are labeled with a version number, and old versions are promptly archived.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Policy Awareness and Access		Strongly Disagree	Somewhat Disagree	Undecided/ Unsure	Somewhat Agree	Strongly Agree	We Use Software to Help with This
23	Awareness Our employees know where to go to find policies when needs arise.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
24	Accessibility Employees have 24/7 access to policies and procedures from any location.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
25	Applicability At a glance, employees can see all policies that apply to their role and any actions required.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
26	Search Robust search capabilities make finding a policy quick and easy. Search is not limited to document titles or exact text matches.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
27	Security Our policies are visible only to employees with a need to know.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tracking		Strongly Disagree	Somewhat Disagree	Undecided/ Unsure	Somewhat Agree	Strongly Agree	We Use Software to Help with This
28	Attestation Employees are required to signify that they have read and understood policies. The process of obtaining employee signatures is not cumbersome to management or the employee.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
29	Comprehension Employees are trained on policies, and comprehension of policies and procedures is evaluated through quizzes, surveys, or other means.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
30	Reporting We can easily generate reports measuring employee readership, attestation, comprehension, policy notifications, exceptions, and policies in various stages of the life cycle.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Scoring Guide

Tally up your score according to the point scale below.

	Strongly Disagree	Somewhat Disagree	Undecided/ Unsure	Somewhat Agree	Strongly Agree	We Use Software to Help with This
	+2	+1	0	-1	-2	+1
Program Grade	A = 53 to 60	B = 46 to 52	C = 36 to 45	D = 26 to 35	F = -60 to 25	
Software Grade	A = 23 to 30	B = 20 to 22	C = 17 to 19	D = 14 to 16	F = 0 to 13	

3.2 COMPARING APPROACHES: WHY BUY POLICY MANAGEMENT SOFTWARE?

For organizations with struggling policy management systems or processes, failure to make changes presents serious operational and legal risks. It can also represent misalignment among governance, strategy, and execution. While incremental changes in people and processes may shore up certain areas, they are, ultimately, simply bandages on serious wounds. Sometimes even sweeping changes to the people and the processes that govern your policy management practices may not adequately address the root causes of most policy management failures.

With an automated solution the obvious choice, a common question is:

Should I build a solution that meets our very specific needs, or should I buy a policy management solution?

Policy management challenges result when systems lack centralization, automation, standardization, distribution, and tracking. These systems include manual approaches that still use printed manuals or binders, an intranet, computer desktops, hard drives, USB drives, e-mail, and outdated or inefficient software. None of these tools fully addresses the litany of challenges associated with a lack of centralization, a lack of automation, and limited distribution.

Effective management of even a single policy can require significant effort. Managing and coordinating the work of subject-matter experts, reviewers, and approvers; publishing in a timely manner; ensuring that readers can access the appropriate documents; and evaluating readership requires organization, documentation, attention to detail, discipline, and frequent communication. When this effort is multiplied by each and every important document in your organization, even the most talented manager will fall short and need the help of additional personnel and systems.

Without automation, controlling processes is an overwhelming task; human error is inevitable, and the end result can be costly. Failure to fully implement policies can hurt operational efficiency and lead to outdated policies. The lack of an audit trail is even more problematic—opening the door to legal liability. The bottom line is that no matter how proficient you are at managing processes around policy management, the size and the complexity of the task requires automation to create a centralized, standardized, and controlled environment.

Build or Buy?

There are a number of factors and risks to consider with a build-your-own approach.

- Building a policy management system is a labor-intensive process that requires significant development and administrative resources over a considerable period of time.
- The capital cost of building a customized solution is the highest of any alternative—and thus bears the highest risk.
- The ongoing resources required to support and maintain the system come at a significant cost that is often greater than expected.

- The implementation time for building your own policy management software is by far the longest of any of the alternatives.
- Built solutions often lack specialized capabilities of a system specifically designed for managing policies, such as workflow flexibility, extensive audit-trail capabilities, attestation, quizzing, tracking, advanced search, tagging, version control, and security.
- Leading policy management systems have been around for more than a decade and have been through years of iteration and refinement. Organizations building from scratch will have a long road ahead to get the system just the way they want it.
- Getting additional features or capabilities approved and prioritized in the queue of IT projects after the initial project is complete can be a challenge.
- Many organizations struggle through implementation and maintenance of homegrown solutions only to later abandon the effort and the investment in favor of a more desirable and affordable purchased solution.

In the end, the cost of training, maintenance, and management time, let alone the inconsistencies in document creation and categorization, as well as the legal ramifications make building your own system a risky venture.

By comparison, commercial policy management software is an economical, efficient, effective, and safe approach to solving the complex and diverse challenges of policy management. For most organizations, realizing the full potential of the policy management function will require an automated policy solution.

3.3 CHOOSING TO AUTOMATE: THE VALUE OF POLICY MANAGEMENT SOFTWARE

With the right automated system, the impact on your policy practice can be broad and deep, providing both human and financial efficiencies.

“Policy management software addresses the challenges of managing a litany of policies within business boundaries—enabling employees, giving them the expectations and boundaries, and doing so in a way that protects the organization from harm.”

Michael K. Rasmussen, JD,
OCEG Fellow, CCEP, GRCP,
CISSP, Chief GRC Pundit, GRC
20/20 Research, LLC

In choosing a software solution, your goal should be a powerful, scalable, flexible, feature-rich system that provides your organization with the following key advantages.

Store all policies in a central, accessible, and secure location.

A policy management system houses all of your policies and enforces key standards and processes for policy development. Employees can access policies at any time, from any place, on any computer or device with Internet access.

View a dashboard of documents, tasks, and reports.

View at a glance how many documents you have in each stage of the policy life cycle. View documents by type, department, sub-department, template, category, topic, regulation, participant role, or any other custom taxonomy.

Signal the importance of policies and improve awareness.

A dedicated policy management solution increases employee awareness and policy visibility and also reinforces the integral role that policies play in the preservation of values, culture, day-to-day operations, and the achievement of long-term objectives.

Standardize and centralize the document creation process.

The beauty of policy management software is that anyone can easily create a policy. A document creation wizard takes the document owner step-by-step through a controlled development and process. Consideration is given to templates, document properties, settings, personnel involved, role assignments, and security. As soon as document authorship begins, the automated communications kick in to enable consistent and efficient collaboration.

Organize and categorize your policies.

Categorize documents by departments, topics, regulatory guidelines, or any other structure you use to delineate access to your documents. As your business changes, simply change the taxonomy or categorization without breaking folder hierarchies, directories, or links.

“To create a policy management repository, an organization needs a policy management tool as opposed to a general document management system.”

Lisa Hill, President, PolicyScape Consulting, and Co-Chair, OCEG Policy Management Group

Find documents quickly and easily.

Search for policies by department, custom categories, the alpha-bar, title search, full-text, key word tags, reference numbers, or all the above. Use the advanced search dialog to apply any or all search methods and to display relevant search results with applicable search terms highlighted.

Streamline communication.

Creating policies requires the involvement of multiple stakeholders across various departments. Automated notifications periodically remind stakeholders of task deadlines until they are complete. When documents are published and scheduled for distribution, automatic notifications are sent to specified employees to read and attest to the documents. Reminders increase in frequency as deadlines approach and escalate if deadlines are missed. Automation enables more-frequent communications, saves time, shortens review and approval cycles, and keeps policy development and implementation on track and on schedule.

Create and edit documents in real time with Microsoft Word and Excel.

When authors, reviewers, or approvers open a Word or Excel document, Microsoft Office integration opens the users' web browser to the version of the application installed on their computer, enabling them to do everything they can do in the desktop application. Employees can write, edit, track changes, and make updates in real time without the need to download documents to their desktop and re-upload. All changes made to documents by any employee are tracked, recorded, and available in reports. The result is an audit trail of all changes made to policies or procedures.

Automate version control and archiving.

Display only the approved version of a policy that is current. Older versions are automatically archived when updates are made. New versions are automatically given a new version number. Automatic communications notify employees of policy changes and required actions. When an employee reads or acknowledges a policy, the system records the version number.

Maintain a consistent look and feel across all policies and procedures.

Create templates within the system or upload templates to give policies a familiar look and feel that will enable employees to quickly and easily find what they need.

Maintain a system of record for reporting and audit.

Maintain a system of record that tracks the status, implementation, understanding, and enforcement of policies, including when employees receive a policy communication or access a policy, the version they accessed, whether or not they attested, the results of a quiz or survey, edits made to drafts, approvals, and all key dates associated with any like activities.

Certify that employees have attested to policies.

When documents are published or updated, automatic e-mail notifications and reminders can be enabled to require actions by employees. Employees may be required to read, attest, view a training video, take a quiz, participate in a survey, or provide feedback. E-mail notifications link to the policy in the system. Employees review policy documents in the system and submit attestation at the click of a button.

Restrict access and hide policies from view.

Password protection makes policies available only to those with login credentials. Security levels on policies and role- and permission-based policy accessibility restrict document visibility to those with a need to know. Sensitive or inapplicable documents are hidden from view altogether.

Link to related materials.

Within policies, link to forms, other related policies, training materials, web courses, or other web-based pages or programs. Eliminate time spent looking for related documents and forms and enable the creation of policies that are focused and concise.

Map policies to regulations and requirements.

Mapping policies to obligations, risks, controls, legal requirements, regulations, and contracts helps you ensure compliance coverage where specific requirements apply as well as quickly and easily access policies for specific requirements in an audit. Policy mapping also helps identify missing policies or clauses as well as promptly make updates when legal requirements change.

Implement policies effectively.

Embed training videos in policies, link to a learning management system for externally hosted training videos, measure policy comprehension, and encourage information retention by implementing quizzes. Follow policy implementations with surveys that measure adoption, exceptions, violations, and enforcement actions. Collect and store comments on policies and more.

Schedule and manage tasks.

Manage employee deadlines by creating tasks and automatically sending reminders. Schedule document review intervals, and let the system remind you when to update policies. Notify and periodically remind authors, reviewers, approvers, and readers of deadlines. Automatic escalation notices loop in managers when deadlines are not met.

Leverage scalability.

The capabilities, security, and capacity of the system scale to meet increasingly complex requirements and workflow.

Enjoy commercial support.

One of the major benefits of buying policy management software is that you have access to consultants with years of experience to help you implement your system, train employees on how to use it, and provide ongoing support. When questions arise, you no longer have to ping IT and wonder when your request will be prioritized in the queue.

CONCLUSION

With these advantages, the value of automation includes both human and financial efficiencies.

A powerful, scalable, flexible, feature-rich system enables your organization to manage policies across the life cycle, adding speed, efficiency, and oversight while reducing the overall cost of policy management. Ultimately, your organization will not realize its true potential without effective management and implementation of policies and procedures. Policy management software is present at nearly every stage of the policy management life cycle and is the key to developing and implementing documents effectively.

Contact

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About NAVEX Global

NAVEX Global helps protect your people, reputation, and bottom line through a comprehensive suite of ethics and compliance software, content, and services. NAVEX Global is the trusted global expert for more than 8,000 clients in over 200 countries. Our solutions are informed by the largest ethics and compliance community in the world. For more information visit www.navexglobal.com.

Learn more about NAVEX Global by following us online:





**Overview &
Sample Report**

Integrity Diagnostics

ADVISORY SERVICES
Integrity Diagnostics

Insights from the world’s largest repository of ethics and compliance data

Integrity Diagnostics is NAVEX Global’s proprietary advanced diagnostic tool designed to help you understand your program’s historical issue reporting patterns and benchmark them against your industry as well as other related industries.

Integrity Diagnostics provides an analysis of your company’s ethics and compliance data gathered from the use of NAVEX Global’s compliance telephone, web and mobile reporting channels, as well as issues input directly into the case management system. The results are compared to the aggregate data of the nearly 4,000 organizations in the NAVEX Global database, which contains more than 3 million reports. Your results are also compared to the aggregate data of other companies within your industry, to show how your company compares to its peers.

NAVEX Global’s Ethical Leadership Group (ELG) provides expert data analysis to deliver insight on underlying issues and your organizational culture. Integrity Diagnostics enables you to identify variances from the usual call report patterns of your peers, and to track key metrics over time. The high level analysis of reports is an excellent tool to understand your performance. The deliverables, which include tangible recommendations and actionable program suggestions to improve ethics and compliance program effectiveness, is delivered in a format designed to be shared with your executive leadership team, board of directors and audit committee.



Integrity Diagnostics™ Details

Invaluable insights to enhance your program and reduce risk

Integrity Diagnostics delivers tangible metrics, but also recommendations based on those metrics to help strengthen your ethics and compliance program. You receive quarterly diagnostic reports that include:

- Benchmarking of your organization’s specific hotline/helpline data against the data in NAVEX Global’s database.
- Analysis of your reporting data with recommendations for reviewing and addressing outlying data.

KEY METRICS PROVIDED BY INTEGRITY DIAGNOSTICS

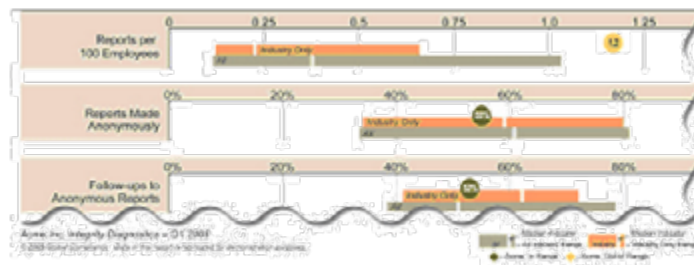
Patterns can be monitored over time by studying the following standard key metrics:

NAVEX Global provides ongoing monitoring for the duration of the agreement and continued recommendations for program implementation and improvement. We also communicate findings to government agencies.

- How many reports are you receiving?
- How quickly are you resolving reports?
- Are reporters identifying themselves?
- Are anonymous reporters following up on their initial reports?
- What types of allegations are being reported?
- What is the severity of the allegations being reported?
- How many allegations are being substantiated?
- Are your anonymous reporters making their reports “in good faith”?
- What intake methods are reporters using to submit allegations?

HOW DO INTEGRITY DIAGNOSTICS WORK?

NAVEX Global’s experienced Ethical Leadership Group consultants have identified normal ranges and medians for both your specific industry and all industries based on the aggregate data in our database, which includes more than three million reports.



In order to analyze the reports your company gets, the data from all your report intake methods are compared to those ranges and medians, providing context for your numbers and types of reports.

Unlike many industry analyses which use averages, Integrity Diagnostics utilizes the median or middle point of the data as the main reference point in each metric. The median best represents the heart of the data for a particular measure and avoids the skewing which can occur in the calculation of an average.

Ranges are shown in addition to the median because the data being examined is not necessarily “good” or “bad.” We define the range of each metric as the span containing 80% of results, with 10% of companies falling above the maximum of the range and 10% below its minimum. In this way we account for the inherent variation in the cultures, environments and methods of the different companies in our database.

Trust NAVEX Global’s Ethical Leadership Group

Put 100+ years of ethical leadership to work for you. Contact us today to speak with one of our risk assessment advisory specialists.

+1 866 297 0224
www.navexglobal.com

NAVEX GLOBAL™

The Ethics and Compliance Experts



INTEGRITY DIAGNOSTICSSM

Turning Metrics Into Action Example Report Excerpt

ACME

Q1 2012 Comparisons
and Historical Trends

Analysis by

The Ethical Leadership Group™

NAVEX Global's
In-house team of Expert Advisors

TURNING METRICS INTO ACTION

OVERVIEW

Integrity DiagnosticsSM provides an analysis of Acme's report data, drawn from Acme's use of NAVEX Global telephone, web and mobile reporting channels, as well as issues input into the case management system. The results are compared to the aggregate data of the nearly 4,000 organizations in the NAVEX Global database, which contains more than 3 million reports. Acme's results are also compared to the aggregate data of other companies within its industry, to show how the company compares to its peer companies.

Integrity Diagnostics enables Acme to identify variances from the usual call report patterns of its peers, and to track key metrics over time. High level analysis of reports is an excellent tool to understand Acme's performance, but it should not be considered a substitute for a program assessment.

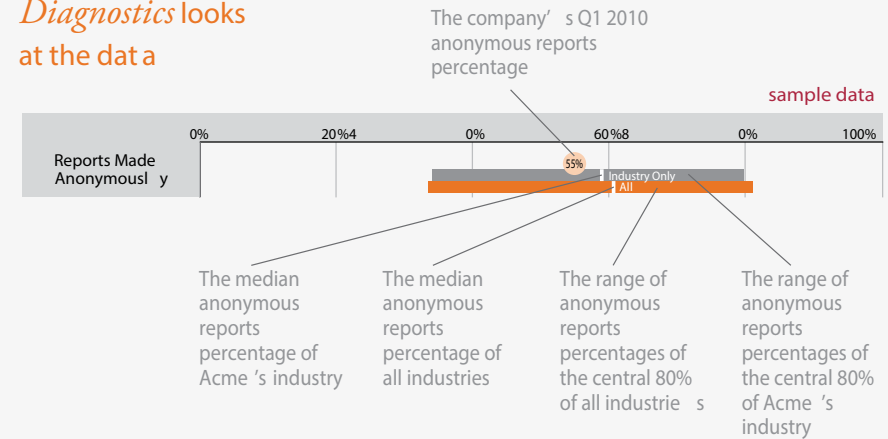
RANGES AND MEDIANS

Acme's results are compared to a range of data from other companies and the median of that data. The median, or middle point of the data, is used rather than the average because the average can be easily skewed. In some cases, the average is artificially inflated or deflated by a few large companies with many more reports than the typical company in a given metric. In other cases, extreme results for a few companies can draw the average away from the results of the bulk of companies. The median best represents the heart of the data in a particular metric.

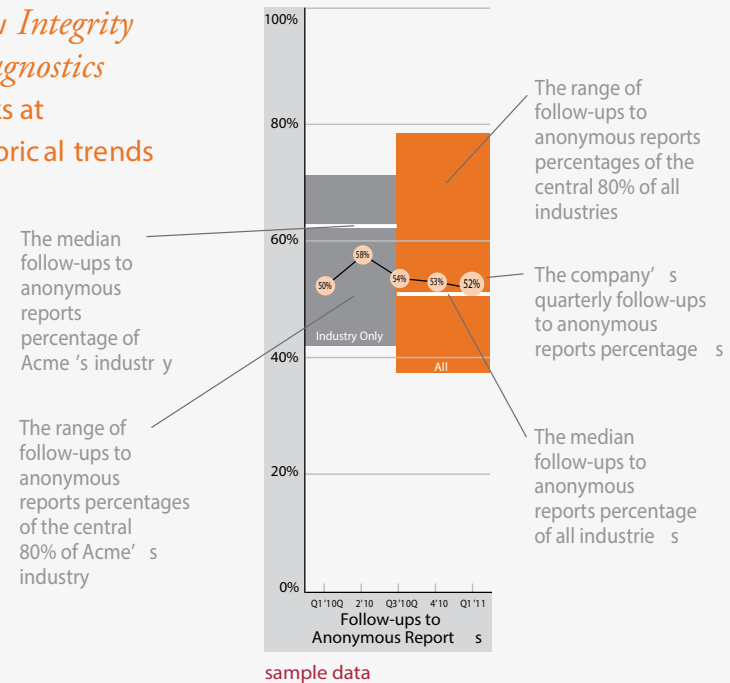
Ranges are shown in addition to the median because the results being examined are not inherently right or wrong. One company's reporting system may be operating optimally with 40% anonymous reports, while another's with 60% anonymous reports might also be functioning perfectly normally.

The Ethical Leadership GroupTM defines the ranges of the metrics shown in this report as the span containing 80% of organizations' results, with 10% of companies falling above the maximum of the range and 10% below the range minimum.

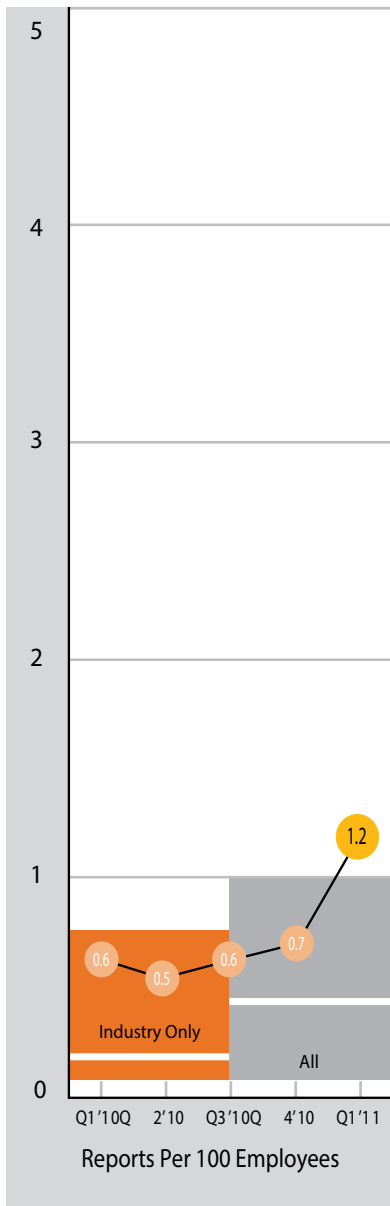
How Integrity Diagnostics looks at the data



How Integrity Diagnostics looks at historical trends



HISTORICAL TRENDS: 5 QUARTERS



Data in this report is fabricated for demonstration purposes.

REPORTS PER 100 EMPLOYEES

ANALYSIS

Acme's reporting rate spiked significantly in the first quarter of 2011. This could be an anomaly given that reporting was within range for the previous four quarters. However, this spike might also indicate a heightened awareness of Acme's reporting options, an increase in potential violations, or a drop in trust in other reporting channels.

RECOMMENDATIONS

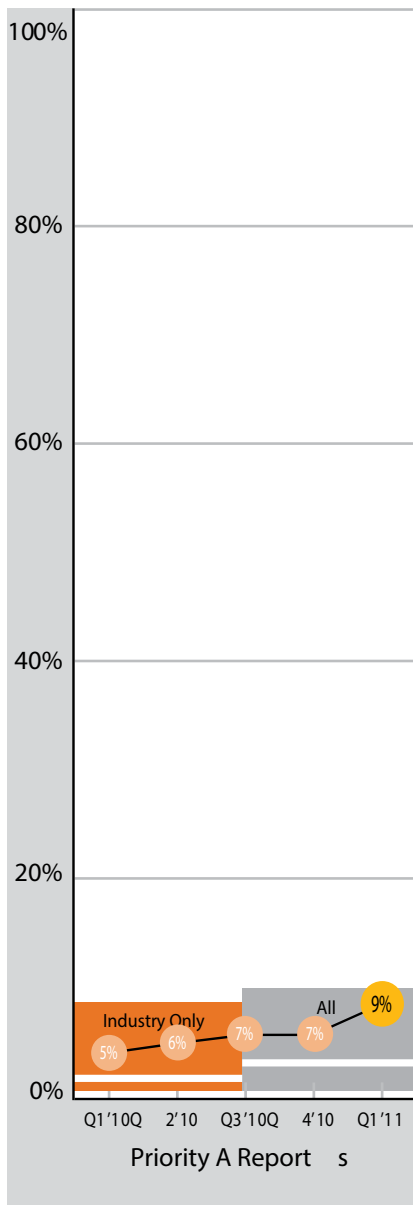
Acme could consider two courses of action based on the high volume of calls:

- If training or a publicity campaign related to reporting awareness has recently been conducted, then a spike in call volume is not unusual. No action is recommended other than monitoring over the next three quarters.
- If there has not been increased training or awareness activities, or if the rates remain at a high level, we recommend that Acme conduct a deeper review of the types of calls and locations of the issues raised to determine if there are specific issues or locations requiring focused management attention.

GLOSSARY

Report – An allegation, concern or issue submitted to NAVEX Global by hotline, web or mobile report, or received internally by other means and entered directly into the company's information management system by ethics and compliance program administrators.





REPORT PRIORITY

ANALYSIS

Acme's percentage of Priority B and C allegations is within range for the widget industry. However, its rate of serious allegation reports (Priority A) in the first quarter of 2010 is higher than the top end of the widget industry range, and has been rising steadily over the last five quarters. This could be the case for several reasons:

- There has been an increased rate of serious code violations this quarter.
- Recent training has made employees better able to spot higher priority violations and this number is indicative of the actual rate of serious violations.
- This is an atypical data point and the average over a four quarter span will be within range.
- Monitor this trend over the next four quarters.

RECOMMENDATIONS

Acme should consider the following in relation to this out-of-range statistic: Review the types of Priority A cases that were received this quarter (and perhaps the most recent two to three quarters) to evaluate whether the issues are coming from one or more specific locations or deal with a specific issue type. Based on any findings, deeper level audits may be necessary to determine if a larger issue is "in-play" at a location or business area. Additional training or communication on specific subject matter may be indicated if the calls relate to one specific issue type.

GLOSSARY

Priority A Report – Serious/urgent allegations of misconduct – allegations which must be addressed within 24 hours.



APPENDIX A: RESULTS Q1 2012

	Q1-10 # of reports	Q1-10 Metric	Q2-10 # of reports	Q2-10 Metric	Q3-10 # of reports	Q3-10 Metric	Q4-10 # of reports	Q4-10 Metric	Q1-11 # of reports	Q1-11 Metric
Reports per 100 employees	100	0.6	83	0.5	100	0.6	117	0.7	200	1.2
Anonymous reports	56	56%	42	50	54	54%	62	53%	110	55%
Followups to anonymous reports	28	50%	24	58%	31	54%	36	53%	64	52%
Substantiated reports	25	42%	21	38%	22	36%	17	35%	28	32%
Substantiated anonymous reports	10	29%	9	31%	11	26%	12	29%	19	26%
Case closure time (days)	-	65	-	71	-	68	-	73	-	77
Reports submitted via web	18	18%	15	18%	15	15%	15	13%	30	15%
Priority A reports	5	5%	5	6%	7	7%	8	7%	18	9%
Priority B reports	13	13%	12	14%	18	18%	18	15%	34	17%
Priority C reports	82	82%	66	80%	75	75%	91	78%	148	74%
Accounting, auditing, financial services	2	2%	2	3%	1	1%	1	1%	4	2%
Business integrity	30	30%	29	35%	31	31%	41	35%	71	36%
Diversity, workplace respect, HR	59	59%	42	50%	56	56%	66	56%	108	54%
Environment, health, safety	5	5%	3	4%	6	6%	4	3%	6	3%
Misuse/misappropriation of corporate assets	4	4%	7	8%	6	6%	6	5%	11	6%

APPENDIX A: RESULTS Q1 2012

	Widget industry media	Widget industry range	All industry median	All industry range
Reports per 100 employees	0.2	0.1 - 0.7	0.4	0.1 - 1.0
Anonymous reports	59%	36% - 80%	61%	34% - 82%
Followups to anonymous reports	63%	42% - 72%	51%	37% - 78%
Substantiated reports	-	-	29%	14% - 40%
Substantiated anonymous reports	-	-	28%	14% - 47%
Case closure time (days)	32%	10 - 61	28	10 - 66
Reports submitted via web	21%	15% - 37%	16%	8% - 37%
Priority A reports	2%	0.4% - 8%	3%	0.4% - 11%
Priority B reports	14%	5% - 26%	18%	7% - 46%
Priority C reports	82%	68% - 91%	83%	54% - 95%
Accounting, auditing, financial services	2%	1% - 6%	3%	1% - 16%
Business integrity	11%	4% - 37%	16%	4% - 38%
Diversity, workplace respect, HR	57%	36% - 84%	62%	32% - 88%
Environment, health, safety	11%	4% - 19%	8%	3% - 23%
Misuse/misappropriation of corporate assets	7%	4% - 18%	5%	3% - 18%

Overview

**NAVEX Global
Corporate Overview**

CORPORATE OVERVIEW
NAVEX Global

The Ethics and Compliance Experts

NAVEX Global provides an array of governance, risk, and compliance (GRC) software, content and services to capture and respond to business risk, improving the economic and social value of organizations around the world.

We work with clients to manage ethics and compliance programs through a deep portfolio of solutions that include management software, services and expert advisory consulting. Our fully integrated offerings provide key learnings and actionable data to inform change management.

NAVEX Global delivers an integrated ethics and compliance platform:

PRODUCTS	SERVICES
Hotline/Helpline	Code of Conduct Assessment & Writing Services
Web Intake Sites	Ethics & Compliance Program Assessments
Case Management	Risk Assessments
Policy Management	Culture Assessments
Online Training	On-Demand Expertise
Third Party Risk Management	In-Person Training
Premium Analytics	Quickstart Services
Integrity Diagnostics	Investigations Training
Custom Report Forms	Data Privacy Consulting
Advanced Analytics	Employee Awareness Programs

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Proud member/supporter of



COMPANY PROFILE

Everything we do is grounded in unmatched industry expertise and more than a decade of experience servicing the largest client base in the industry. Our solutions are informed by rigorous data and analytics, allowing clients to shift from reactive risk management to proactive and integrated risk mitigation.

- More than **8,000 customers** worldwide trust us to help manage their compliance needs.
- Our clients compose **75 percent of the Fortune 100** companies and more than half of the Fortune 1000.
- More than **40 million individual employees and stakeholders** are accessing NAVEX Global products and services.
- We were the first and are still the **largest Hotline/helpline provider** in the world.
- In addition to a fast return on their investment, our Hotline and case management clients have documented better employee relations, improved brand equity and **higher share value** than they had prior to our engagement.
- Our policy management product provides clients with a centralized, fully automated solution for authoring, approving, distributing and tracking policies and procedures across the extended enterprise. It **empowers more organizations and users worldwide** than any other policy management system.
- Our Online Training courses tap into the real-world, practicing expertise of Littler Mendelson, the world's workplace compliance law firm. No other online training provider has a **fully integrated, long-term relationship with a major global law firm**. Together we ensure that every course is designed to the highest legal standards and vetted prior to release. The result is rock-solid content addressing the latest trends—and powerful legal defenses that withstand intense regulatory and courtroom scrutiny.
- Our pioneering Third Party Risk Management solution provides clients with a **comprehensive due diligence platform** to manage risks presented by third-parties, automating the process from onboarding to continuously managing third party relationships and providing ongoing visibility into the status of these relationships.
- Our expert ethics and compliance consultants have **unmatched experience**, including serving on the U.S. Sentencing Commission Advisory Panel that guided a rewrite of the U.S. Sentencing Guidelines in 2004; serving as prosecutors for the Department of Justice; acting as corporate monitors on behalf of the U.S. government; serving as ethics and compliance officers; and leading the Ethics and Compliance Officer Association.

ABOUT NAVEX GLOBAL

NAVEX Global helps protect your people, reputation and bottom line through a comprehensive suite of ethics and compliance software, content and services. The trusted global expert for more than 8,000 clients in 200+ countries, our solutions are informed by the largest ethics and compliance community in the world.