THE Network
Integrated GRC Solutions

2013 Corporate Governance and Compliance Hotline Benchmarking Report

An expanded analysis of enterprise incident reporting activity

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## An expanded analysis of enterprise incident reporting activity from The Network.

INDUSTRY REPORT | AUGUST 2013

Letter from the CEO

Every year I look forward to the publication of our annual benchmarking report and this year is no exception. We began publishing this report in 2006 with the hopes that it would help Compliance professionals better understand the state of their programs. Over the last seven years it has grown to become a trusted standard that provides great insight into how Governance, Risk and Compliance (GRC) programs impact organizations across all major industries. For organizations that have had long-standing programs in place, it provides a valuable comparison. And for organizations that are just starting a GRC program, it provides an outlook on the future and a means to identify objectives.

As my colleagues and I study the content of this year's report, we are struck by a couple of key elements. The first is the overall increase in the incident report rate, driven primarily by a high incident report rate in the Construction industry but also by smaller increases in other industries. The media began reporting that the Housing industry is making a comeback earlier this year and our data (which is a trailing look) seems to support that. In fact, it appears that the growing economy and reduced unemployment are key drivers of increased ethics and compliance reporting.
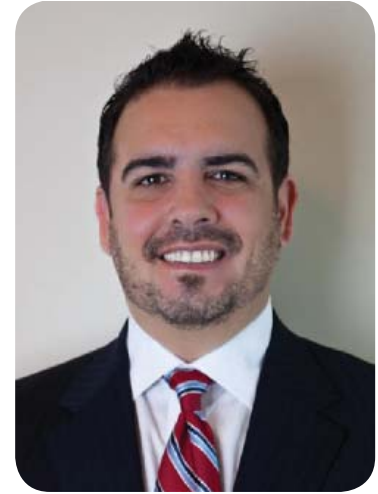
We have long believed that while employees are an organization's greatest asset, they can also be its greatest source of risk, which is why we often speak about the importance of creating robust, flexible ethics and compliance programs that engage your workforce. Codes of Conduct and policies, ethics and compliance-focused communications, and training can't sit on a shelf (real or virtual), but must be readily available to all employees and a continual presence in the employees' work environment. This means centralized compliance portals, non-scheduled refresher training programs and company meetings involving top management to establish a compliance culture, not just a list of rules.

Another element we've discussed while reviewing the report's findings is how the data reflects the impact of the Dodd-Frank Act, which went into effect almost three years ago. Concerns regarding how Dodd-Frank's bounty program would influence employees to report incidents outside of the organization have been widespread, and we have been interested in whether those concerns would materialize. The good news is that, so far, it does not appear to have had a negative impact on organizations in terms of internal reporting. It appears that by creating solid GRC programs and encouraging employees to speak up, companies are creating an environment where reporting levels have remained stable.

As you review the different sections of this report, we welcome your input. Is your organization in line with your Industry or is it faring better or worse? As always, we've included a section on how to effectively use this report within your organization.

And finally, a word of caution…

Research such as the Ethics Resource Center's *National Business Ethics Survey* from January 2012 shows us that a weaker economy leads to improved compliance and ethics programs as companies focus on conserving resources and employees have heightened awareness; however, during times of economic growth, the focus shifts to meeting the demands of the marketplace and we run the risks of backsliding. So we encourage you to stay vigilant in your commitment to creating a culture of ethics and compliance within your organizations and "hold the gains" of the previous years.

In the meantime, if you have any questions, comments or feedback please contact us at benchmarking@tnwinc.com.

Sincerely Yours,

Luis D. Ramos
CEO, The Network, Inc.

Methodology

The goal of this annual benchmarking report is to identify emerging best practices for hotlines and other mechanisms for reporting misconduct and to provide a framework by which you can assess your own ethics and compliance programs. Keep in mind, this report should serve as a starting point in your efforts to evaluate your program results and assess your organizational health. As you review the data presented in this report, be sure to drill down carefully to determine what these numbers mean in relation to the specific activities and environment within your industry and organization.

This data reflects incident reports received by The Network and represents only those organizations that have partnered with The Network for hotline/helpline reporting services. All efforts have been made to report the data in a manner that allows you to easily make comparisons. However, remember that existing data sources might have slightly different interpretations. While most of the records contained all necessary data, there were some instances where the records did not contain every data element. This can occur for many reasons depending on the participant making the report, how a report is submitted, the requirements of the organization for which the report is being filed, the situation or the incident being reported, etc.

This is not a random sample of all industries and reports; therefore, certain variables may not be fully representative of the population at large. Also, all incident reports are allegations and are handled in a strictly unbiased, confidential manner with no assumption of guilt or innocence. The Network does not decide the outcome of cases as that is determined by the reported organizations' investigations.

The incidents tallied in this report are submitted via phone calls with information collected by live operators. They are also submitted via web-based reporting forms as well as other alternative means of reporting.

Throughout the report there are instances when the data does not total to 100% and/or incident rate figures do not total up to match industry totals. This is due to rounding.

Data analysis for this benchmarking report was performed and verified by BDO Consulting.

Definitions & Terminology

INCIDENT CATEGORY (TYPE) DESCRIPTIONS

To assist in interpreting the data, specific incident types were consolidated into broader categories. The incident category descriptions are based on The Network's 30+ years of incident reporting experience and align with the classifications set forth by the Open Compliance and Ethics Group (OCEG).

Company/Professional Code Violation: Employees have a duty to their employer to act in the best interest of their employer when carrying out the duties of their employment. Any departure from company policy or facility procedures constitutes a Company/Professional Code Violation.

Corruption & Fraud: Attempts to deceive the organization or others on behalf of the organization in order to receive gain such as a fraudulent refund or transaction, misstatement or destruction of an accounting document, taking of money or merchandise, kickbacks, etc. Examples include theft of any kind, accounting irregularities, insider trading and improper loans to executives.

Customer/Competitor Interaction: Display of poor customer service or courtesy exhibited by employees through their actions, or inattention to customers. This category includes poor workmanship and outdated or defective products. Examples include customer complaints and product quality concerns. This category also includes improper interaction with competitive organizations.

Employment Law Violation: Any act or omission that fails to meet the standards of the Equal Employment Opportunity Commission, which includes all types of discrimination. It also includes any adverse treatment related to a person's employment, career, profession, trade or business, including retaliation. Examples include harassment and labor law violations.

Environment, Health & Safety: Any potentially hazardous or unsanitary condition that could affect the well-being of an employee, customer, facility or the public. This category includes acts that cause physical injury or other acts or statements that jeopardize physical well-being. Examples include unsafe working conditions, workplace violence and product contamination.

Misuse of Assets/Information: The conveying of information considered sensitive to another person, organization or entity by any person. Examples include release of proprietary information and misuse of computers, property or networks.

Personnel Management: Any act or omission that is perceived to be detrimental to an employee's well-being. This category includes concerns over wages, hours, benefits, promotions, etc. Examples include wage and hour issues and employee relations.

TERMINOLOGY

Case Outcome: The case outcome refers to the overall conclusion of the case in terms of the determination of the final step; for example, if an investigation was warranted and if corrective action was taken.

Case Disposition: The case disposition refers to the final ruling for a case, for example, whether an employee alleged to have committed a wrongdoing was cleared or terminated.

Hotline vs. Helpline: Some organizations have adopted the term "helpline" due to its more positive perception or the fact that employees can use the process to ask questions about ethical issues. In this Report, the terms hotline and helpline are used interchangeably.

Hotline Report: A hotline report refers to the actual report received from the hotline via any method (phone, fax, web form, email, etc.). Once an organization begins to investigate a report, it becomes a case.

Incident Category/Type: The classification of the allegations reported through the hotline.

Prior Management Notification: Refers to whether or not a participant (person submitting the report via the hotline program) had notified either his/her direct manager or another member of the management team of the incident, prior to contacting the hotline.

Reporters: Reporters are those individuals that file the actual report via the hotline, employee web form, etc. Reporters can be current employees, ex-employees, vendors, a member of the public or any other stakeholder.

Reporting Mechanisms: Reporting mechanisms are ways in which an individual can report an issue or concern within the organization. These include phone calls, Web forms, e-mails or conversations with managers and others, including ethics or compliance officers, human resources executives, Ombudsmen or other executives.

Executive Summary

Each year, organizations use the information found in this report to either implement a GRC solution or improve upon their existing solution. All of this is to prevent fraudulent, unethical and/or non-compliant behavior throughout their organization while working to correct existing issues. The wide array of internal and external factors that exist within today's marketplace greatly influence employee behavior. Staying one step ahead of these factors helps organizations in turn stay one step ahead of risk.

The biggest news in this year's report is that incident rates are on the rise. The current index rate of 9.27 per 1,000 employees is substantially higher than last year's rate of 8.58. While the data outlined in this report shows what types of incidents were most prevalent and how cases were reported and the inherent outcomes, it does not delve into the many reasons behind this increase in the incident rate. However, it can be said with some certainty that it is tied to the uptick in the economy. It is critical for organizations to continue to implement ethics and compliance programs that help them stay ahead of the curve.

REPORT STATISTICS

The *2013 Corporate Governance and Compliance Hotline Benchmarking Report* is a compilation of 624,046 reports throughout the five-year period covering 2008 to 2012. In 2012, 136,137 reports were taken from 1,146 organizations representing 14,687,009 employees. Information and findings presented in the report reflect a wide variety of organizations, employees and industries from around the world.

COMPLIANCE BEST PRACTICES, THE GRC LIFECYCLE AND TRAINING

The data in this report covers a time period that included an economic recession and recovery. A few key influences throughout the period are:

1. A decrease in the unemployment rate. As organizations have begun to hire more employees, there is a greater need for a renewed commitment to training and additional communication initiatives to make sure that an organization's Code of Conduct and reporting methods are top of mind with the workforce.

2. "GRC" is still a relatively young industry (the term was first coined by GRC pundit Michael Rasmussen in 2002) and is experiencing its first economic recovery. To create an air of compliancy in an organization during times of economic struggles is easier than during times of economic flourishes. While employees turn their focus to strong customer growth and care, it will become critical for human resources and compliance risk management to keep employees focused on compliance guidelines.

U.S. Unemployment Rate 2008 - 2012
(U.S. Department of Labor Bureau of Statistics

KEY FINDINGS

The *2013 Corporate Governance and Compliance Hotline Benchmarking Report* is intended as a resource for organizations working to identify emerging best practices for hotlines and other reporting mechanisms and to provide a framework by which readers can assess their own compliance programs.

Organizations use the Report's information to fit their specific needs. Some may focus on means of awareness while others on case outcomes. In turn, some are just starting to implement GRC programs and use the data in this report as a starting point while others use it as a comparison. That is why it is so valuable to have five years of data spanning such a volatile time in our recent economic history.

Here are some key highlights:

Increase in Overall Reporting Rate

The cross-industry incident-reporting rate increased to **9.27 reports per 1,000 employees,** a 8.0% increase over the previous year.

Fraud-Related Reports Still on the Rise

The **Corporate Fraud Index for 2012**, which measures the percentage of fraud-related incidents across all reports, rose to **23.6%**, an all-time high since the Index was first reported in 2005. The Index stood at **21.1%** in 2011.

Note that the Corporate Fraud Index reflects reports that contain <u>any</u> element considered to be fraud from all incident category types. This percentage is higher than that of incidents falling specifically into the Corruption & Fraud incident category, which references fraud only as the primary factor in the report.

Corporate Fraud Index, 2008 - 2012
Percentage of Fraud-related Incidents Across All Reports

18.3% (2008), 20.4% (2009), 19.6% (2010), 21.1% (2011), 23.6% (2012)
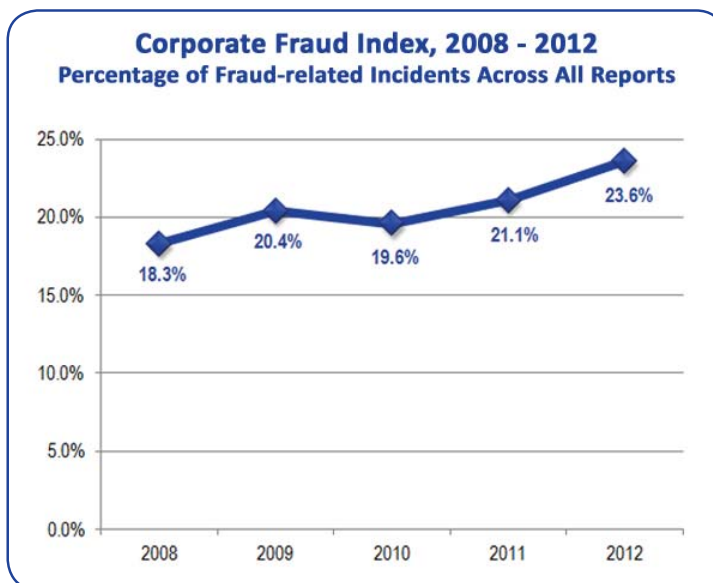
Retaliation

Retaliation was cited as a factor in approximately **1.9%** of cross-industry reports covering a broad variety of ethics and governance-related issues. This is a decrease from the 2011 retaliation figures.

Corrective Action (Case Outcome) for Retaliation incidents was lower by percentage when compared to non-Retaliation reports **(38% vs. 44%)**. *No Corrective Action (Case Outcome)* was much higher for Retaliation versus non-Retaliation **(41% vs. 28%)**.

Web Reporting Rate Virtually Unchanged

In 2012, **14.0%** of reports were submitted via the web, a slight increase from 13.9% in 2011.

Anonymous Reporting Rate Stable

The anonymity rate increased very slightly over the previous year to **49%**. However, only one out of five employees who chose to remain anonymous had previously notified management prior to filing the report, the same percentage as in 2011.

Industry Trends

The *Construction* industry showed a dramatic **197%** increase in the reporting rate per 1,000 employees over the previous year; there was also a dramatic decrease in employee count from this industry sector, from 211,000 employees to 60,000.

Wholesale Trade saw the next largest reporting rate increase **(19%)** for an entire industry.

Only the *Retail Trade* and *Services Industries* saw a reporting rate decrease year over year.

In looking at organizational size, *Construction* organizations in the 5,001 - 10,000 employee range saw the largest percentage increase in the number of reports **(497%)**.

The 10,001 - 20,000 employee range of the *Public Administration* sector saw a substantial increase of **147%** in the number of reports.

The 5,001 - 10,000 employee range of the *Finance, Insurance & Real Estate* industry saw the largest decrease in the number of reports **(-40%)**.

Note: The Agriculture, Forestry & Fishing industry was not included in industry analyses due to the low volume of organizations represented.

Changes to Reporting Rate by Organizational Size

Across all industries, Group 2 (5,001 - 10,000 employees) saw the largest increase **(12.6%)** and Group 4 (20,001 - 50,000) saw the only decrease **(-2.9%)**, in terms of reporting rate.

Leading Incident Categories

In 2012, the *Employment Law Violation*, *Corruption & Fraud*, and *Environment, Health & Safety* categories experienced slight overall increases; however, the leading incident category for all industries continues to be *Personnel Management* by a wide margin.

Case Outcome

In 2012, **72%** of all incidents reported warranted an investigation (referred to the *"actionability"* of the report), an increase of six percentage points over 2011. Note that the actionability percentage for Retaliation incidents was much higher **(79%)**.

How Employees Learn about the Hotline

The *Poster* continues to be the most popular means of hotline awareness (**33%**). Surprisingly, the rate at which employees are becoming aware of their organization's hotline programs via the *Intranet* is still quite modest **(11%)** and has shown only a slight increase.

Prior Management Notification

The four-to-one ratio remains unchanged for management not being notified prior to the employee utilizing the hotline.

Geographic Coverage

Seven out of eight reports originate in North America.

The Need to Audit Your Compliance Hotline

The implementation of an anonymous employee hotline program is a powerful tool for gathering critical organizational feedback. While hotlines are not new tools, they have proven to be exceedingly effective for monitoring and measuring an organization's ethical health. The Sarbanes-Oxley Act (SOX), enacted in 2002, requires publicly traded corporations to provide a mechanism for reporting financial irregularities that enables employees who report information to remain anonymous. SOX jumpstarted the implementation of hotline programs in public as well as private companies. The positive results have prompted other organizations to recognize the value of the hotline for reporting unethical activities and as a means for reducing liability and increasing defensibility.

In 2010 and 2011, new legislative measures, specifically the UK Bribery Act and the Dodd-Frank Act, require and/or strongly encourage organizations to implement additional training and certification methods. Updates to FCPA guidance as well as the US Federal Sentencing Guidelines (which has received renewed interest of late) also highlight the need for stronger compliance programs that include robust policies and procedures; mandates for due diligence; comprehensive communication, awareness and employee training programs; adequate systems for monitoring and auditing; confidential reporting; and thorough investigations. These requirements increase the need for advanced technology-based GRC programs to both engage the workforce as eager participants and to streamline the administration of compliance programs.

Corporate governance legislation has swiftly become a global issue. Beyond these key pieces of legislation, similar hotline-related regulations, compliance guidelines and legislation have been enacted in Canada, France, Germany, Japan and other leading industrial countries. The global impact of differing compliance guidelines and restrictions are challenging for organizations that conduct business throughout the world.

What we collectively call hotlines (phone- as well as web-based reporting) has evolved significantly over the last 30+ years. These reporting programs will continue to change in response to the changing nature of business. Factors such as workforce diversity and cultural initiatives will play a significant role in how hotlines and compliance programs will be implemented and operated. The culture of an organization is driven by the values and behaviors of its leaders and employees. As these factors change, so does the direction of the organization – either on the path to a more ethical culture, or toward a culture where misconduct thrives.

An analysis of culture has become a key factor in reducing organizational risk. In fact, the U.S. government now recognizes how corporate culture can affect the results of an organization's compliance program. Amendments to the Federal Sentencing Guidelines in 2004 as well as updates to FCPA guidance in 2012 require organizations to periodically assess their risk of misconduct, as well as the effectiveness of their ethics and compliance program. Because hotlines are such key components in an organization's compliance efforts, these organizations need a reliable way to measure the effectiveness of all their reporting mechanisms.

ONGOING ANALYSIS

Organizations will find benchmarking data a valuable asset in determining if changes are needed and helping to drive future ethics and compliance program enhancements. The continual monitoring of benchmarking information is an important tool to assess the success of new programs, such as the implementation of a new communication tool or a change in reporting guidelines.

This Report will be a valuable resource for comparing the performance of key internal controls and documenting the true value of your ethics and compliance program.

Summary Benchmarking Analysis

NUMBER OF EMPLOYEES

In 2012, there was a slight decline in the number of employees within organizations operating hotline programs, but with more than 14.7 million employees represented in the 2012 report, the number remains very high and provides a satisfactory base for this report. Since the beginning of this five-year period, the number of employees has increased 15.5% to its 2012 figure. The slight 2.4% decrease in the number of employees from 2011 is negligible when compared to the 1.6% increase in the number of organizations during the same time period. The table below provides a breakdown of employee pool by industry by year.

Industry	2008	2009	2010	2011	2012
Agriculture, Forestry & Fishing	4,935	4,900	4,900	4,900	4,900
Construction	276,099	244,730	260,899	211,090	60,064
Finance, Insurance & Real Estate	1,420,233	1,633,462	1,824,490	2,080,703	2,147,470
Manufacturing	3,433,801	3,572,967	3,774,278	3,488,214	3,049,846
Mining	158,567	250,584	261,814	260,775	277,366
Public Administration	245,714	272,028	411,351	421,251	468,966
Retail Trade	3,602,894	3,741,077	3,785,395	3,780,323	3,696,983
Service Industries	1,734,601	1,961,863	2,890,794	2,703,384	2,918,984
Transportation, Communications & Utilities	1,193,455	1,299,544	1,182,951	1,378,173	1,338,835
Wholesale Trade	649,135	696,028	735,075	723,402	658,785
Non-Classifiable					64,810
Overall	**12,719,434**	**13,677,183**	**15,131,947**	**15,052,215**	**14,687,009**

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	978,764	986,685	1,084,151	1,065,602	1,121,484
Group 2 (5,001 - 10,000)	984,739	941,052	1,002,726	973,912	995,022
Group 3 (10,001 - 20,000)	1,529,689	1,394,288	1,491,917	1,403,967	1,436,581
Group 4 (20,001 - 50,000)	2,677,769	2,912,563	2,955,540	2,584,111	2,614,671
Group 5 (50,001 +)	6,548,473	7,442,595	8,597,613	9,024,623	8,519,251
Overall	**12,719,434**	**13,677,183**	**15,131,947**	**15,052,216**	**14,687,009**

NUMBER OF ORGANIZATIONS

Throughout the five-year period of this report, the number of organizations providing data has remained relatively stable between 1,100 and 1,200 companies. This stability provides a strong platform for benchmarking and comparison.

Industry	2008	2009	2010	2011	2012
Agriculture, Forestry & Fishing	n/a	n/a	n/a	n/a	n/a
Construction	23	31	30	29	30
Finance, Insurance & Real Estate	150	154	172	152	171
Manufacturing	217	211	216	218	210
Mining	25	24	30	28	34
Public Administration	51	53	59	60	64
Retail Trade	200	165	177	161	162
Service Industries	281	297	330	320	303
Transportation, Communications & Utilities	93	94	96	94	102
Wholesale Trade	70	71	68	66	70
Overall	**1,110**	**1,100**	**1,178**	**1,128**	**1,146**

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	730	719	780	752	776
Group 2 (5,001 - 10,000)	135	129	136	132	129
Group 3 (10,001 - 20,000)	107	100	106	100	101
Group 4 (20,001 - 50,000)	82	90	92	80	82
Group 5 (50,001 +)	56	62	64	64	58
Overall	**1,110**	**1,100**	**1,178**	**1,128**	**1,146**

Note: The Agriculture, Forestry & Fishing industry was not included in the individual industry analyses due to the low volume of organizations represented.

REPORTS BY GEOGRAPHY

The vast majority of reports from 2012 originate in North America (87.1%), which is down slightly from 2011. More than 10% come from unknown locations. Europe, South America and Asia are the only other geographies to have more than two-tenths of a percent of reporting.

**All Reports
Geographical Breakdown 2009 - 2012**
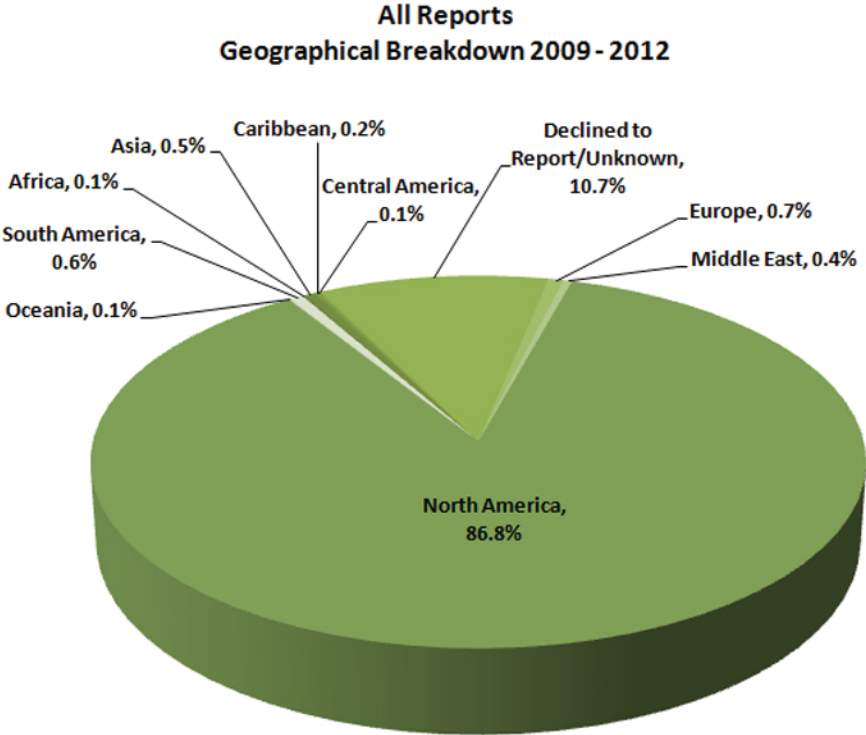
Region	2009	2010	2011	2012
Africa	0.1%	0.1%	0.1%	0.1%
Asia	0.5%	0.5%	0.4%	0.5%
Caribbean	0.2%	0.2%	0.1%	0.2%
Central America	0.0%	0.1%	0.1%	0.1%
Europe	0.6%	0.7%	0.6%	0.7%
Middle East	0.8%	0.5%	0.2%	0.2%
North America	84.8%	86.6%	88.5%	87.1%
Oceania	0.0%	0.1%	0.1%	0.1%
South America	0.6%	0.6%	0.6%	0.7%
Declined to Report/Unknown	12.5%	10.7%	9.2%	10.3%

REPORTING RATE DATA OVERVIEW

In order to provide organizations with the most useful information in analyzing their hotline program, incident reporting rates are presented in rate data form. By using rate data, a control is put into place to account for the variations of companies and employees represented in the database. Incident reporting rates (per 1,000 employees) were calculated for different organizational sizes as identified by the number of employees. The number of reported incidents was divided by the number of employees and multiplied by 1,000.

REPORT FREQUENCY RATES PER 1,000 EMPLOYEES BY INDUSTRY

The overall incident reporting rate rose in 2012 to 9.27 reports per 1,000 employees. All industries showed an increase in reporting except three: Agriculture, Forestry & Fishing, Retail Trade, and Services Industries. The most significant increase occurred in the Construction industry, which experienced a nearly 12 point increase from 2011 to 2012. Aside from the Agriculture, Forestry & Fishing industry (which is not included in the individual industry analyses due to the low volume of organizations represented), the Services Industries experienced the highest decrease in reporting rate, down .64 points since 2011.

Industry	2008	2009	2010	2011	2012
Agriculture, Forestry & Fishing	n/a	2.04	1.22	1.84	0.61
Construction	4.95	6.96	6.52	6.08	18.03
Finance, Insurance & Real Estate	7.93	8.28	8.34	8.25	9.41
Manufacturing	4.47	4.10	4.05	4.13	4.80
Mining	5.78	3.81	2.89	3.84	4.43
Public Administration	6.32	8.66	4.85	5.28	7.61
Retail Trade	13.03	11.09	10.50	10.99	10.94
Service Industries	11.18	10.52	9.23	9.81	9.17
Transportation, Communications & Utilities	13.90	12.80	12.34	13.48	15.58
Wholesale Trade	8.80	7.65	8.65	8.96	10.67
Non-Classifiable	--	--	--	--	5.48
Overall	9.36	8.58	8.08	8.58	9.27

REPORT FREQUENCY RATE PER 1,000 EMPLOYEES BY ORGANIZATION SIZE

The overall incident report rate has steadily increased over the past two years, led by reports in organizations with 5,001 to 10,000 employees (+12.6%) and organizations with more than 50,001 employees (+12.1%). The only group that experienced a decrease in its incident rate is the second largest group that includes organizations with 20,001 to 50,000 employees. The smallest group, organizations with less than 5,000 employees, continues to have the highest incident rate level and has held that position throughout the five-year period. This trend is most likely due to the lack of segregation of duties that is prominent in smaller organizations and therefore provides for fewer checks and balances throughout the enterprise.

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	14.40	13.92	13.73	14.64	15.07
Group 2 (5,001 - 10,000)	9.20	8.10	8.16	7.85	8.84
Group 3 (10,001 - 20,000)	9.90	7.93	8.35	8.29	8.82
Group 4 (20,001 - 50,000)	9.20	9.56	8.44	10.24	9.94
Group 5 (50,001 +)	8.60	7.66	7.19	7.52	8.43
Overall	9.40	8.58	8.08	8.58	9.27

FREQUENCY OF INCIDENT CATEGORIES

The data provided throughout this benchmarking report results from individual incident reports. To clarify the data presented, an initial report (phone/fax/web/email/written complaint) is termed an allegation. Each allegation then receives a classification based on its incident components – this is referred to as an incident type. To assist in interpreting the data, the many different specific incident types were consolidated into broader categories.

The incidents reviewed in this report fall into seven distinct categories that are outlined in the chart below. If an incident cannot be categorized into one of the incident types, it falls into the Other category. A breakdown of incident reports by specific industry can be found in the Industry section of this Report.

Throughout the five years of data reviewed for this report, the breakdown of percentages has remained relatively consistent with the majority of reports falling within the Personnel Management category. The Personnel Management category, which is any act or omission that is perceived to be detrimental to an employee's well-being, includes issues such as concerns over wages, hours, benefits, promotions and employee relations. Personnel Management incidents make up the largest percentage of reports as it spans a wide number of human resources matters and thus impacts every employee type, a significant attributing factor. However, ethics hotlines are not typically meant to capture Personnel Management reports.

There were slight upticks in 2012 in the Corruption & Fraud, Employment Law Violation, and Environment Health & Safety categories. Personnel Management saw a one percentage point drop.

Incident Type	2008	2009	2010	2011	2012
Company/Professional Code Violation	10%	11%	12%	12%	12%
Corruption & Fraud	12%	13%	12%	12%	13%
Customer/Competitor Interaction	4%	4%	4%	3%	3%
Employment Law Violation	12%	12%	13%	14%	15%
Environment, Health & Safety	5%	5%	5%	5%	6%
Misuse of Assets/Information	1%	2%	2%	2%	2%
Personnel Management	50%	48%	48%	47%	46%
Other	5%	5%	4%	4%	4%

Most Common Incident Categories

Personnel Management	• High percentage among Construction, Manufacturing, Retail Trade and Wholesale Trade • Low percentage in Public Administration and Finance, Insurance & Real Estate	46%
Employment Law Violation	• High percentage for Transportation • Low percentage in Public Administration and Finance, Insurance & Real Estate	15%
Corruption & Fraud	• Extremely high percentage in Public Administration (consistent over the past four years) • Low in Construction	13%
Company/Professional Code Violation	• Extremely high percentage in Finance, Insurance & Real Estate (consistent over the past four years) • Relatively high in Public Administration (consistent over the past four years)	12%

REPORT INTAKE METHOD

Reporting by phone remains the leading method for incident reporting. However, over the past four years, online (web-based) reporting has gained a healthy foothold. Employees have found confidence in their web-based organizational reporting systems, which extend the secure and anonymous submission features of traditional phone-based hotlines. Web reporting also allow reporters to submit follow-up reports or learn how the incident has been handled while retaining complete anonymity.

The percentage of web-based reporting rose only slightly, from 13.9% in 2011 to 14.0% in 2012. Phone-based reporting rose slightly as well.

| Intake Method	2009	2010	2011	2012
Email	1.2%	1.1%	0.9%	0.9%
Fax	0.1%	0.2%	0.2%	0.1%
Online (Web-based)	7.8%	10.3%	13.9%	14.0%
Phone	90.9%	88.5%	85.0%	85.1%

RETALIATION

Retaliation is a major concern for employees, whether they are reporting an ethics or compliance violation internally or externally. The fear of any type of retaliation, from being snubbed by co-workers or labeled a whistleblower to being terminated, can seriously impact whether or not a participant is willing to report an incident at all and certainly has a strong impact on anonymity. Organizations should continually reinforce their commitment to protect employees from any retaliatory activities by including anti-retaliation efforts in their ethics and compliance communications; this should be a key part of any company's culture.

For reporting purposes, an incident may be classified as a retaliation incident if the entire incident is retaliatory or if retaliation is simply one factor within the report.

In our *2013 Corporate Governance and Hotline Benchmarking Report*, retaliation was cited as a factor in 1.9% of cross-industry reports, which cover a broad variety of ethics and compliance-related issues. The retaliation rate decreased by one percentage point from 2011, and the 2012 rate is the lowest throughout the four-year reporting period.

The Transportation, Communications & Utilities industries lead all others outlined in this report with 3.7% of all reported incidents being retaliatory in nature, followed closely by Construction, and then Manufacturing. The lowest rate of retaliation was found in the Public Administration and Finance, Insurance & Real Estate industries.
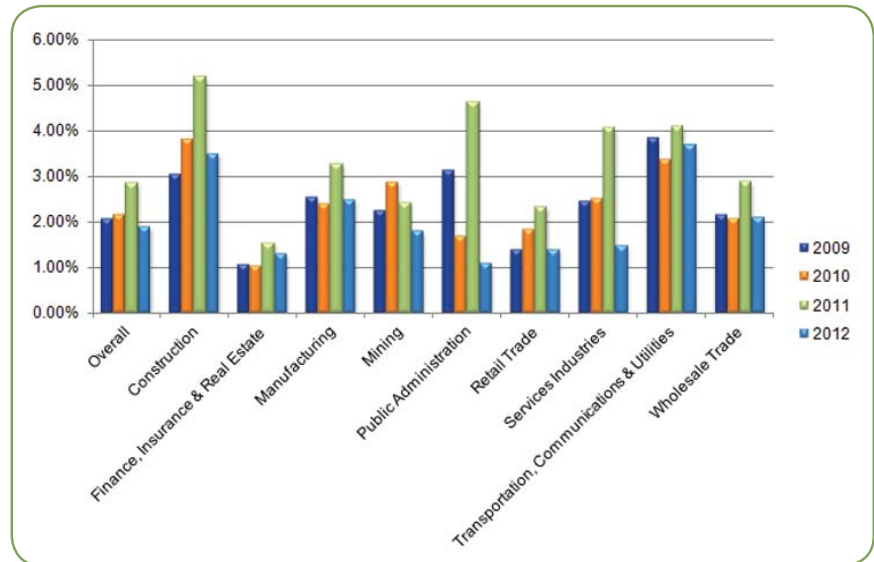
This data supports a correlation between retaliation and anonymous reporting. The Construction and Transportation, Communications & Utilities industries had the lowest rates of anonymous reporting, and were also the two highest in retaliation rate. Public Administration and Finance, Insurance & Real Estate had a high rate of anonymous reports, and a very low rate of retaliation.

In terms of Case Outcome, Corrective Action for incidents involving retaliation was lower by percentage when compared to non-retaliation reports (38% vs. 44%). No Corrective Action was a much more prevalent Case Outcome for retaliation versus non-retaliation incidents (41% vs. 28%).

Retaliation	2009	2010	2011	2012
Construction	3.0%	3.8%	5.2%	3.5%
Finance, Insurance & Real Estate	1.1%	1.0%	1.6%	1.2%
Manufacturing	2.5%	2.4%	3.3%	2.4%
Mining	2.3%	2.9%	2.4%	1.8%
Public Administration	3.1%	1.7%	4.7%	1.1%
Retail Trade	1.4%	1.8%	2.4%	1.4%
Services Industries	2.5%	2.5%	4.1%	1.5%
Transportation, Communications & Utilities	3.8%	3.4%	4.1%	3.7%
Wholesale Trade	2.2%	2.1%	2.9%	2.1%
Overall	**2.1%**	**2.2%**	**2.9%**	**1.9%**

FREQUENCY OF MEANS OF AWARENESS

How employees are made aware of hotline programs is some of the most important information outlined in this report. The ability to effectively communicate the existence and purpose of an ethics reporting program is critical to program success. This data will help you understand which methods of awareness are reported as most successful.

The Poster has consistently been the most popular awareness and communication method named by incident reporters. Surprisingly, the rate at which employees are becoming aware of their organization's hotline programs via the Internet is still quite modest (11%) and has shown only a slight increase (most notably within industries where employees rely upon a computer to conduct their day-to-day responsibilities).

It's evident from the data that all awareness methods are valid and useful. It is important to note that since participants were only able to select one answer, other mechanisms that may have influenced their awareness may not be recognized. While specific methods may have more relevance, multiple methods of awareness are essential to engaging employees to participate in ethics and compliance reporting.

While the use of social media and technology-based devices has grown at a tremendous rate, the means of awareness has stayed consistent.

Posters, Wallet Cards, Signs and Brochures (typically referred to as "publications") accounted for 37% of the means of awareness for reporters (consistent with historical data).

Means of Awareness	2008	2009	2010	2011	2012
Brochure	3%	2%	2%	1%	1%
Employee	14%	14%	14%	15%	14%
HR	4%	5%	4%	4%	4%
Handbook	10%	9%	9%	8%	8%
Intranet	9%	11%	10%	10%	11%
Manager	5%	5%	5%	5%	5%
Poster	31%	32%	34%	34%	33%
Sign	2%	2%	1%	1%	1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	5%	4%	3%	2%	2%
Other	15%	14%	16%	17%	18%
Unknown	2%	2%	2%	2%	2%

Means of Awareness: Notable Industry Comparisons

|		
Poster	• Very high percentage in Wholesale Trade • Very low percentage in Finance, Insurance & Real Estate and Public Administration	33%
Other	• High percentage in Public Administration	18%
Employee	• High percentage in Construction	14%
Intranet	• High percentage in Finance, Insurance & Real Estate (25%; most common means of awareness) • Low percentage in Construction, Retail Trade and Wholesale Trade	11%

PRIOR MANAGEMENT NOTIFICATION

One of the key pieces of data for the benchmarking report is whether or not a participant (person submitting the report via the hotline program) had notified either his/her direct manager or another member of the management team of the incident, prior to contacting the hotline. This is referred to as prior management notification.

The "prior management notification" statistics allow you to gauge those issues where employees feel comfortable (or not) coming forward to management first, before submitting a report through the hotline. This may give you an idea of areas requiring greater attention and where you should focus on promoting a more "open" culture where employees are not afraid to come forward.

Frequency of Prior Management Notification

Over the past five years, there have been small fluctuations in whether or not participants notified management of their concerns prior to calling the hotline or submitting a web report, maintaining about a three-to-one ratio. The high percentage of participants not informing management indicates a preference among the majority of employees to use a reporting mechanism other than a face-to-face conversation with management. Many employees are emboldened to submit a report when anonymity is available via non-personal interfaces such as a web form.
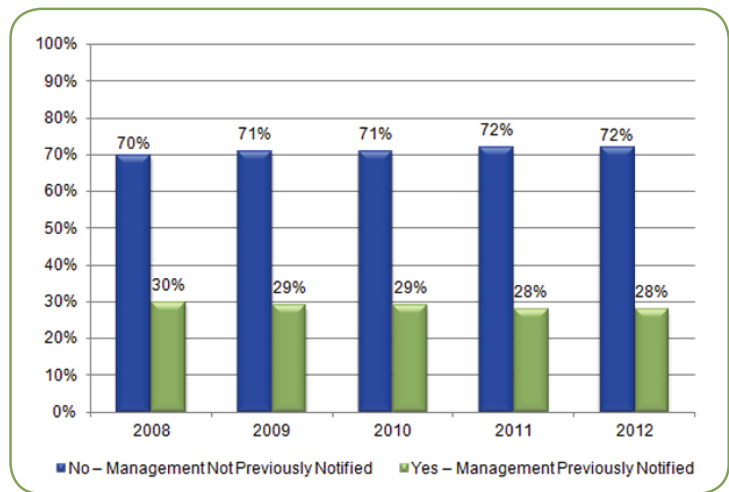
For Public Administration, a high percentage (85%) did not notify management, which is consistent historically. The same can be said for the Transportation, Communications & Utilities industry, which had a 2012 rate of 79% for not notifying management prior to reporting. These statistics for Prior Management Notification are not consistently tied to Anonymity, as proven by differences across industries for these two measures.
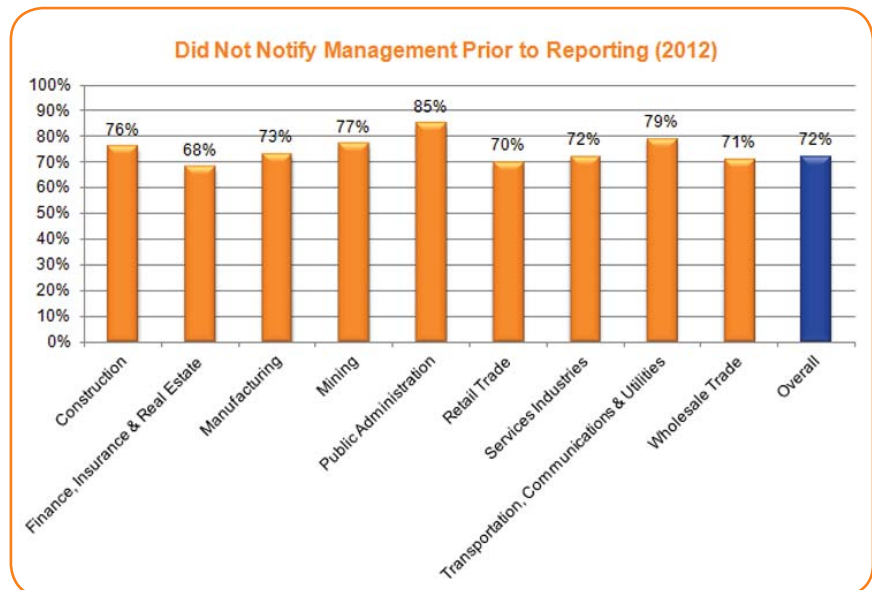
Prior Management Notification by Incident Category

This year for individual industry statistics, Prior Management Notification by Incident Category was calculated by the rate of the incident category compared to all reports of that type. Statistics are shown as the percentage of all incidents reported that had prior management notification, broken out by each type of incident reported. This is calculated by taking the number of incidents reported with prior management notification for a particular incident category, and then dividing that by the total number of incidents for that incident category. These statistics will show the differences, by various types of incidents, in employees' preference or comfort level with notifying management first, before going through other reporting mechanisms.

Across all industries, Customer/Competitor Interaction (20%) and Other (20%) have the lowest rate of prior management notification. Environmental, Health & Safety (33%) and Misuse of Assets/Information (31%) have the highest rate of prior management notification.

Incident Type	2009	2010	2011	2012
Company/Professional Code Violation	25%	25%	25%	27%
Corruption & Fraud	27%	27%	28%	27%
Customer/Competitor Interaction	25%	23%	23%	20%
Employment Law Violation	31%	31%	30%	29%
Environment, Health & Safety	37%	36%	34%	33%
Misuse of Assets/Information	32%	31%	29%	31%
Personnel Management	30%	31%	28%	28%
Other	24%	25%	21%	20%
Total	**29%**	**29%**	**28%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past only four years of data.

Prior Management Notification By Anonymity

Another perspective on prior management notification is how it relates to the participant remaining anonymous when using the hotline. For the five-year period of the report, the percentage of participants that had given prior management notification prior to submitting an anonymous report has decreased from 35% in 2008 to only 21% in 2011 and 2012.

Note that Prior Management Notification By Anonymity is not tracked by individual industry.
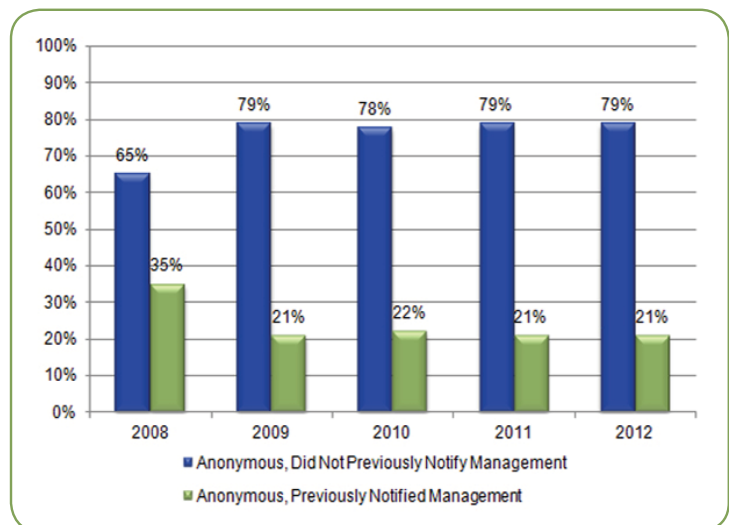
ANONYMITY

A key requirement of a hotline program is allowing participants to remain anonymous. For public companies, this is required by law as outlined by the Sarbanes-Oxley Act. The Federal Sentencing Guidelines for Organizations (FSGO) and the 2012 guidance on the Foreign Corrupt Practices Act (FCPA) also promote the use of an anonymous reporting mechanism as a key element of an effective compliance program.

Frequency of Anonymous Reports

Throughout the past five years, the level of anonymity among participants has remained relatively stable, with a slightly higher percentage of participants choosing to reveal their identity rather than remain anonymous. In 2012, 51% of participants chose to reveal their identity.
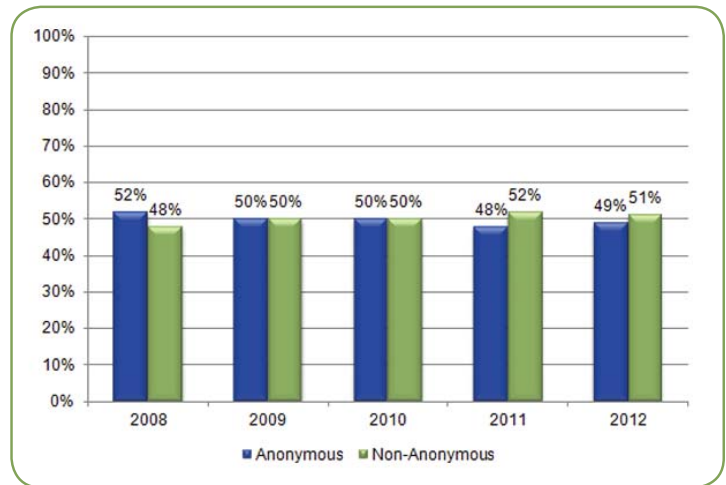
Anonymous reporting is most prevalent in the Public Administration (60%) and Finance, Insurance & Real Estate (57%) industries.

Anonymous reporting is lowest in the Construction (32%) and Transportation, Communications & Utilities (39%) industries.
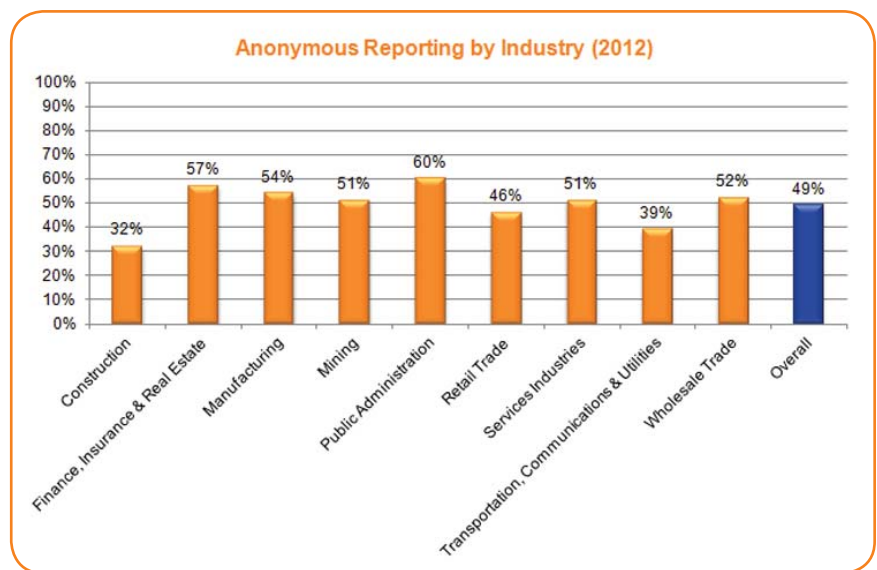
CASE OUTCOME & DISPOSITION

For the purpose of this report, every incident reported through the hotline is considered an allegation. At the point where the decision is made regarding whether or not the allegation should be investigated, the issue becomes a case. The final case outcome is determined by the reported organization.

Case Outcome

In 2012, 72% of all incidents reported warranted an investigation (referred to as the *"actionability"* of the report), an increase of five percentage points over 2011. Of the 72%, 44% resulted in a corrective action being taken, the highest level for that statistic across the five years of data.

The actionability percentage for Retaliation incidents was much higher (79%). (Note that 2012 is the first year that these separate statistics have been gathered.)

Case Outcome	2008	2009	2010	2011	2012	
					non-retaliation	retaliation
No Investigation Warranted	18%	17%	16%	16%	15%	12%
Investigated, Corrective Action Taken	38%	40%	41%	41%	44%	38%
Investigated, No Corrective Action Taken	33%	33%	27%	26%	28%	41%
Referred/Advised	4%	7%	5%	5%	5%	5%
Other	8%	3%	11%	12%	8%	4%

Case Disposition

A final step in the hotline reporting process is case disposition. This is the activity that results from case outcome, such as the disciplinary action, termination, or in some cases, prosecution.

Note that Case Disposition data only references reports that have not been labeled as "Unknown." There are two reasons for this:

1. Many organizations finish their reporting lifecycle at the Case Outcome stage and thus do not fill out the Case Disposition information.

2. By only reporting data from reports that use Case Disposition within their reporting lifecycle, users gain a more focused perspective from which to benchmark their results.

Because of this, Case Disposition data reflects only the past four years, from 2009 - 2012. The leading action for Case Disposition across the past four years is the Disciplined/Counseled action. For all options, there has been little change throughout the four-year period.

Case Disposition	2009	2010	2011	2012
Cleared/No Action	24%	23%	22%	22%
Disciplined/Counseled	36%	38%	38%	38%
Terminated	10%	9%	12%	12%
Prosecuted	0%	0%	0%	< 1%
Other/Unresolved	30%	30%	28%	28%

Data Analysis by Industry

The 2013 Report details hotline activity across the these industries, following standard SIC classifications:
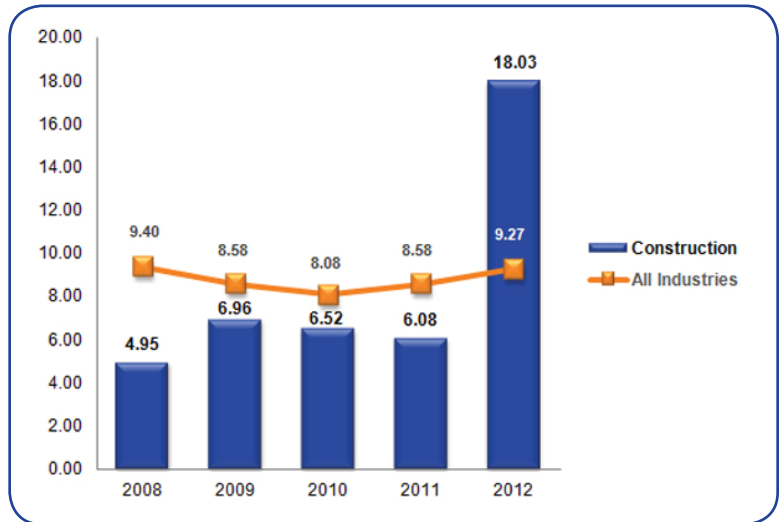
- CONSTRUCTION

- FINANCE, INSURANCE & REAL ESTATE

- MANUFACTURING

- MINING

- PUBLIC ADMINISTRATION

- RETAIL TRADE

- SERVICE INDUSTRIES

- TRANSPORTATION, COMMUNICATIONS & UTILITIES

- WHOLESALE TRADE

CONSTRUCTION

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

The incident report for the Construction industry skyrocketed almost 12 points from 6.08 in 2011 to 18.03 in 2012. In 2011, the incident rate for Construction fell well below the industry average, but it almost doubled the average in 2012. Incident rates may have increased in this industry due to an improving economy that has brought many new employees into – or previously displaced employees back into – the Construction work site.

The Construction industry showed a dramatic increase in reporting activity (197%) over the previous year. Specifically, Construction organizations in the 5,000 - 10,000 employee range saw the largest percentage increase in reporting (497%).

REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

From 2011 to 2012, the overall incident rate tripled in Construction, led by a staggering increase in the Personnel Management incident category with a jump from 3.34 to 11.80. In fact, the Personnel Management category under Construction was the highest among all industries.

Throughout the past five years, the overall incident rate stayed relatively consistent during the four years prior to the dramatic increase in 2012. Following Personnel Management, Employment Law Violation experienced the second largest increase, from 1.14 to 3.05.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	0.54	0.51	0.59	0.46	0.88
Corruption & Fraud	0.58	0.93	0.74	0.66	0.92
Customer/Competitor Interaction	0.11	0.09	0.11	0.04	0.18
Employment Law Violation	0.82	1.27	1.11	1.14	3.05
Environment, Health & Safety	0.26	0.45	0.37	0.43	1.18
Misuse of Assets/Information	0.01	0.02	0.01	0.00	0.02
Personnel Management	2.61	3.70	3.60	3.34	11.80
Overall	4.95	6.96	6.52	6.08	18.03

FREQUENCY OF INCIDENT CATEGORIES

In 2012, there were two noteworthy changes in incident type rates. The first is a ten percentage point increase in Personnel Management from its 2011 level, and the second is Corruption & Fraud, which decreased from 11% in 2011 to 5% in 2012. The remaining categories stayed relatively consistent throughout the five-year period.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	11%	8%	9%	8%	5%
Corruption & Fraud	12%	13%	11%	11%	5%
Customer/Competitor Interaction	2%	1%	2%	1%	1%
Employment Law Violation	17%	18%	17%	19%	17%
Environment, Health & Safety	5%	7%	6%	7%	7%
Misuse of Assets/Information	< 1%	< 1%	< 1%	0%	< 1%
Personnel Management	53%	53%	55%	55%	65%

MEANS OF AWARENESS

As incident report rates increased dramatically in Construction in 2012, the source of awareness for hotline programs is especially interesting. While the Poster stills leads all categories besides Other for awareness, it has decreased dramatically over the past two years, from 48% in 2010 to 20% in 2012. Awareness via a Fellow Employee increased seven percentage points during that same time period. All other categories stayed within a four percentage point range.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	4%	2%	2%	2%	3%
Employee	13%	12%	14%	16%	21%
HR	7%	6%	4%	6%	6%
Handbook	8%	5%	7%	9%	11%
Intranet	7%	4%	3%	4%	3%
Manager	2%	2%	2%	3%	6%
Poster	38%	45%	48%	35%	20%
Sign	3%	3%	1%	1%	1%
Video	0%	< 1%	0%	0%	< 1%
Wallet Card	3%	2%	3%	2%	2%
Other	12%	13%	13%	17%	24%
Unknown	3%	6%	2%	4%	4%

PRIOR MANAGEMENT NOTIFICATION

The percentage of Construction industry reporters that notified management prior to submitting a report reached a five-year low in 2012 at 24%. These numbers have decreased steadily throughout the past four years. When compared to other industries, these numbers are relatively low. There are several possible reasons for this, including a fear of retaliation, the desire to remain detached from the incident. or a lack of confidence in the ability of management to address the situation.

■No – Management Not Previously Notified ■Yes – Management Previously Notified
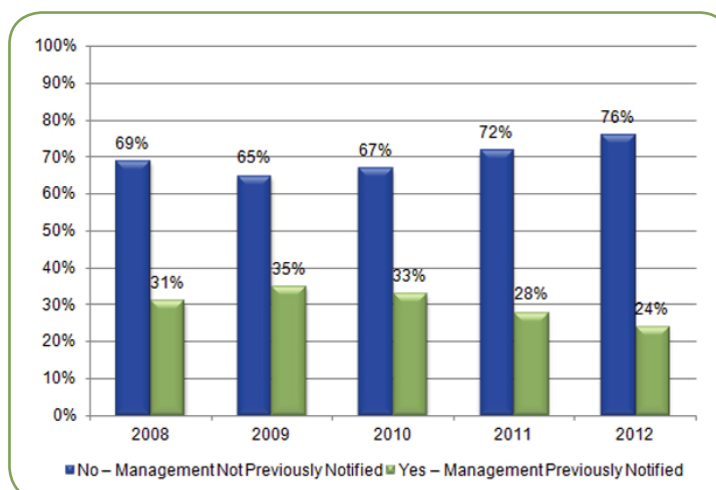
PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Construction industry has a lower-than-average overall rate of prior management notification. This industry has a lower rate of prior management notification for Personnel Management, which has been on the decline in recent years despite an overall high incident rate in this category. Just over one-third of incidents in the Environment, Health & Safety category were previously reported to management. Only 8% of Company/Professional Code Violations were previously reported, substantially lower than the cross-industry average. While all Misuse of Assets/Information reports had been previously reported, this category represented less than 1% of all incidents for the industry.

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	23%	20%	12%	8%	27%
Corruption & Fraud	29%	27%	19%	11%	27%
Customer/Competitor Interaction	27%	18%	0%	9%	20%
Employment Law Violation	36%	34%	36%	28%	29%
Environment, Health & Safety	46%	38%	34%	34%	33%
Misuse of Assets/Information	25%	0%	0%	100%	31%
Personnel Management	36%	37%	28%	24%	28%
Other	0%	0%	0%	0%	20%
Total	**35%**	**33%**	**28%**	**24%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

ANONYMITY

In 2012, 68% of reporters chose to reveal their identity when submitting a report, an eight percentage point increase from the previous year and a 20 percentage point increase from the five-year low of 48% in 2008. The upward trend in people choosing to not remain anonymous marks a significant change within the Construction Industry and is 11 percentage points higher than the cross-industry average.
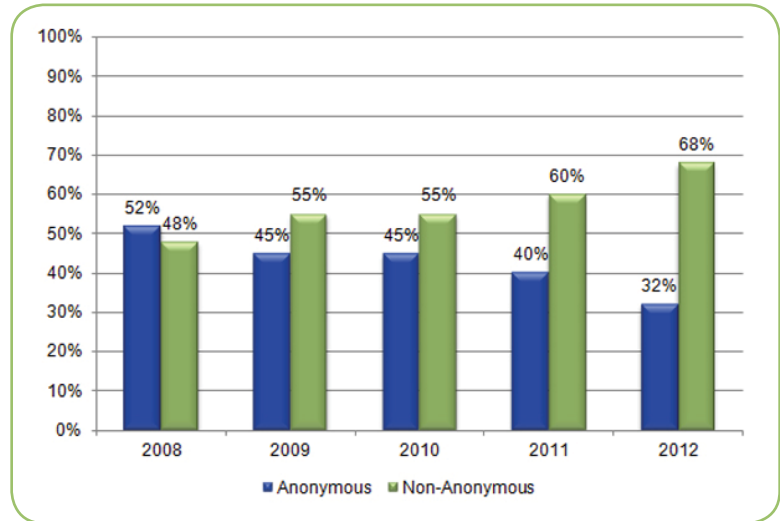
CASE OUTCOME

In 2012, with available data, the percentage of cases that warranted an investigation (92%) decreased slightly from its 2011 rate. The percentage of cases that resulted in a corrective action being taken decreased six percentage points, while the number of cases that were investigated and resulted in no corrective action increased three percentage points from 2011 to 2012.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	17%	5%	4%	5%	8%
Investigated, Corrective Action Taken	41%	54%	58%	53%	47%
Investigated, No Corrective Action Taken	35%	40%	38%	42%	45%
Referred/ Advised	7%	1%	0%	0%	0%
Other	0%	n/a	n/a	n/a	0%

CASE DISPOSITION

Throughout the four-year period, the most common Case Disposition for the Construction industry is the Disciplined/ Counseled category, followed by the Terminated category. While the Disciplined/Counseled category has steadily decreased, the percentage of cases resulting in termination has increased.

Case Disposition	2009	2010	2011	2012
Cleared/No Action	0%	0%	0%	0%
Disciplined/Counseled	85%	80%	77%	64%
Terminated	15%	20%	23%	33%
Prosecuted	0%	0%	0%	2%
Other/Unresolved	0%	0%	0%	0%

CONSTRUCTION BY REPORTING PERCENTAGE SIZE

From 2011 - 2012, the distribution of reports as they relate to their organizational size experienced some significant changes that may be a contributing factor to the rise in the incident rate for Construction. In 2012, Group 1 (0 - 5,000 employees), Group 2 (5,001 - 10,000 employees), and Group 3 (10,001 - 20,000 employees) experienced sharp increases, especially Group 2 (5,001 - 10,000 employees), which increased by 497% (597% of 2011 figures).

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	11%	12%	11%	9%	18%
Group 2 (5,001 - 10,000)	0%	2%	2%	3%	18%
Group 3 (10,001 - 20,000)	19%	15%	23%	48%	63%
Group 4 (20,001 - 50,000)	1%	2%	0%	0%	n/a
Group 5 (50,001 +)	69%	69%	63%	40%	n/a

CONSTRUCTION BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Construction, 90% of the organizations fall within the smallest group – companies with less than 5,000 employees.
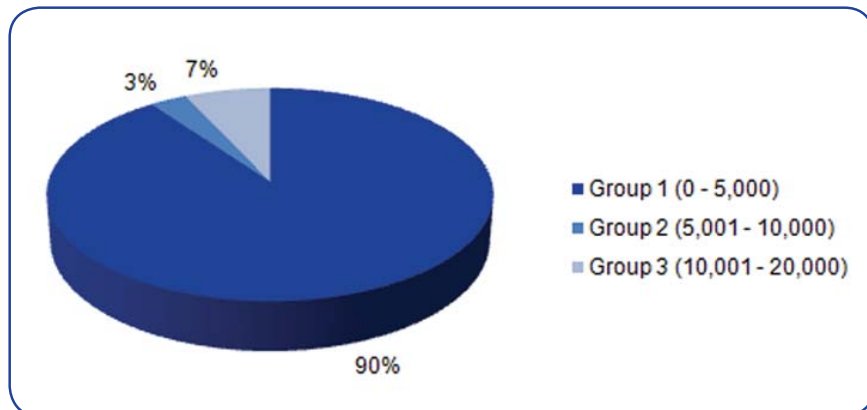
CONSTRUCTION REPORTS BY GEOGRAPHY

During the period of 2009 - 2012, the majority of reports in the Construction industry originated in North America (67.6%) followed by the Middle East (23.0%), with 15.0% of reports coming from an unknown geographic origin.

**Construction
by Geographical Breakdown 2009 - 2012**

Declined to Report/Unknown, 15.0%

Middle East, 23.0%
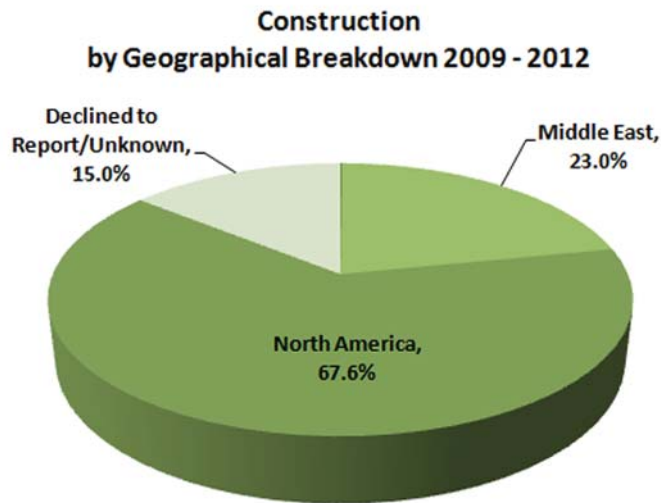
North America, 67.6%

Note: The chart represents a cumulative average of data from the past four years.

In 2012, 88.4% of reports in the Construction industry originated in North America.

Geographic Reporting	2009	2010	2011	2012
Africa	0.1%	0.1%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%
Caribbean	0.0%	0.1%	0.0%	0.2%
Central America	0.0%	0.0%	0.0%	0.0%
Europe	0.2%	0.2%	0.0%	0.0%
Middle East	38.2%	30.8%	0.0%	0.0%
North America	39.0%	59.1%	86.1%	88.4%
Oceania	0.1%	0.0%	0.0%	0.0%
South America	0.0%	0.0%	0.0%	0.0%
Unknown	22.4%	9.8%	13.9%	11.5%

FINANCE, INSURANCE & REAL ESTATE

INCIDENT REPORT RATES BY TYPE PER 1,000 EMPLOYEES

Following four years of a fairly steady incident report rate, the Finance, Insurance & Real Estate industry experienced a more than one-point jump from 8.25 in 2011 to 9.41 in 2012. This trend is in line with the overall increase in incident rates.
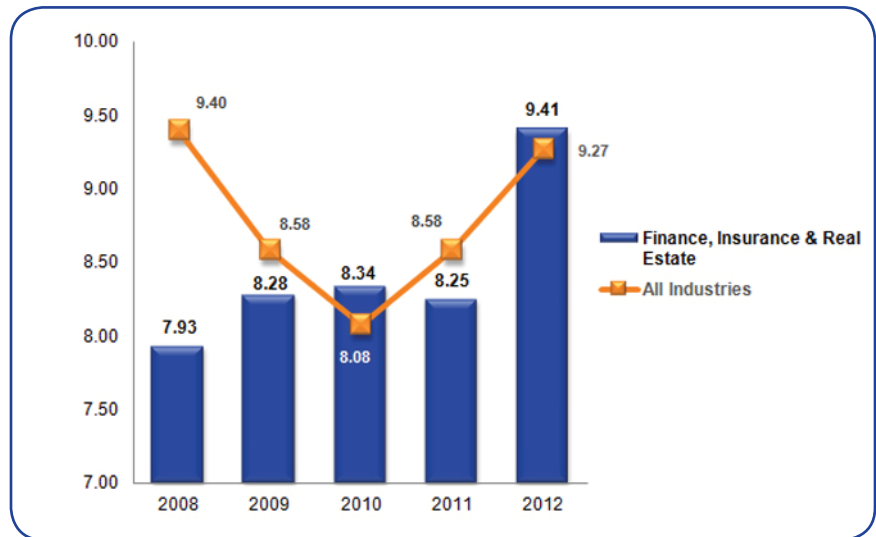
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

The distribution of incident report rates has remained relatively stable throughout the five-year period with only very small changes throughout each category between 2008 and 2012. From 2011 to 2012, the categories that experienced the greatest increase were Personnel Management, Company/Professional Code Violation and Misuse of Assets/Information.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	2.22	3.09	3.31	3.27	3.61
Corruption & Fraud	1.16	1.23	1.14	1.26	1.41
Customer/Competitor Interaction	0.59	0.47	0.37	0.32	0.31
Employment Law Violation	0.47	0.54	0.54	0.52	0.61
Environment, Health & Safety	0.13	0.11	0.14	0.13	0.12
Misuse of Assets/Information	0.12	0.20	0.20	0.34	0.51
Personnel Management	2.28	1.95	2.00	1.95	2.35
Other	0.95	0.70	0.65	0.45	0.50
Overall	7.93	8.28	8.34	8.25	9.41

FREQUENCY OF INCIDENT CATEGORIES

For the entire five years of data, three categories dominate in terms of incident reports for Finance, Insurance & Real Estate organizations. Those categories are Company/Professional Code Violation, Personnel Management and Corruption & Fraud. The Company/Professional Code Violation category had been experiencing a steady increase for the prior four years but fell slightly in 2012. Corruption & Fraud and Personnel Management have remained stable over the past five years.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	28%	37%	40%	40%	38%
Corruption & Fraud	15%	15%	14%	15%	15%
Customer/Competitor Interaction	7%	6%	4%	4%	3%
Employment Law Violation	6%	6%	7%	6%	6%
Environment, Health & Safety	2%	1%	2%	2%	1%
Misuse of Assets/Information	1%	2%	2%	4%	5%
Personnel Management	29%	24%	24%	24%	25%
Other	12%	9%	8%	6%	5%

MEANS OF AWARENESS

The Intranet is the most common source for means of awareness for the Finance, Insurance & Real Estate industry in 2012 and for the entire five-year period. This is the only industry in which the Intranet is the leading source for the entire five-year period. It accounts for one-quarter of all reports and is followed by alternative methods (Other or Unknown) as well as Fellow Employee. The Poster, traditionally high across all industries, is low for this particular industry. This is in line with the industry's employee base and the accessibility of their company Intranet via computers, tablets and SmartPhones.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	2%	1%	1%	1%	1%
Employee	14%	11%	12%	12%	10%
HR	7%	6%	6%	6%	7%
Handbook	11%	10%	8%	8%	8%
Intranet	26%	26%	24%	24%	25%
Manager	7%	7%	7%	8%	7%
Poster	11%	9%	11%	10%	9%
Sign	< 1%	< 1%	< 1%	< 1%	< 1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	1%	1%	1%	1%	2%
Other	17%	14%	14%	16%	15%
Unknown	4%	15%	16%	15%	16%

PRIOR MANAGEMENT NOTIFICATION

In 2012, 32% of reporters in the Finance, Insurance & Real Estate industry notified management prior to submitting a hotline report, a relatively consistent statistic throughout the five-year period.
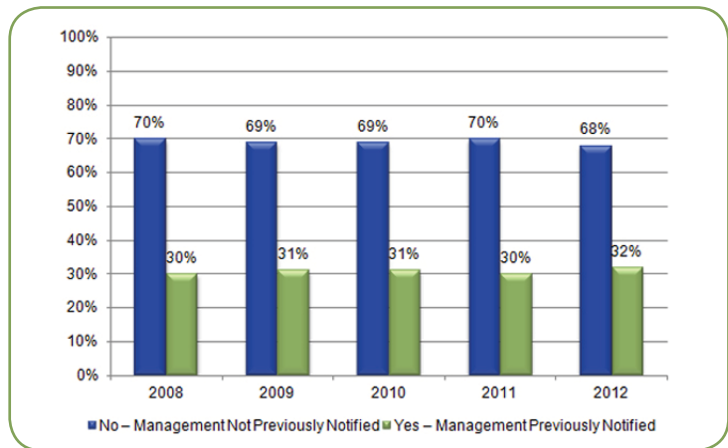
PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Finance industry has a higher-than-average overall rate of prior management notification. This industry has an especially high rate of prior management notification for Misuse of Assets/Information (39%) and Company/Professional Code Violation (37%).

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	32%	33%	33%	37%	27%
Corruption & Fraud	31%	33%	32%	33%	27%
Customer/Competitor Interaction	29%	29%	29%	24%	20%
Employment Law Violation	30%	32%	28%	32%	29%
Environment, Health & Safety	40%	34%	35%	32%	33%
Misuse of Assets/Information	39%	33%	33%	39%	31%
Personnel Management	29%	29%	25%	26%	28%
Other	28%	27%	26%	26%	20%
Total	**31%**	**31%**	**30%**	**32%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

ANONYMITY

Following the trend that began in 2009, the percentage of reporters choosing to remain anonymous has remained higher than for reporters choosing to reveal their identity. This may be attributed to several factors, including changes in legislation (i.e., FINRA Suitability Rules, UK Financial Services Act of 2012, etc.), organizational policies, and the increase in the availability of web reporting. The level of anonymous reporting may be directly related to the higher level of Company/Professional Code Violation incidents, where reporters are more comfortable disclosing allegations of a regulatory nature in an anonymous, non-confrontational manner.
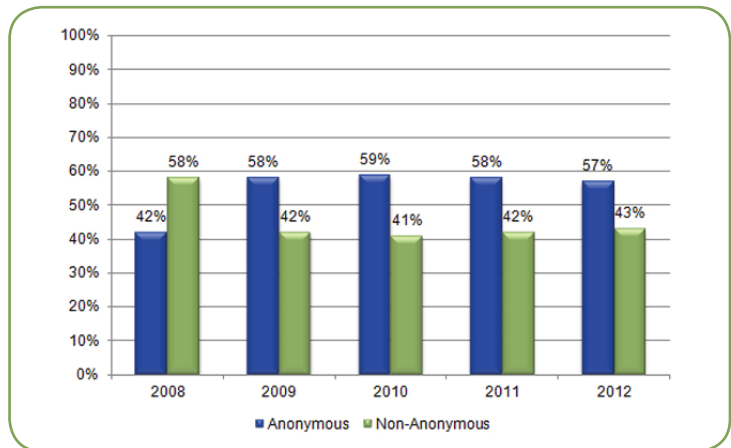
CASE OUTCOME

The 2012, the most notable case outcome result is that more cases have results that fit within a "named" category, leaving the Other category at a five-year low of 4%. This is important because categorized reports more accurately show results and patterns for the industry. Also notably in 2012 was a significant increase in the number of cases that were Referred/Advised as well as those that resulted in an investigation without any corrective action being taken.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	5%	5%	7%	9%	10%
Investigated, Corrective Action Taken	22%	23%	24%	23%	28%
Investigated, No Corrective Action Taken	17%	17%	16%	16%	23%
Referred/ Advised	21%	28%	20%	25%	35%
Other	35%	27%	35%	28%	4%

CASE DISPOSITION

The four years of data for Case Disposition is relatively steady, with decreases in the Disciplined/Counseled and Terminated categories and an increase within Cleared/No Action.

Case Disposition	2009	2010	2011	2012
Cleared/No Action	1%	5%	5%	12%
Disciplined/Counseled	60%	56%	49%	36%
Terminated	19%	20%	22%	17%
Prosecuted	< 1%	1%	< 1%	< 1%
Other/Unresolved	20%	19%	24%	34%

FINANCE, INSURANCE & REAL ESTATE REPORTING PERCENTAGE BY SIZE

The distribution of submitted reports by organizational size has remained consistent throughout the five-year period of the report, with the majority of reports coming from organizations in the largest group size of more than 50,001 employees. This six percentage point increase is the largest for this group size across all industries.

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	9%	8%	9%	8%	7%
Group 2 (5,001 - 10,000)	4%	3%	4%	2%	1%
Group 3 (10,001 - 20,000)	13%	9%	8%	8%	6%
Group 4 (20,001 - 50,000)	10%	11%	11%	10%	8%
Group 5 (50,001 +)	64%	69%	68%	72%	78%

FINANCE, INSURANCE & REAL ESTATE BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Finance, Insurance & Real Estate, the largest number of organizations (77%) falls within the smallest group, companies with fewer than 5,000 employees. It is interesting to note that although there are far fewer organizations within Group 5 (50,001+ employees), these organizations are responsible for 78% of the reports in this industry (see above).
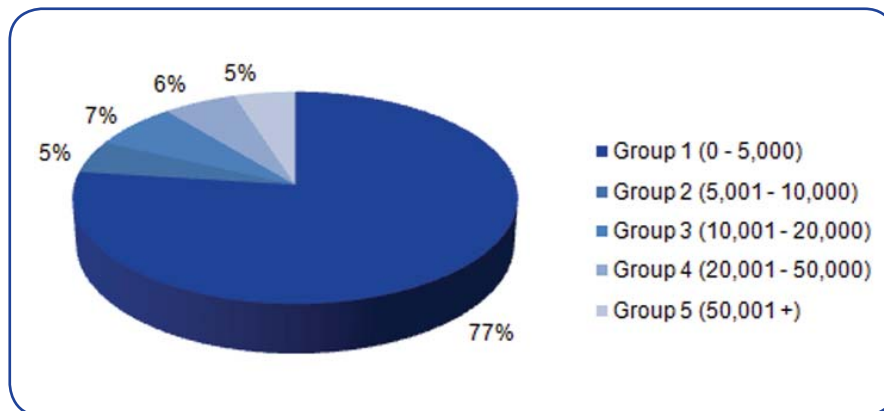
FINANCE, INSURANCE & REAL ESTATE REPORTS BY GEOGRAPHY

For the period 2009 - 2012, the vast majority of reporting in the Finance, Insurance & Real Estate industry originated in North America (94.4%).

**Finance, Insurance & Real Estate
by Geographical Breakdown 2009 - 2012**

Declined to Report/Unknown, 3.8%

Asia, 0.5%

Europe, 0.7%

Middle East, 0.1%
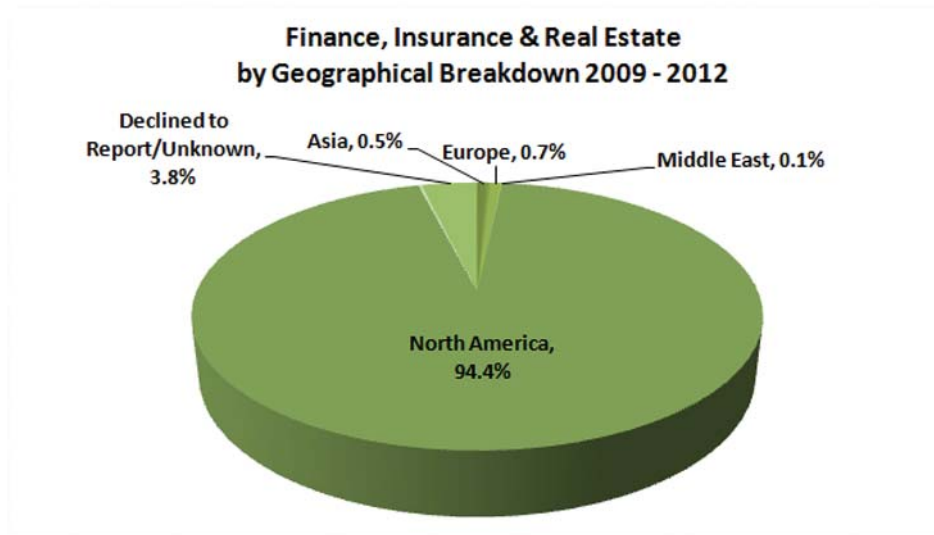
North America, 94.4%

Note: The chart represents a cumulative average of data from the past four years.

In 2012, 96.1% of reports in the Finance, Insurance & Real Estate industry originated in North America.

Geographic Reporting	2009	2010	2011	2012
Africa	0.1%	0.0%	0.0%	0.1%
Asia	0.4%	0.4%	0.4%	0.6%
Caribbean	0.2%	0.1%	0.1%	0.2%
Central America	0.1%	0.1%	0.1%	0.2%
Europe	0.8%	0.8%	0.6%	0.6%
Middle East	0.1%	0.1%	0.1%	0.1%
North America	90.6%	93.9%	97.0%	96.1%
Oceania	0.1%	0.0%	0.0%	0.0%
South America	0.3%	0.2%	0.0%	0.2%
Declined to Report/Unknown	7.4%	4.2%	1.6%	2.0%

MANUFACTURING

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

The Manufacturing industry experienced a decreasing trend in incident reporting activity in 2009 and 2010, but spiked to a five-year high of 4.80 in 2012.

INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

In 2012, there were only slight changes in individual incident report categories percentages compared to 2011. The leading incident category throughout the five-year period is Personnel Management followed by Employment Law Violation.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	0.42	0.39	0.36	0.37	0.40
Corruption & Fraud	0.54	0.47	0.47	0.46	0.55
Customer/Competitor Interaction	0.12	0.09	0.11	0.14	0.15
Employment Law Violation	0.63	0.58	0.60	0.54	0.68
Environment, Health & Safety	0.31	0.26	0.29	0.35	0.37
Misuse of Assets/Information	0.02	0.02	0.01	0.01	0.01
Personnel Management	2.39	2.25	2.17	2.22	2.60
Other	0.05	0.04	0.04	0.05	0.04
Overall	4.48	4.10	4.05	4.13	4.80

FREQUENCY OF INCIDENT CATEGORIES

In 2012, the Personnel Management, Employment Law Violation and Corruption & Fraud categories led the incident type breakdown with 54%, 14% and 11% respectively. The incident categories have fluctuated only slightly throughout the five-year period.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	9%	10%	9%	9%	8%
Corruption & Fraud	12%	12%	12%	11%	11%
Customer/Competitor Interaction	3%	2%	3%	3%	3%
Employment Law Violation	14%	14%	15%	13%	14%
Environment, Health & Safety	7%	6%	7%	8%	8%
Misuse of Assets/Information	1%	< 1%	< 1%	< 1%	< 1%
Personnel Management	53%	55%	54%	54%	54%
Other	1%	1%	1%	1%	1%

MEANS OF AWARENESS

For Manufacturing, the Poster is the dominant means of awareness for all five years of data. It is followed by alternative options ("Other or "Unknown") and Fellow Employee. These are similar results to the Construction Industry, which is logical as the employee makeup is similar.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	4%	3%	3%	2%	2%
Employee	14%	13%	13%	14%	12%
HR	5%	5%	5%	4%	5%
Handbook	11%	10%	9%	9%	9%
Intranet	8%	8%	6%	6%	6%
Manager	2%	3%	2%	3%	2%
Poster	33%	33%	36%	37%	38%
Sign	2%	2%	1%	1%	1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	5%	4%	3%	3%	3%
Other	14%	12%	12%	15%	15%
Unknown	2%	7%	10%	6%	6%

Manufacturing

PRIOR MANAGEMENT NOTIFICATION

In 2012, the trend continued in the number of reporters who did not notify a member of management of an incident prior to submitting a report. These numbers have fluctuated only slightly within the five-year period. The one percent increase to 73% in 2012 marks the highest rate in the five-year period.

No – Management Not Previously Notified   Yes – Management Previously Notified
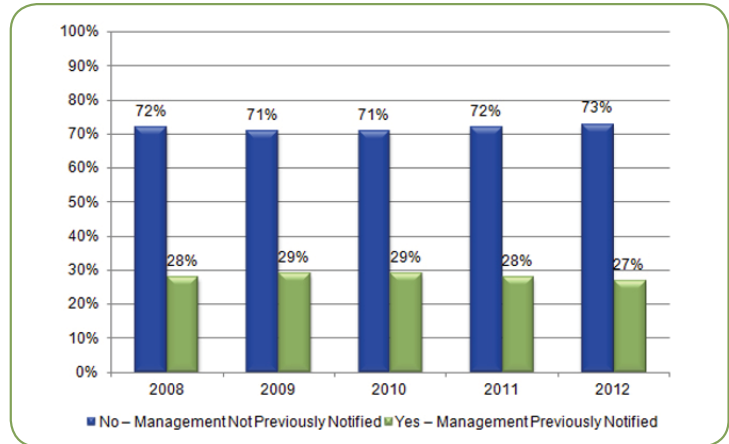
PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Manufacturing industry has a slightly lower-than-average rate of prior management notification across all industries, and the trend shows a small decrease over the past four years. One in three incidents in the Environment, Health & Safety category were previously reported, while the same held true for only 16% of Customer/Competitor Interaction reports. For all four years of reporting, the Manufacturing industry's notification rate for Misuse of Assets/Information has remained under the cross-industry rate for that incident category.

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	22%	22%	21%	22%	27%
Corruption & Fraud	22%	22%	22%	22%	27%
Customer/Competitor Interaction	22%	19%	14%	16%	20%
Employment Law Violation	32%	34%	32%	30%	29%
Environment, Health & Safety	36%	36%	35%	33%	33%
Misuse of Assets/Information	21%	22%	16%	25%	31%
Personnel Management	30%	30%	28%	27%	28%
Other	38%	47%	31%	19%	20%
Total	**29%**	**29%**	**28%**	**27%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

ANONYMITY

In 2012, 54% of reporters chose to remain anonymous when submitting a report. While the data over the five-year period falls within a range of six percentage points, there was the shift in 2009 to more reporters choosing to remain anonymous, which continued in 2012.
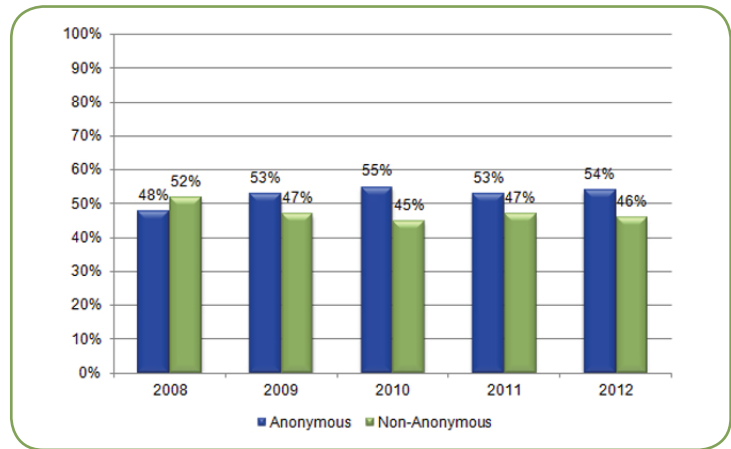
CASE OUTCOME

In 2012, the No Investigation Warranted category dropped by seven percentage points, while the Investigated, No Corrective Action Taken category rose by six percentage points. When case outcome information was disclosed, 40% of cases resulted in an investigation with a corrective action, which has stayed consistent across the five-year period.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	26%	20%	23%	27%	20%
Investigated, Corrective Action Taken	42%	42%	40%	39%	40%
Investigated, No Corrective Action Taken	25%	29%	28%	33%	39%
Referred/Advised	6%	7%	6%	2%	1%
Other	1%	2%	2%	< 1%	< 1%

CASE DISPOSITION

In 2012, the Case Disposition data shows changes within the Cleared/No Action category (a decrease of 11 percentage points) and a corresponding increase of eight percentage points in the Other/Unresolved category. The Disciplined/Counseled category remained consistent throughout the four years across the actions taken, at 46%.

Case Disposition	2009	2010	2011	2012
Cleared/No Action	25%	28%	23%	12%
Disciplined/Counseled	47%	44%	46%	46%
Terminated	9%	5%	15%	15%
Prosecuted	< 1%	< 1%	1%	2%
Other/Unresolved	19%	22%	16%	24%

Manufacturing

MANUFACTURING REPORTING PERCENTAGE BY SIZE

While the data has remained relatively consistent throughout the five-year period, there was a three percentage point decrease in the report rate from the largest group, organizations with more than 50,001 employees. Group 4 (20,001 - 50,000 employees) accounts for the largest increase throughout the five-year period and the second largest reporting percentage for 2012.

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	11%	8%	8%	9%	10%
Group 2 (5,001 - 10,000)	8%	7%	7%	10%	9%
Group 3 (10,001 - 20,000)	18%	15%	16%	14%	16%
Group 4 (20,001 - 50,000)	15%	31%	27%	30%	31%
Group 5 (50,001 +)	48%	39%	41%	37%	34%

MANUFACTURING BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Manufacturing, the largest number of organizations (56%) is found within the smallest group – companies with less than 5,000 employees. The remaining 44% are distributed in a descending pattern through the next four group sizes.
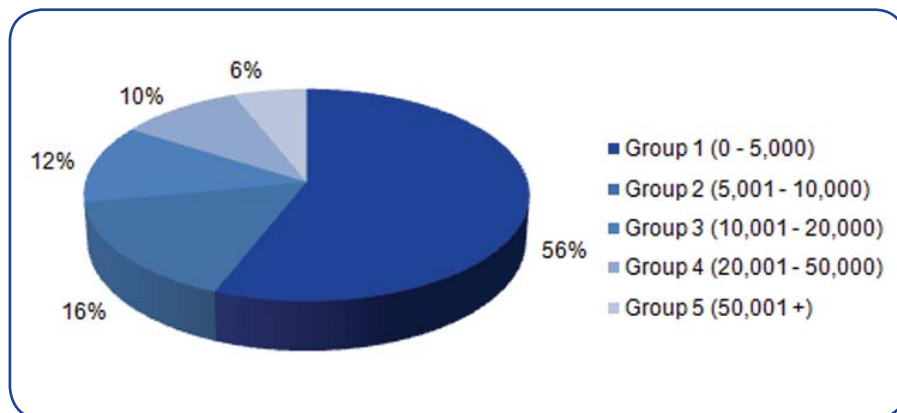
MANUFACTURING REPORTS BY GEOGRAPHY

For the period of 2009 - 2012, the majority of reports in the Manufacturing industry originated in North America (87.8%). Other regions reporting more than 1% of reports are South America (4.0%), Europe (1.8%), and Asia (1.6%). Another 2.6% of reports are from an unknown origin.

**Manufacturing
by Geographical Breakdown 2009 - 2012**
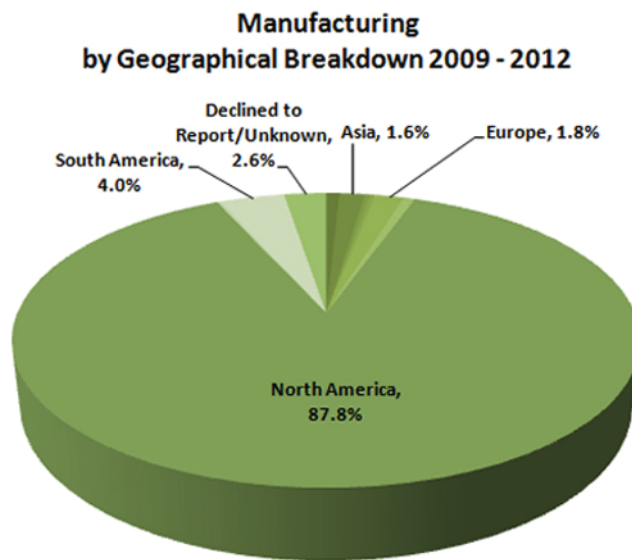
Note: The chart represents a cumulative average of data from the past four years.

In 2012, 86.9% of reports in the Manufacturing industry originated in North America.

Geographic Reporting	2009	2010	2011	2012
Africa	0.6%	0.9%	0.8%	0.9%
Asia	1.1%	1.4%	1.7%	2.0%
Caribbean	0.3%	0.3%	0.2%	0.3%
Central America	0.2%	0.3%	0.4%	0.4%
Europe	1.5%	1.9%	1.9%	2.0%
Middle East	0.7%	0.7%	0.5%	0.8%
North America	88.4%	87.9%	88.0%	86.9%
Oceania	0.2%	0.2%	0.1%	0.2%
South America	3.6%	3.9%	3.9%	4.5%
Declined to Report/Unknown	3.5%	2.5%	2.4%	2.1%

MINING

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

As it did in 2011, the overall incident rate for Mining continued to rise in 2012, with an increase of .59 points from 2011. At 4.43, the incident rate for mining represents the second-highest rate throughout the five-year period. This two-year increase follows two years of decreases in 2009 and 2010. The Mining industry has the lowest incident reporting rate among all industries detailed in this report, a position it has held for the past four years.
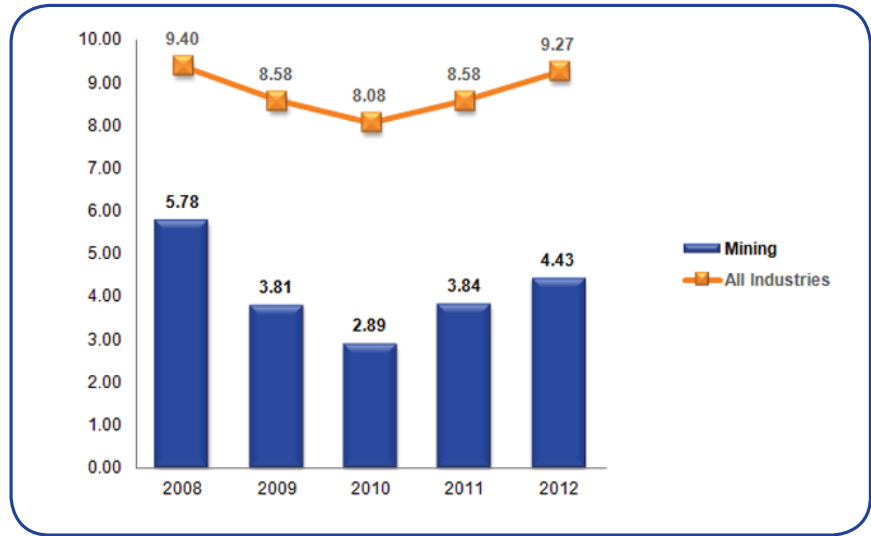
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

In 2012, every incident category experienced an increase in incident reporting with the exception of Company/Professional Code Violation, which experienced only a .01 point decrease. The largest increases were in the Environment, Health & Safety and Corruption & Fraud categories.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	0.81	0.42	0.26	0.35	0.34
Corruption & Fraud	0.61	0.51	0.35	0.38	0.50
Customer/Competitor Interaction	0.12	0.11	0.05	0.08	0.11
Employment Law Violation	0.59	0.33	0.28	0.53	0.54
Environment, Health & Safety	0.47	0.24	0.32	0.51	0.82
Misuse of Assets/Information	0.02	0.02	0.00	0.01	0.02
Personnel Management	3.06	2.13	1.59	1.93	2.03
Other	0.11	0.04	0.05	0.05	0.08
Overall	**5.78**	**3.81**	**2.89**	**3.84**	**4.43**

FREQUENCY OF INCIDENT CATEGORIES

In 2012, reports involving Personnel Management decreased by four percentage points but still accounted for nearly half of the reports in this category. Environment, Health & Safety saw a five percentage point increase (18%) and was the highest among all industries, tied with Wholesale.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	14%	11%	9%	9%	8%
Corruption & Fraud	10%	14%	12%	10%	11%
Customer/Competitor Interaction	2%	3%	2%	2%	3%
Employment Law Violation	10%	9%	10%	14%	12%
Environment, Health & Safety	8%	6%	11%	13%	18%
Misuse of Assets/Information	< 1%	< 1%	0%	< 1%	< 1%
Personnel Management	53%	56%	55%	50%	46%
Other	2%	1%	2%	1%	2%

MEANS OF AWARENESS

The Poster continues to be the leading method of awareness among reporters in the Mining industry, with 26% of reporters citing it as their main source of awareness, a slight decrease from 2011. This is typical with reporters in an industry where the majority of workers workers do not routinely use computers as a part of their daily work activities.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	3%	1%	2%	1%	1%
Employee	15%	16%	18%	17%	14%
HR	4%	4%	5%	4%	5%
Handbook	8%	6%	7%	7%	6%
Intranet	9%	11%	10%	8%	8%
Manager	3%	4%	2%	3%	3%
Poster	23%	32%	29%	29%	26%
Sign	1%	1%	1%	1%	1%
Video	15%	7%	6%	7%	3%
Wallet Card	16%	15%	18%	16%	18%
Other	3%	3%	3%	7%	15%
Unknown	2%	3%	3%	3%	7%

Mining

PRIOR MANAGEMENT NOTIFICATION

In 2012, the number of reporters that notified management prior to making an incident report stayed the same at 23%. Throughout the five-year period, the numbers have fluctuated between 23% and 29%. The Mining industry has the second-highest percentage of reporters who do not file a report through management before reporting an incident.
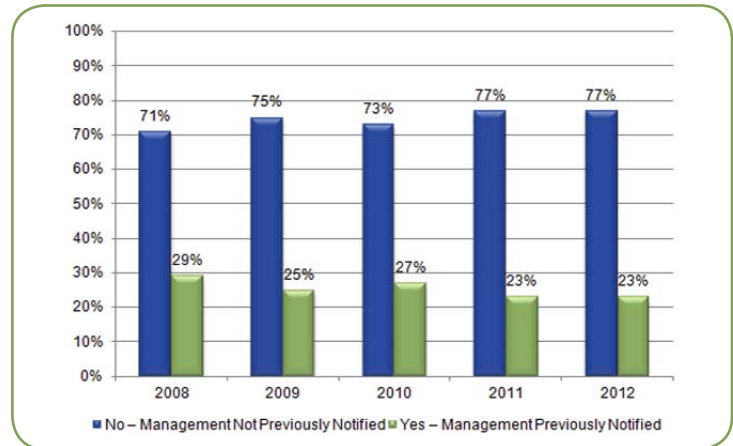
PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Mining industry has a lower-than-average overall rate of prior management notification, by five percentage points. The Employment Law Violation category had the highest rate of prior notification (37%). With the exception of the Misuse of Assets/Information category, which had 0% reporting, Customer/Competitor Interaction had the lowest rate (6%), followed by Corruption & Fraud (14%), both of which were much lower than the cross-industry rate.

| Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	10%	13%	14%	21%	27%
Corruption & Fraud	14%	20%	16%	14%	27%
Customer/Competitor Interaction	19%	21%	18%	6%	20%
Employment Law Violation	33%	27%	30%	37%	29%
Environment, Health & Safety	39%	27%	28%	15%	33%
Misuse of Assets/Information	0%	0%	0%	0%	31%
Personnel Management	28%	32%	23%	27%	28%
Other	18%	8%	31%	0%	20%
Total	**25%**	**27%**	**23%**	**23%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

ANONYMITY

Since 2010, the level of anonymous reporting in the Mining Industry has fallen by ten percentage points. This is a significant number in a category that typically remains fairly static. Although still not at its five-year low, which was reached in 2008 at 46%, the decrease is reflective of a changing environment within the Industry.
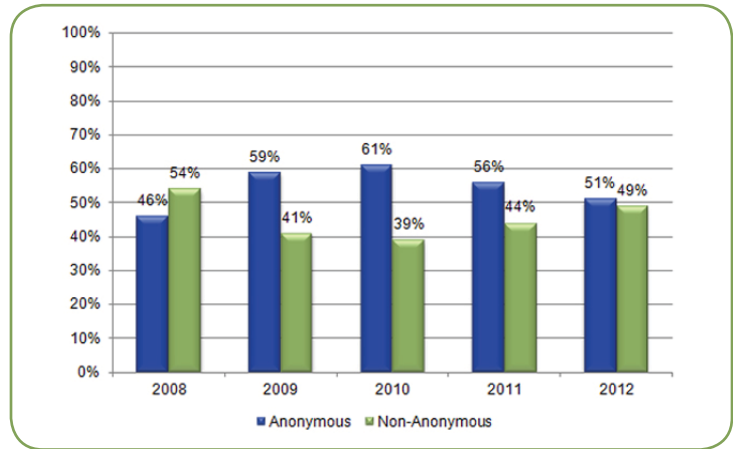
CASE OUTCOME

In 2012, 96% of all cases warranted an investigation. This is an eight percentage point increase from the 2011 level of 88%. Of those 96%, an astonishing 77% resulted in a corrective action (a four percentage point increase from the 2011 data and a 29 percentage point increase from 2010 data) while 19% resulted in no corrective action. Throughout the five-year period, the number of cases being investigated but resulting in no corrective action has decreased substantially. The No Investigation Warranted level has also decreased during this time period.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	9%	13%	7%	4%	4%
Investigated, Corrective Action Taken	54%	53%	48%	73%	77%
Investigated, No Corrective Action Taken	37%	28%	36%	15%	19%
Referred/Advised	0%	0%	0%	0%	0%
Other	0%	6%	8%	7%	1%

CASE DISPOSITION

The percentage of cases which were cleared or had no action taken has decreased significantly throughout the four-year period. At the same time, the percentage of cases resulting in a termination has increased.

When reviewing the Case Disposition data for the Mining industry, it is important to remember that the fewer number of cases may lead to dramatic shifts from year to year. However, when viewing in conjunction with the Case Outcome statistics, it can be determined that the trend within the Mining industry has been toward tougher sanctions for wrongdoers.

Case Disposition	2009	2010	2011	2012
Cleared/No Action	27%	32%	7%	11%
Disciplined/Counseled	53%	32%	61%	56%
Terminated	20%	37%	32%	33%
Prosecuted	0%	0%	0%	0%
Other/Unresolved	0%	0%	0%	0%

MINING REPORTING PERCENTAGE BY SIZE

In terms of incident category reporting as it relates to organization size, there was movement within all five groups in the Mining industry in 2012. First, Group 1 (0 - 5,000 employees) experienced an increase from 17% in 2011 to 27% in 2012, while Group 3 (10,001 - 20,000 employees) decreased by six percentage points. Group 4 (20,001 - 50,000 employees) and Group 5 (50,000+ employees) decreased by only one percentage point each.

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	26%	12%	19%	17%	27%
Group 2 (5,001 - 10,000)	12%	35%	30%	20%	18%
Group 3 (10,001 - 20,000)	36%	21%	21%	36%	30%
Group 4 (20,001 - 50,000)	0%	2%	3%	4%	3%
Group 5 (50,001 +)	26%	30%	28%	23%	22%

MINING BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Mining, the majority of organizations (62%) are found within the smallest group – companies with less than 5,000 employees. The second largest number of organizations (24%) falls within the second smallest group.
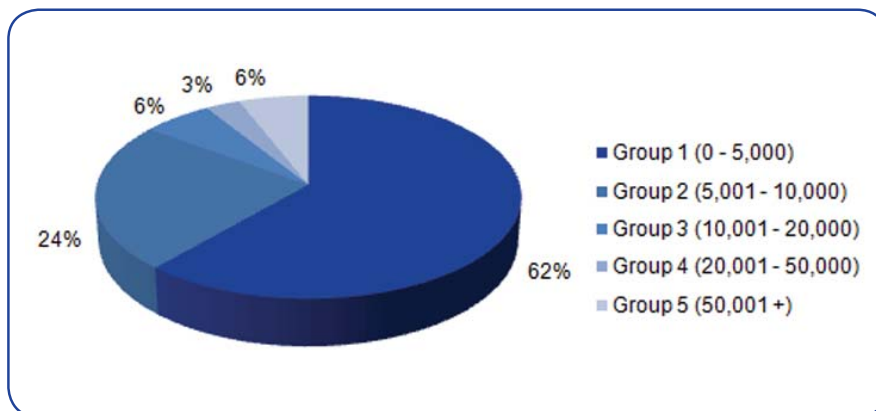
MINING REPORTS BY GEOGRAPHY

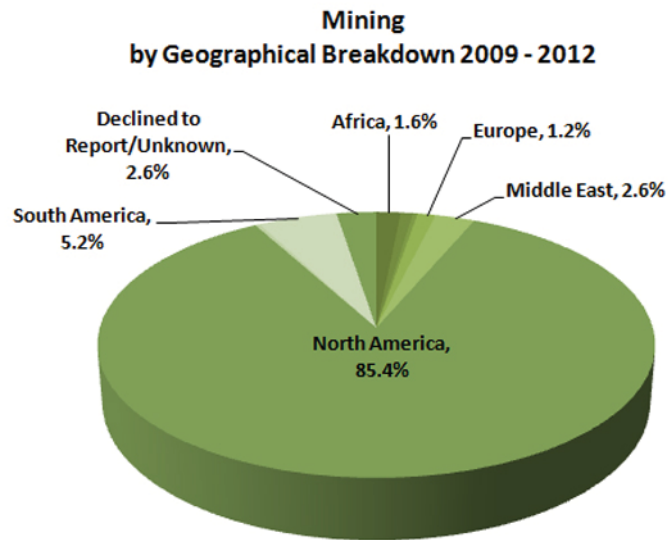For the period 2009 - 2012, the majority of reports within the Mining industry originated in North America (85.4%). A smaller percentage of reports originated in South America (5.2%), the Middle East (2.6%), Africa (1.6%) as well as Europe (1.2%). Another 2.6% of reports are from an unknown origin.

**Mining
by Geographical Breakdown 2009 - 2012**

Note: The chart represents a cumulative average of data from the past four years.

In 2012, 86.8% of reports originated in North America, while 4.8% originated in South America.

Geographic Reporting	2009	2010	2011	2012
Africa	1.6%	1.3%	2.3%	1.3%
Asia	0.8%	1.4%	0.0%	1.1%
Caribbean	0.4%	0.4%	0.3%	0.2%
Central America	0.0%	0.0%	0.0%	0.0%
Europe	1.6%	1.0%	1.0%	1.3%
Middle East	2.0%	1.8%	3.9%	2.8%
North America	81.4%	86.8%	86.5%	86.8%
Oceania	0.1%	0.3%	0.3%	0.6%
South America	6.3%	5.4%	4.2%	4.8%
Declined to Report/Unknown	5.9%	1.58%	1.6%	1.1%

PUBLIC ADMINISTRATION

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

The Public Administration industry experienced a 2.33 point increase in reporting rate from 2011 to 2012. While still below its peak level of 8.66 reached in 2009, the 2012 rate of 7.61 is at the top end of the five-year range.
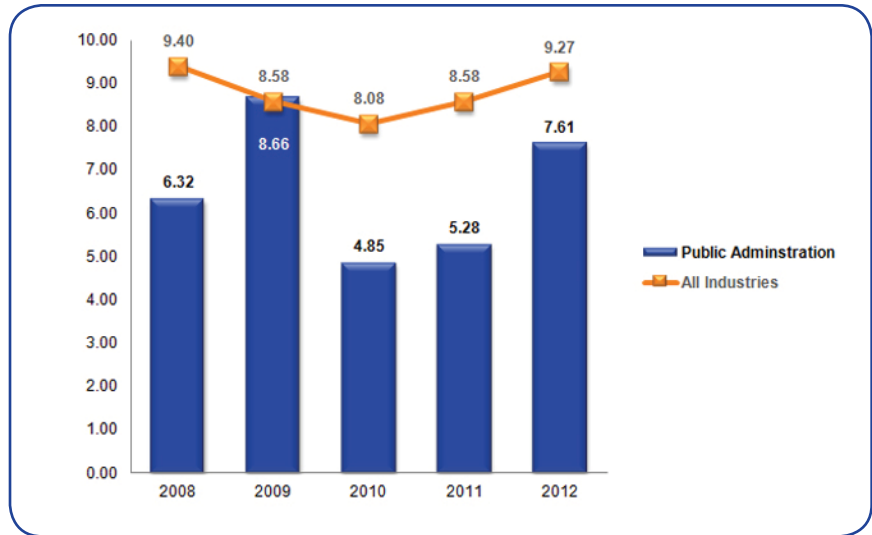
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

Throughout the five-year period, the incident rate reports by category have been consistently dispersed. Corruption & Fraud reports experienced a big jump in 2012, up more than a full percentage point. The Public Administration industry has the highest rate of Corruption & Fraud incidents of all industries by a wide margin. Only one category decreased from 2011 levels (Customer/Competitor Interaction).

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	1.33	1.72	0.83	0.99	1.27
Corruption & Fraud	2.73	4.09	2.30	2.05	3.24
Customer/Competitor Interaction	0.53	0.63	0.35	0.64	0.50
Employment Law Violation	0.25	0.40	0.23	0.25	0.68
Environment, Health & Safety	0.23	0.36	0.25	0.30	0.40
Misuse of Assets/Information	0.20	0.25	0.20	0.18	0.22
Personnel Management	1.05	1.21	0.64	0.72	1.09
Other	n/a	0.00	0.04	0.16	0.21
Overall	**6.32**	**8.66**	**4.85**	**5.28**	**7.61**

FREQUENCY OF INCIDENT CATEGORIES

After a decline in 2011, Corruption & Fraud was back on the rise in 2012, to 43%, and remains the most prevalent incident type in the Public Administration industry. Corruption & Fraud leads the second most frequent type of incident, Company/Professional Code Violation, by a 26 percentage point difference. The third most frequent incident type is Personnel Management.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	21%	20%	17%	19%	17%
Corruption & Fraud	43%	47%	47%	39%	43%
Customer/Competitor Interaction	8%	7%	7%	12%	7%
Employment Law Violation	4%	5%	5%	5%	9%
Environment, Health & Safety	4%	4%	5%	6%	5%
Misuse of Assets/Information	3%	3%	4%	3%	3%
Personnel Management	17%	14%	13%	14%	14%
Other	n/a	0%	1%	3%	3%

MEANS OF AWARENESS

In 2012, Fellow Employee surpassed the Intranet as the leading Means of Awareness for reporters, where a particular means was specified. The Intranet fell by four percentage points and Fellow Employee also fell by three percentage points. The Other category also noted a decrease while the Unknown category increased by nine percentage points.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	4%	2%	3%	2%	3%
Employee	15%	13%	16%	14%	11%
HR	1%	3%	2%	2%	3%
Handbook	1%	1%	1%	1%	3%
Intranet	14%	14%	15%	14%	10%
Manager	2%	1%	1%	1%	1%
Poster	8%	7%	8%	7%	10%
Sign	1%	< 1%	1%	< 1%	1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	3%	5%	2%	1%	1%
Other	42%	39%	38%	45%	36%
Unknown	9%	15%	13%	12%	21%

PRIOR MANAGEMENT NOTIFICATION

The number of reporters in the Public Administration industry who did not provide management prior notification in 2012 increased to 85%, its highest level throughout the five-year period. This statistic dramatically departs from results from all other industries and may be attributed to the perception that malfeasance in governmental entities is handled differently than in other industries.

	2008	2009	2010	2011	2012
No – Management Not Previously Notified	82%	82%	83%	82%	85%
Yes – Management Previously Notified	18%	18%	17%	18%	15%
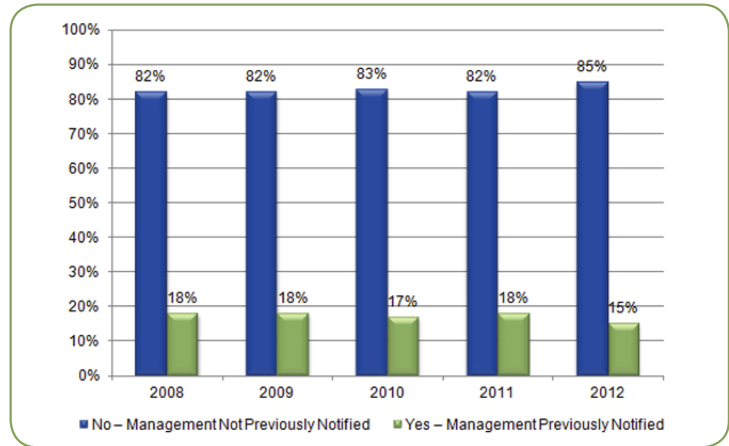
## PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Public Administration industry, at 15%, has the lowest overall rate of prior management notification, significantly lower than the average across all industries,and the lowest it has been in four years. This industry also has a lower-than-average rate of prior management notification for all individual incident categories. The Misuse of Assets/Information category shows the greatest deviation from the cross-industry rate (a 16 percentage point difference) followed closely by the Company/Professional Code Violation category (a 15 percentage point difference).

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	14%	11%	14%	12%	27%
Corruption & Fraud	15%	16%	18%	13%	27%
Customer/Competitor Interaction	17%	22%	21%	12%	20%
Employment Law Violation	26%	28%	27%	21%	29%
Environment, Health & Safety	29%	29%	25%	20%	33%
Misuse of Assets/Information	15%	13%	11%	15%	31%
Personnel Management	25%	23%	20%	23%	28%
Other	0%	0%	13%	9%	20%
Total	**18%**	**17%**	**18%**	**15%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

Public Administration

ANONYMITY

In 2012, the trend toward anonymous reporting continued for the fourth straight year, as the majority of reporters, 60%, chose to remain anonymous. This is the highest rate of anonymous reporting across all industries.
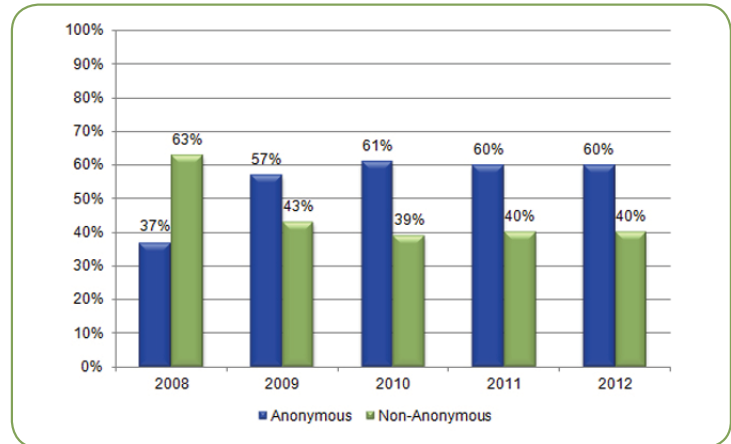
CASE OUTCOME

In 2012, 37% of cases were substantial enough to warrant an investigation, a relatively unchanged figure over the past four years and a substantial deviation from cross-industry statistics. Of those investigated in 2012, 10% of cases resulted in a corrective action while 27% resulted in no corrective action being taken. In 2012, the biggest changes fell within the remaining three categories. In 24% of cases, no investigation was warranted, an 11 percentage point increase from 2011. Only 10% of cases were Referred/Advised, down 21 percentage points from the 2011 peak of 31%. The Other category increased eleven percentage points.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	14%	15%	16%	13%	24%
Investigated, Corrective Action Taken	9%	12%	9%	9%	10%
Investigated, No Corrective Action Taken	36%	26%	31%	29%	27%
Referred/Advised	13%	17%	21%	31%	10%
Other	28%	30%	23%	18%	29%

CASE DISPOSITION

Case Disposition for the Public Administration industry leaves a minimum amount of data for analysis. The extremely high percentage of cases falling in the Other/Unknown category warrants a question as to whether Public Administration organizations are not always completing the reporting lifecycle. This may be due to administrative privacy guidelines or to the use of alternative tracking methods that do not fit within the standard reporting process.

Case Disposition	2009	2010	2011	2012
Cleared/No Action	10%	5%	4%	2%
Disciplined/Counseled	5%	2%	3%	2%
Terminated	< 1%	0%	< 1%	2%
Prosecuted	< 1%	0%	0%	0%
Other/Unresolved	84%	93%	93%	95%

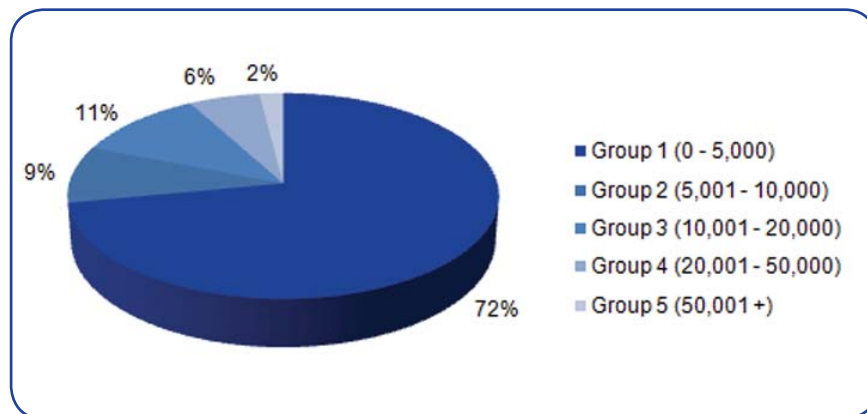## PUBLIC ADMINISTRATION REPORTING PERCENTAGE BY SIZE

Throughout the five-year period, the number of reports within organizations with less than 5,000 employees increased substantially from 26% in 2008 to 46% in 2012. For mid-size organizations within Group 3 (10,001 - 20,000 employees), there was a nine percentage point increase from 2011 levels, while Group 2 (5,001 - 10,000 employees) and Group 4 (20,001 - 50,000 employees) each saw decreases. The Public Administration industry continues to buck the trend set with all other industries in the report, as the highest percentage of reporting is typically found in larger organizations.

The higher reporting percentage in smaller Public Administration organizations could be due to these organizations reacting to increased public scrutiny and high-profile cases involving public administration.

| Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	26%	38%	36%	40%	46%
Group 2 (5,001 - 10,000)	16%	18%	15%	15%	10%
Group 3 (10,001 - 20,000)	28%	22%	25%	17%	26%
Group 4 (20,001 - 50,000)	30%	22%	25%	29%	18%
Group 5 (50,001 +)	0%	0%	< 1%	< 1%	< 1%

PUBLIC ADMINISTRATION BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Public Administration, the largest number of organizations (72%) is found within the smallest group – companies with less than 5,000 employees. At 11%, Group 3 (10,001 - 20,000 employees) has the next largest group of organizations.

For the period 2009 - 2012, the vast majority of reports in the Public Administration industry originated in North America (94.6%) while 5.1% are of unknown origins.

**Public Administration
by Geographical Breakdown 2009 - 2012**
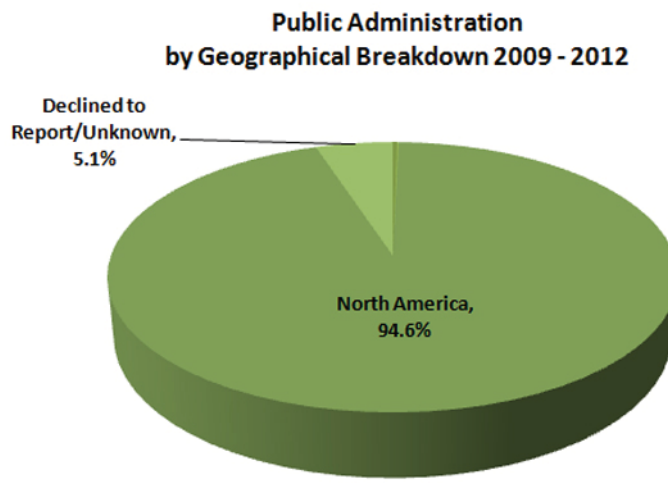
Note: The chart represents a cumulative average of data from the past four years.

In 2012, 96.5% of reports originated from within North America, with less than 1% coming from other geographies and 3.3% originating from an unknown location.

Geographic Reporting	2009	2010	2011	2012
Africa	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%
Caribbean	0.4%	0.2%	0.3%	0.1%
Central America	0.0%	0.0%	0.0%	0.0%
Europe	0.0%	0.0%	0.1%	0.1%
Middle East	0.0%	0.0%	0.0%	0.0%
North America	92.6%	93.0%	96.4%	96.5%
Oceania	0.0%	0.0%	0.0%	0.0%
South America	0.0%	0.0%	0.0%	0.0%
Declined to Report/Unknown	7.0%	6.7%	3.3%	3.3%

Public Administration

RETAIL TRADE

OVERALL INCIDENT REPORT RATES BY TYPE PER 1,000 EMPLOYEES

The Retail Trade industry experienced a slight decrease in 2012 but still holds the third highest incident rate among all industries, more than 1.6 points above the overall industry rate. The 2012 rate of 10.94 is the second lowest it has been in the five-year period.
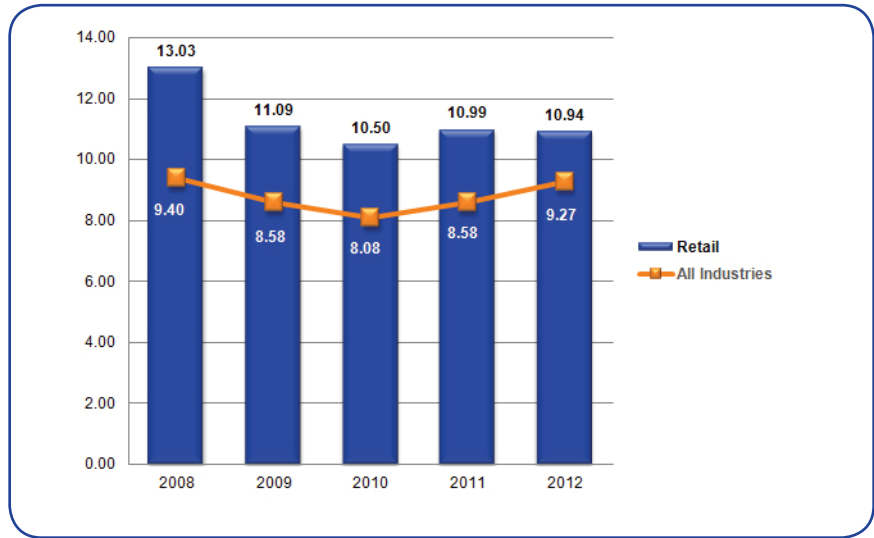
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

Falling in line with the overall industry rate, the Personnel Management category leads the Retail Industry with a rate of 5.80. This is followed by Employment Law Violation at a distant second at 1.54 and Corruption & Fraud at 1.40. While the Personnel Management incident rate did decline slightly in 2012, it did not surpass its five-year low, which was 5.64, established in 2010.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	1.03	0.81	0.84	0.77	0.82
Corruption & Fraud	1.62	1.28	1.09	1.35	1.40
Customer/Competitor Interaction	0.35	0.26	0.24	0.23	0.23
Employment Law Violation	1.56	1.45	1.36	1.50	1.54
Environment, Health & Safety	0.70	0.56	0.53	0.53	0.58
Misuse of Assets/Information	0.06	0.05	0.03	0.05	0.05
Personnel Management	6.53	5.80	5.64	5.96	5.80
Other	1.18	0.89	0.75	0.60	0.53
Overall	**13.03**	**11.09**	**10.50**	**10.99**	**10.94**

Retail Trade

FREQUENCY OF INCIDENT CATEGORIES

Topping the categories in the Retail Trade industry is Personnel Management, which accounted for 53% of all incidents. The Employment Law Violation category is a distant second, accounting for 14% of all 2012 reports. Throughout the five-year period, the distribution of reports among incident categories has remained relatively stable.

| Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	8%	8%	8%	7%	7%
Corruption & Fraud	12%	12%	10%	12%	13%
Customer/Competitor Interaction	3%	2%	2%	2%	2%
Employment Law Violation	12%	13%	13%	14%	14%
Environment, Health & Safety	5%	5%	5%	5%	5%
Misuse of Assets/Information	< 1%	< 1%	< 1%	< 1%	< 1%
Personnel Management	50%	52%	54%	54%	53%
Other	9%	8%	7%	5%	5%

MEANS OF AWARENESS

The Retail Trade industry follows cross-industry trends, with 39% of reporters noting that the Poster was how they were made aware of the hotline reporting program, followed by Other/Unknown awareness tools and a Fellow Employee. The Intranet increased by only one percentage point to 4% in 2012 and is among the lowest in that category across all industries.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	2%	1%	1%	1%	1%
Employee	12%	9%	10%	12%	10%
HR	3%	3%	3%	3%	3%
Handbook	11%	8%	7%	7%	7%
Intranet	3%	3%	3%	3%	4%
Manager	7%	6%	5%	5%	5%
Poster	39%	35%	36%	39%	39%
Sign	3%	2%	1%	1%	1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	6%	4%	3%	3%	3%
Other	13%	10%	12%	14%	15%
Unknown	1%	19%	17%	12%	13%

PRIOR MANAGEMENT NOTIFICATION

Reporters choosing to notify management prior to submitting a report reached a five-year low in 2012 at 30%, slightly above the overall industry figure of 28%.

No – Management Not Previously Notified   Yes – Management Previously Notified
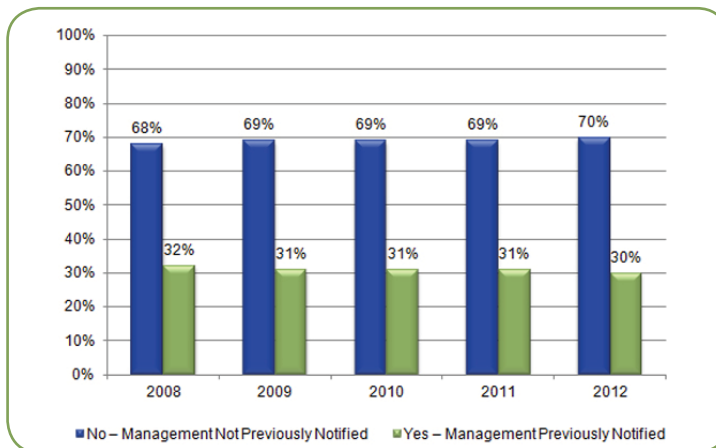
PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Retail Trade industry has a higher-than-average rate of prior management notification, especially so for Corruption & Fraud (37%). This industry has a lower-than-average rate of prior management notification for Misuse of Assets/Information (22%), and this rate is the lowest it has been in four years.

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	23%	22%	24%	20%	27%
Corruption & Fraud	34%	33%	38%	37%	27%
Customer/Competitor Interaction	20%	19%	21%	19%	20%
Employment Law Violation	32%	32%	33%	32%	29%
Environment, Health & Safety	41%	40%	37%	36%	33%
Misuse of Assets/Information	34%	39%	26%	22%	31%
Personnel Management	30%	31%	30%	29%	28%
Other	28%	28%	31%	29%	20%
Total	**31%**	**31%**	**31%**	**30%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

Retail Trade

ANONYMITY

The shift toward non-anonymous reporting first experienced in 2009 continued for the fourth year, with 46% of reporters choosing to remain anonymous and 54% revealing their identity. The levels have remained remarkably consistent for four straight years.
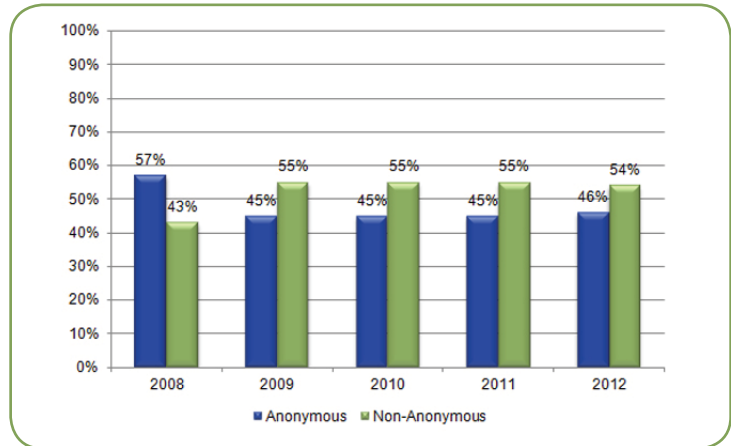
CASE OUTCOME

In all five years of data outlined in this report, more than 80% of cases warranted an investigation. In 2012, the majority of cases, at 55%, resulted in a corrective action. In 15% of the cases in 2012, there was no investigation warranted.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	17%	13%	14%	15%	15%
Investigated, Corrective Action Taken	43%	45%	54%	54%	55%
Investigated, No Corrective Action Taken	38%	37%	30%	29%	30%
Referred/Advised	1%	1%	2%	1%	0%
Other	1%	4%	< 1%	< 1%	0%

CASE DISPOSITION

For Retail Trade cases in 2012, 48% fell within the Disciplined/Counseled category. This, along with the 11% of cases resulting in termination, matches data from the previous two years. In 2012, 21% of cases, down only one percentage point from 2011, resulted in the reported party being cleared or having no action taken against him/her, and 20% were unresolved. These outcomes have been very consistent throughout the four-year period.

| Case Disposition	2009	2010	2011	2012
Cleared/No Action	24%	20%	22%	21%
Disciplined/Counseled	41%	48%	48%	48%
Terminated	14%	11%	11%	11%
Prosecuted	< 1%	< 1%	< 1%	< 1%
Other/Unresolved	21%	21%	19%	20%

Retail Trade

RETAIL TRADE REPORTING PERCENTAGE BY SIZE

Throughout the five-year period, the distribution of reports among organizational sizes has remained relatively stable with only slight changes in 2012 from the 2011 levels.

Employee Range	2007	2008	2009	2010	2011
Group 1 (0 - 5,000)	4%	10%	10%	10%	11%
Group 2 (5,001 - 10,000)	4%	8%	4%	4%	4%
Group 3 (10,001 - 20,000)	10%	17%	11%	12%	11%
Group 4 (20,001 - 50,000)	19%	24%	25%	22%	22%
Group 5 (50,001 +)	63%	41%	50%	53%	53%

RETAIL BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Retail Trade, the majority of organizations (60%) can be found in the smallest organizational size group (companies with less than 5,000 employees). The second largest group of organizations (12%) falls within Group 5, the largest organizational size (companies with more than 50,000 employees).
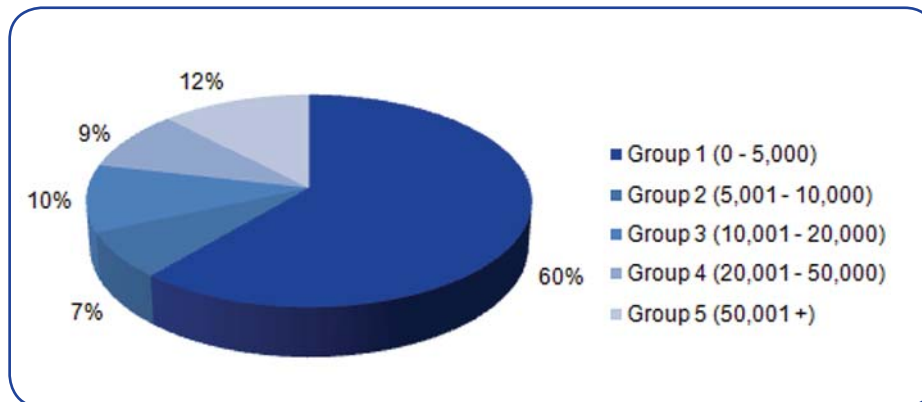
RETAIL TRADE REPORTS BY GEOGRAPHY

During the period of 2009 - 2012, the majority of reports in the Retail Trade industry originated in North America (87.4%). An additional 11.4% of reports over this period are from an unknown origin, while less than one percent originated in Europe and Asia. The larger number of reports with unknown origins may also reflect a greater desire within this industry to remain anonymous.

**Retail Trade
by Geographical Breakdown 2009 - 2012**

Note: The chart represents a cumulative average of data from the past four years.

In 2012, 87.1% of reports originated from within North America, with only slightly more than 1% coming from other geographies and 11.7% originating from an unknown location.

Geographic Reporting	2009	2010	2011	2012
Africa	0.0%	0.0%	0.0%	0.0%
Asia	0.7%	0.4%	0.3%	0.2%
Caribbean	0.1%	0.1%	0.1%	0.1%
Central America	0.0%	0.0%	0.0%	0.0%
Europe	0.6%	0.8%	0.6%	0.8%
Middle East	0.0%	0.0%	0.0%	0.0%
North America	84.4%	88.0%	90.1%	87.1%
Oceania	0.0%	0.1%	0.1%	0.1%
South America	0.0%	0.0%	0.0%	0.0%
Declined to Report/Unknown	14.2%	10.7%	8.8%	11.7%

Retail Trade

SERVICES INDUSTRIES

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

The Services Industries' overall incident rate decreased in 2012, reverting back to near the 2010 level. This is the first time in the five-year period that the Services Industries' incident rate fell below the overall level for all industries (9.27).
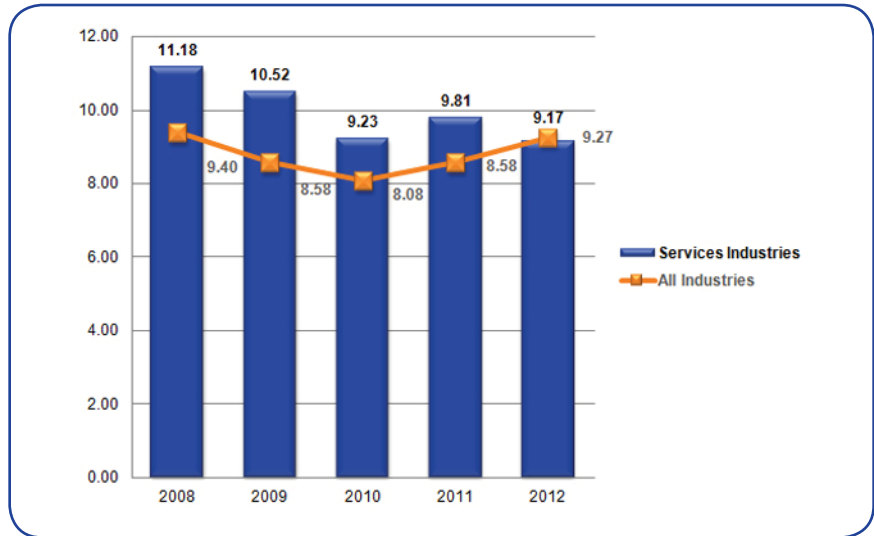
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

Incident report rates for the Service Industries are led by the Personnel Management category at 4.59. This category leads the second and third most frequent report types, Employment Law Violations and Corruption & Fraud, by a wide margin. However, Personnel Management fell .45 points from 2011's level of 5.04. Only two categories, Employment Law Violation and Other, have increased when compared to the initial levels of the five-year period.

The Customer/Competitor Interaction category for Services Industries, at .52, leads all industries.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	0.76	0.63	0.64	0.61	0.55
Corruption & Fraud	1.17	1.38	1.03	1.02	0.98
Customer/Competitor Interaction	0.70	0.72	0.52	0.50	0.52
Employment Law Violation	1.03	0.98	1.28	1.48	1.47
Environment, Health & Safety	0.53	0.46	0.41	0.46	0.43
Misuse of Assets/Information	0.55	0.65	0.43	0.43	0.38
Personnel Management	6.42	5.70	4.83	5.04	4.59
Other	0.02	0.01	0.10	0.26	0.26
Overall	11.18	10.52	9.23	9.81	9.17

FREQUENCY OF INCIDENT CATEGORIES

Similar to other industries, Personnel Management accounted for half of all reported cases in 2012, while Employment Law Violation and Corruption & Fraud represented 16% and 11% respectively. The dispersal of reports across categories has fluctuated only slightly during the five-year period. While Personnel Management is the leading incident category, it has seen the largest decline, eight percentage points over the five-year reporting period.

| Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	7%	6%	7%	6%	6%
Corruption & Fraud	10%	13%	11%	10%	11%
Customer/Competitor Interaction	6%	7%	6%	5%	6%
Employment Law Violation	9%	9%	14%	15%	16%
Environment, Health & Safety	5%	5%	4%	5%	5%
Misuse of Assets/Information	5%	6%	5%	4%	4%
Personnel Management	58%	54%	52%	51%	50%
Other	0%	0%	1%	3%	3%

MEANS OF AWARENESS

While the Unknown category leads the Means of Awareness category, the Poster and a Fellow Employee account for 23% and 11% of all reports. The high levels of the Unknown category may be attributed to reporters made aware of the hotline program by various means or differences in reporting structures among organizations.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	3%	2%	1%	1%	1%
Employee	17%	10%	11%	11%	11%
HR	5%	3%	3%	3%	3%
Handbook	13%	8%	7%	8%	7%
Intranet	7%	5%	6%	5%	6%
Manager	4%	3%	3%	2%	2%
Poster	29%	21%	24%	23%	23%
Sign	2%	1%	1%	1%	1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	4%	2%	2%	2%	1%
Other	14%	9%	10%	11%	12%
Unknown	2%	36%	32%	34%	33%

Services Industries

PRIOR MANAGEMENT NOTIFICATION

The level at which reporters notified a member of management prior to submitting a report continued its steady decline, reaching a five-year low of 28%.

No – Management Not Previously Notified   Yes – Management Previously Notified
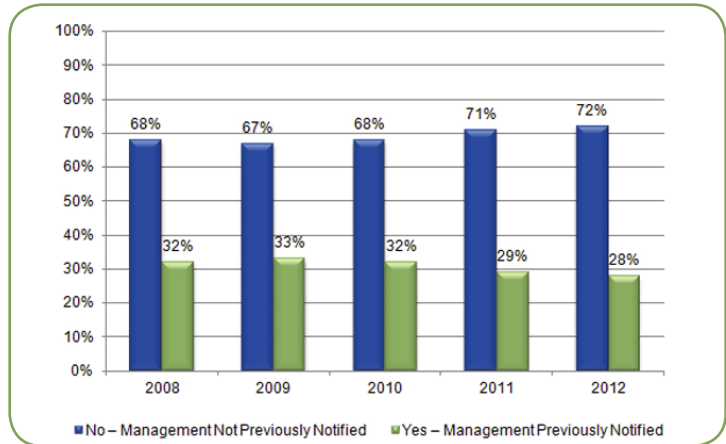
## PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

Overall, prior management notification in the Services Industries is in line with cross-industry statistics. The Customer/Competitor Interaction incident category, at 26%, is six percentage points higher than the cross-industry average. Company/Professional Code Violation, at 18%, is nine percentage points lower than the cross-industry average. The Other category is also well below the average and has decreased significantly over the five-year period.

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	21%	23%	18%	18%	27%
Corruption & Fraud	28%	25%	23%	24%	27%
Customer/Competitor Interaction	31%	28%	30%	26%	20%
Employment Law Violation	33%	30%	30%	30%	29%
Environment, Health & Safety	37%	35%	34%	34%	33%
Misuse of Assets/Information	33%	32%	31%	30%	31%
Personnel Management	35%	35%	31%	30%	28%
Other	38%	25%	5%	6%	20%
Total	**33%**	**32%**	**29%**	**28%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

Services Industries

ANONYMITY

In 2012, anonymity levels remained at the 2011 levels with 51% remaining anonymous and 49% choosing to reveal their identity. The percentage of reporters remaining anonymous has decreased only four percentage points throughout the five-year period.
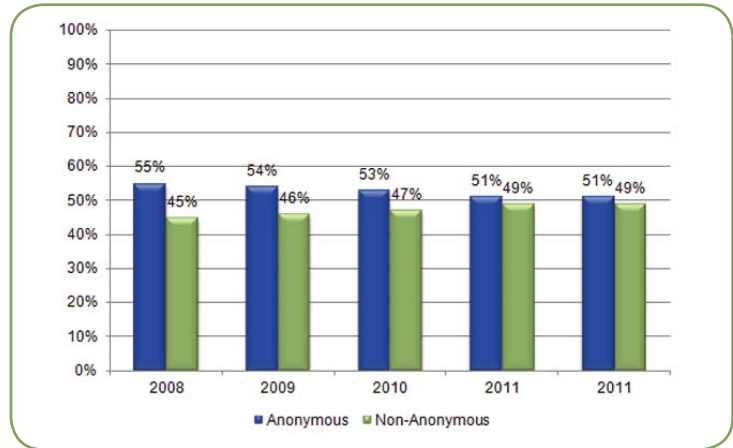
CASE OUTCOME

In 2012, 81% of all incidents warranted an investigation, an increase from 77% in 2011. Of those, 47% resulted in a corrective action being taken and 34% resulted in no corrective action. Only 12% of cases in 2012 did not warrant an investigation, the lowest in the five-year period and a five percentage point decrease since 2011.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	22%	23%	21%	17%	12%
Investigated, Corrective Action Taken	40%	38%	43%	45%	47%
Investigated, No Corrective Action Taken	34%	35%	32%	32%	34%
Referred/Advised	2%	2%	2%	3%	3%
Other	2%	2%	2%	3%	4%

CASE DISPOSITION

In 2012, the Services Industries realized a cross-industry high of 22% of cases resulting in a termination. There has also been a decrease in the level of cases that fell into the Other/Unresolved category. This may be due to improvements in the internal reporting process. The most common case disposition category across all five years for the Services Industries was the Disciplined/Counseled category with 38% in 2012, followed by 31% of cases in Cleared/No Action.

| Case Disposition	2009	2010	2011	2012
Cleared/No Action	34%	26%	27%	31%
Disciplined/Counseled	35%	35%	37%	38%
Terminated	8%	9%	22%	22%
Prosecuted	< 1%	1%	< 1%	< 1%
Other/Unresolved	23%	30%	14%	8%

Services Industries

SERVICES INDUSTRIES REPORTING PERCENTAGE BY SIZE

There was a slight increase within Group 2 (5,001 - 10,000 employees), from 7% in 2011 to 9% in 2012. Group 1 (0 – 5,000 employees) saw a slight decrease. Throughout the remaining groups, the distribution of reports remained consistent with previous years, with more than half of all reports coming from organizations with more than 50,000 employees.

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	21%	20%	18%	17%	14%
Group 2 (5,001 - 10,000)	9%	10%	9%	7%	9%
Group 3 (10,001 - 20,000)	4%	7%	8%	5%	5%
Group 4 (20,001 - 50,000)	19%	17%	15%	16%	17%
Group 5 (50,001 +)	47%	46%	50%	55%	54%

## SERVICE INDUSTRIES BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For the Service Industries, 72% of organizations fall within the smallest group, companies with less than 5,000 employees. This is followed by 12% in the second smallest group.

Services Industries
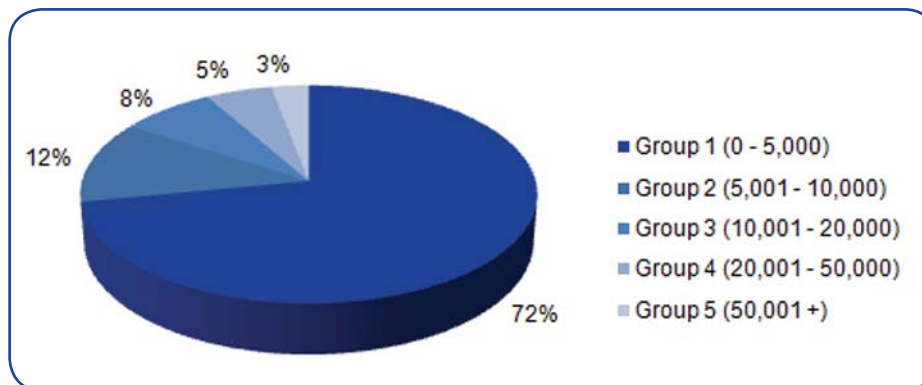
SERVICES INDUSTRIES REPORTS BY GEOGRAPHY

During the period 2009 - 2012, the majority of reports in the Services Industries originated in North America (91.5%). Other geographies are each responsible for less than 1.0% each of reports, including Asia (0.8%), South America (0.6%), Europe (0.5%) and the Middle East (0.5%). An additional 5.3% of reports are from an unknown origin.

**Services Industries
by Geographical Breakdown 2009 - 2012**
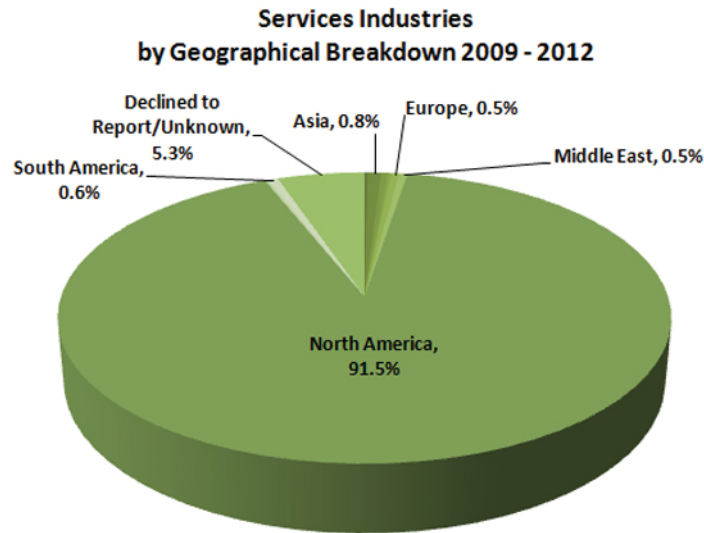
Note: The chart represents a cumulative average of data from the past four years.

In 2012, 87.4% of all reports originated in North America, followed by the Middle East (0.5%) and Asia (0.4%) and South America (0.4%).

Geographic Reporting	2009	2010	2011	2012
Africa	0.2%	0.3%	0.1%	0.1%
Asia	0.7%	0.8%	1.1%	0.4%
Caribbean	0.4%	0.7%	0.5%	0.1%
Central America	0.1%	0.1%	0.3%	0.1%
Europe	0.4%	0.7%	0.7%	0.3%
Middle East	0.5%	0.5%	0.5%	0.5%
North America	92.4%	92.4%	93.8%	87.4%
Oceania	0.1%	0.2%	0.3%	0.1%
South America	0.1%	1.0%	0.9%	0.4%
Declined to Report/Unknown	5.3%	3.2%	1.8%	10.8%

Services Industries

TRANSPORTATION, COMMUNICATIONS & UTILITIES

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

Transportation, Communications & Utilities holds the second-highest incident rate in 2012 with an increase of 2.10 points from 2011 to a five-year high of 15.58. Historically, this industry is always well above the overall incident rate, and 2012 is the first year within the five-year period that it has not held the leading spot.
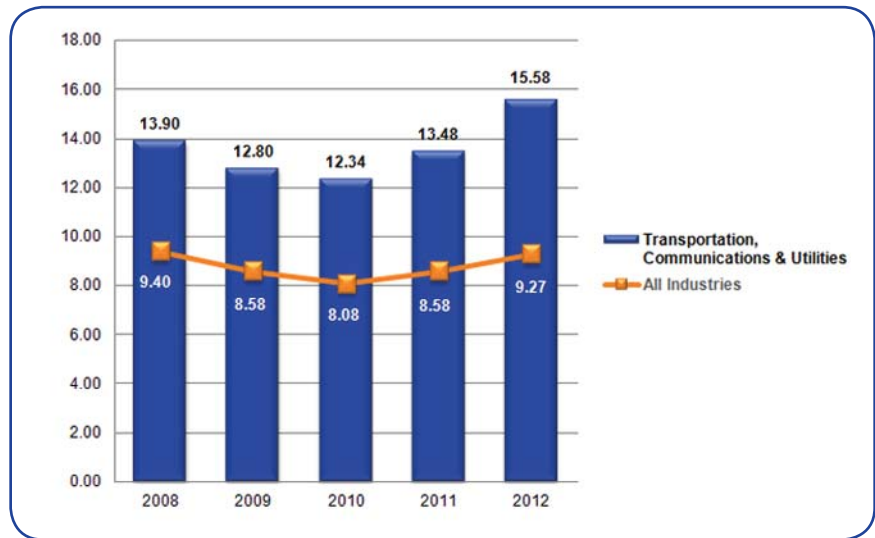
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

The overall incident rate increase in 2012 is reflected in five of the eight categories. The largest increases were in Employment Law Violation, Personnel Management and Corruption & Fraud.

Three incident categories in the Transportation, Communications & Utilities industry lead among all industries: Employment Law Violation; Environment, Health & Safety; and Other.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	1.27	1.07	1.04	1.26	1.14
Corruption & Fraud	1.58	1.18	1.16	1.13	1.40
Customer/Competitor Interaction	0.47	0.46	0.56	0.36	0.51
Employment Law Violation	2.39	2.16	2.19	3.06	3.87
Environment, Health & Safety	1.04	0.97	0.87	1.06	1.30
Misuse of Assets/Information	0.08	0.07	0.06	0.10	0.09
Personnel Management	6.89	6.13	5.91	5.94	6.72
Other	0.19	0.76	0.55	0.56	0.54
Overall	**13.90**	**12.80**	**12.34**	**13.48**	**15.58**

FREQUENCY OF INCIDENT CATEGORIES

In the five-year period outlined in this report, Personnel Management has decreased seven percentage points while Employment Law Violation has increased eight percentage points. The remaining categories for the industry have remained relatively stable.

| Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	9%	8%	8%	9%	7%
Corruption & Fraud	11%	9%	9%	8%	9%
Customer/Competitor Interaction	4%	3%	5%	3%	3%
Employment Law Violation	17%	17%	18%	23%	25%
Environment, Health & Safety	7%	8%	7%	8%	8%
Misuse of Assets/Information	1%	1%	1%	1%	1%
Personnel Management	50%	48%	48%	44%	43%
Other	1%	6%	4%	4%	3%

MEANS OF AWARENESS

The Poster saw a five percentage point increase in 2012 and is the most popular means of awareness for reports in the Transportation, Communications & Utilities industry. While the Other/Unknown categories represent 36% of reports, the popularity of the Poster is most likely attributable to the widespread dispersion of employees within this industry. These employees cover a range of professions and therefore are most likely subject to a variety of awareness tools.

Interestingly, the Intranet as a means of awareness has declined by eight percentage points since 2008.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	3%	2%	1%	1%	1%
Employee	19%	15%	14%	17%	16%
HR	5%	4%	4%	4%	3%
Handbook	7%	5%	4%	4%	3%
Intranet	20%	17%	17%	12%	12%
Manager	5%	4%	4%	4%	3%
Poster	18%	18%	17%	18%	23%
Sign	1%	1%	1%	< 1%	1%
Video	< 1%	< 1%	< 1%	< 1%	< 1%
Wallet Card	2%	1%	1%	1%	1%
Other	18%	16%	17%	16%	16%
Unknown	2%	17%	20%	24%	20%

Transportation, Communications & Utilities

PRIOR MANAGEMENT NOTIFICATION

The rate of prior management notification by reporters remained relatively steady throughout the five-year reporting period. In 2012, only 21% of reporters notified a manager prior to submitting their incident report. That percentage level peaked in 2008 at 22%. This level of prior management notification is low when compared to overall industry levels.
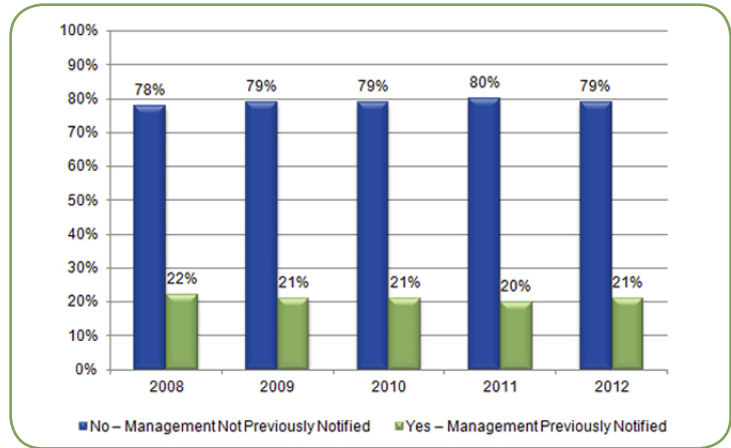
## PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Transportation, Communications & Utilities industry has a lower-than-average overall rate of prior management notification across all incident categories. Company/Professional Code Violation (12%) and Misuse of Assets/Information (6%) are less than or equal to their lowest rates in four years.

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	16%	15%	12%	12%	27%
Corruption & Fraud	17%	17%	16%	17%	27%
Customer/Competitor Interaction	15%	16%	14%	11%	20%
Employment Law Violation	25%	22%	22%	25%	29%
Environment, Health & Safety	28%	28%	30%	31%	33%
Misuse of Assets/Information	17%	20%	8%	6%	31%
Personnel Management	23%	22%	21%	21%	28%
Other	3%	6%	2%	6%	20%
Total	**21%**	**21%**	**20%**	**21%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

Transportation, Communications & Utilities

ANONYMITY

In 2012, 39% of reporters remained anonymous when submitting a report, the second lowest rate among all industries. The ratio of anonymous to non-anonymous reporting has not varied substantially in the five-year reporting period.
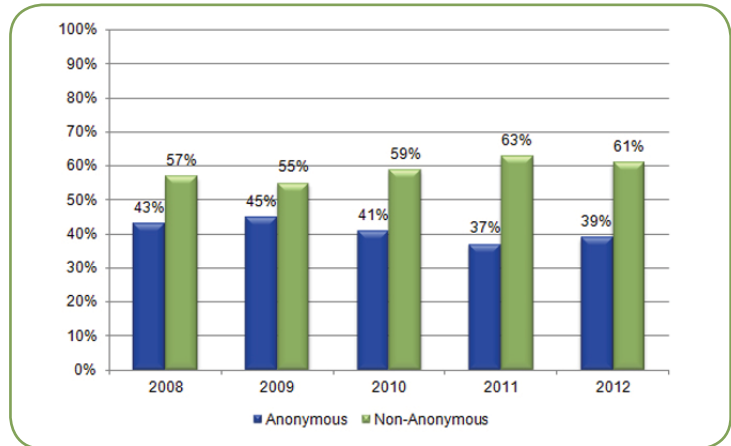
CASE OUTCOME

For the past three years, the largest percentage of cases have resulted in an Other outcome. However, this dropped ten percentage points in 2012 from the previous year. That decrease is offset by a four percentage point increase in cases not warranting an investigation, a two percentage point increase in cases resulting in a corrective action, and another three percentage point increase in cases resulting in no corrective action after warranting an investigation.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	20%	21%	18%	16%	20%
Investigated, Corrective Action Taken	27%	24%	21%	21%	23%
Investigated, No Corrective Action Taken	29%	26%	18%	10%	13%
Referred/Advised	0%	< 1%	< 1%	0%	0%
Other	24%	29%	43%	53%	43%

CASE DISPOSITION

For the four years of available data, the majority of cases resulted in an Other action. In 2012, 33% of all cases were Cleared/No Action, while 9% were Disciplined/Counseled. For about 2% of these cases, there was a termination or the case led to prosecution.

| Case Disposition	2009	2010	2011	2012
Cleared/No Action	27%	37%	31%	33%
Disciplined/Counseled	15%	9%	6%	9%
Terminated	2%	2%	1%	1%
Prosecuted	1%	1%	1%	1%
Other/Unresolved	56%	52%	60%	56%

Transportation, Communications & Utilities

TRANSPORTATION, COMMUNICATIONS & UTILITIES REPORTING PERCENTAGE BY SIZE

The dispersion of reports within employee sizes remained stable throughout the five-year period. The largest number is found within Group 5 (50,000+ employees)but that has decreased from 57% in 2008 to 55% in 2012. Group 4 (20,001 - 50,000 employees) saw the largest percentage drop from 2011 and has the largest decrease in the five-year period.

| Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	7%	8%	11%	10%	10%
Group 2 (5,001 - 10,000)	2%	5%	7%	6%	8%
Group 3 (10,001 - 20,000)	3%	3%	4%	4%	3%
Group 4 (20,001 - 50,000)	31%	37%	33%	27%	23%
Group 5 (50,001 +)	57%	47%	46%	54%	55%

TRANSPORTATION, COMMUNICATIONS & UTILITIES BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Transportation, Communications & Utilities, the largest number of organizations (71%) falls within the smallest group – companies with less than 5,000 employees. This is followed with 14% in the second smallest group.

Transportation, Communications & Utilities
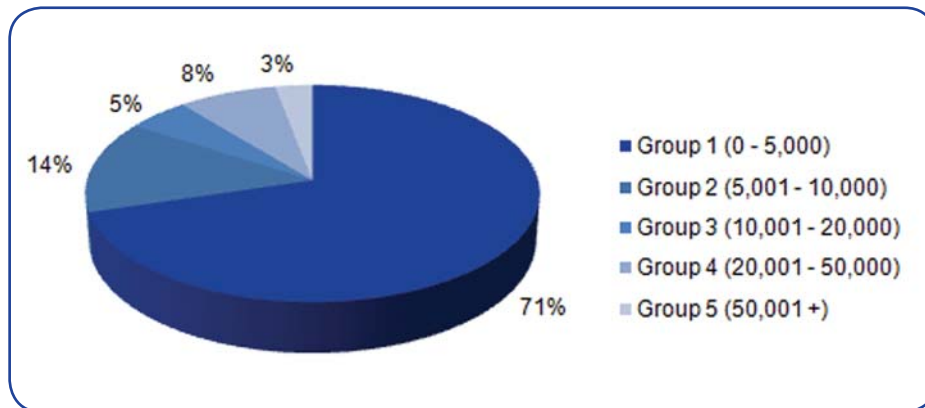
TRANSPORTATION, COMMUNICATIONS & UTILITIES REPORTS BY GEOGRAPHY

During the period of 2009 - 2012, the majority of reports in the Transportation, Communications & Utilities industry originated in North America (87.1%). An unusually high percentage of reports (11.7%) are from an unknown origin.

Transportation, Communications & Utilities by Geographical Breakdown 2009 - 2012
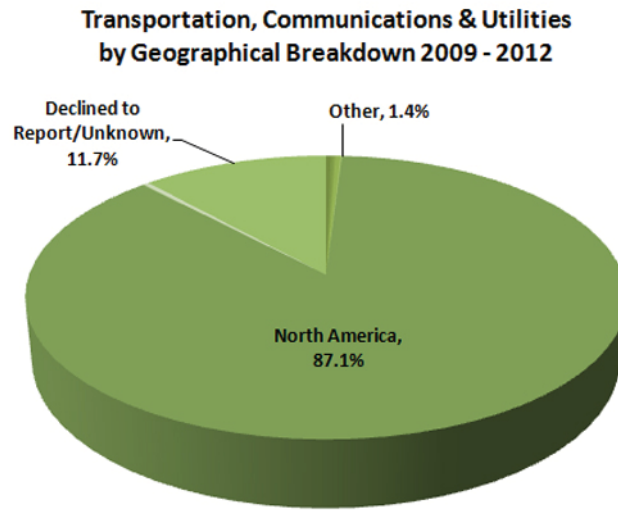
Note: The chart represents a cumulative average of data from the past four years.

In 2012, 87.2% of reports originated in North America. No other single geography has a significant percentage of reports.

Geographic Reporting	2009	2010	2011	2012
Africa	0.0%	0.0%	0.0%	0.0%
Asia	0.1%	0.2%	0.4%	0.5%
Caribbean	0.2%	0.2%	0.2%	0.2%
Central America	0.0%	0.1%	0.1%	0.1%
Europe	0.3%	0.4%	0.2%	0.4%
Middle East	0.0%	0.0%	0.1%	0.1%
North America	86.5%	86.5%	88.1%	87.2%
Oceania	0.0%	0.1%	0.1%	0.0%
South America	0.2%	0.2%	0.3%	0.3%
Declined to Report/Unknown	12.6%	12.3%	10.6%	11.2%

WHOLESALE TRADE

OVERALL INCIDENT REPORT RATES PER 1,000 EMPLOYEES

The Wholesale Trade incident report rate experienced a significant jump from 2011 to 2012, capping at 10.67. This is a new five-year high and an increase that mirrors the overall increase in incident report levels.
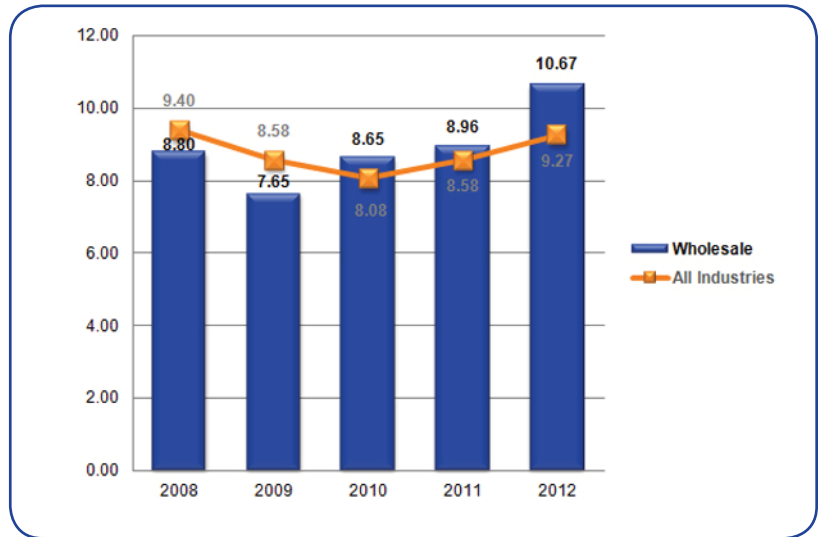
INCIDENT REPORT RATES BY INCIDENT CATEGORY PER 1,000 EMPLOYEES

The leading category increase was found in Personnel Management, which matches similar increases over the past two years. However, increases were found among every incident category for Wholesale Trade except for Misuse of Assets/Information, which remained static, and Other, which decreased by a tenth of a point.

Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	0.66	0.52	0.57	0.51	0.58
Corruption & Fraud	0.81	0.76	0.77	0.80	1.01
Customer/Competitor Interaction	0.25	0.21	0.44	0.35	0.39
Employment Law Violation	1.47	1.48	1.61	1.63	1.92
Environment, Health & Safety	0.49	0.44	0.58	0.60	0.79
Misuse of Assets/Information	0.00	0.01	0.01	0.02	0.02
Personnel Management	5.10	4.24	4.67	5.00	5.91
Other	0.00	0.00	0.00	0.06	0.05
Overall	**8.80**	**7.65**	**8.65**	**8.96**	**10.67**

FREQUENCY OF INCIDENT CATEGORIES

The distribution of reports in the Wholesale Trade industry remained almost exactly the same in 2012 as 2011. In fact, the five-year distribution of reports for the Wholesale Trade industry has remained relatively intact. Two categories experienced slight decreases in 2012: Personnel Management and Company/Professional Code Violation. Personnel Management leads for Wholesale Trade reporters, representing 55% of all reports, down only three percentage points from the 2008 level. The next highest incident category is Employment Law Violation, which at 18% is statistically high when compared to the cross-industry average.

| Incident Category	2008	2009	2010	2011	2012
Company/Professional Code Violation	7%	7%	7%	6%	5%
Corruption & Fraud	9%	10%	9%	9%	9%
Customer/Competitor Interaction	3%	3%	5%	4%	4%
Employment Law Violation	17%	19%	19%	18%	18%
Environment, Health & Safety	6%	6%	7%	7%	7%
Misuse of Assets/Information	0%	0%	0%	0%	0%
Personnel Management	58%	55%	54%	56%	55%
Other	0%	0%	0%	1%	0%

MEANS OF AWARENESS

The Poster has been the leading method of awareness for Wholesale Trade reports at 51% in 2012 and 2011. This is the highest level among all industries and is significantly higher than the cross-industry level of 33% for the Poster. A distant second, each with 13%, are the Fellow Employee and Other categories.

Means of Awareness	2008	2009	2010	2011	2012
Brochure	2%	2%	1%	1%	1%
Employee	13%	13%	15%	15%	13%
HR	3%	3%	3%	3%	3%
Handbook	9%	7%	6%	6%	5%
Intranet	5%	5%	5%	4%	4%
Manager	3%	2%	2%	2%	3%
Poster	49%	52%	52%	51%	51%
Sign	3%	2%	1%	2%	2%
Video	0%	0%	0%	0%	0%
Wallet Card	2%	2%	1%	1%	1%
Other	10%	10%	13%	13%	13%
Unknown	1%	2%	1%	2%	3%

PRIOR MANAGEMENT NOTIFICATION

In 2012, the rate of employees not notifying management prior to submitting a hotline report increased to 71%, a five-year peak. This level is within one percentage point of the overall rate of Prior Management Notification for all industries.
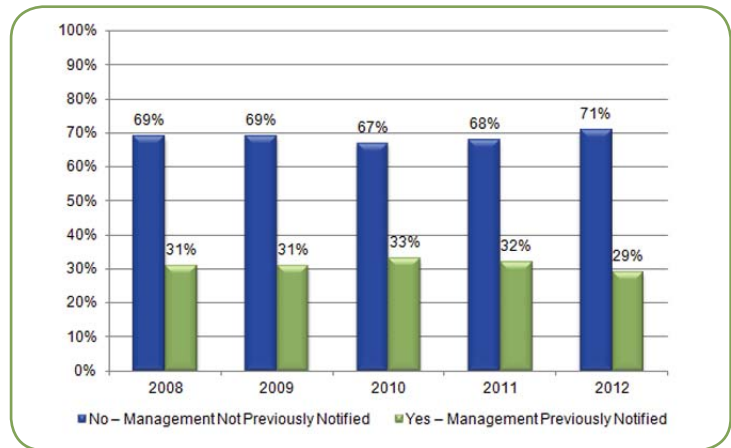
## PRIOR MANAGEMENT NOTIFICATION BY INCIDENT CATEGORY

The Wholesale Trade industry has a slightly higher-than-average rate of prior management notification compared to the cross-industry rate. The industry has had a lower-than-average rate for Corruption & Fraud for all four years compared to the 2012 cross-industry average, and this deviation has increased in recent years. The Environment, Health & Safety incident category has had a higher-than-average rate for this category all four years. The Misuse of Assets/Information category saw the largest increase in 2012 across all categories (32 percentage points) and is higher than the cross-industry average.

Incident Category	2009	2010	2011	2012	2012 (all industries)
Company/Professional Code Violation	20%	22%	23%	22%	27%
Corruption & Fraud	26%	26%	23%	19%	27%
Customer/Competitor Interaction	16%	14%	13%	15%	20%
Employment Law Violation	32%	36%	38%	30%	29%
Environment, Health & Safety	42%	41%	41%	38%	33%
Misuse of Assets/Information	0%	11%	8%	40%	31%
Personnel Management	33%	34%	33%	30%	28%
Other	0%	0%	5%	18%	20%
Total	**31%**	**33%**	**32%**	**29%**	**28%**

Beginning in 2013, Prior Management Notification by Incident Category was calculated by rate of the incident category compared to all reports of that type, a change from previous years. Because of this, the report reflects only the past four years of data.

Wholesale Trade

ANONYMITY

In 2012, 52% of Wholesale Trade reporters chose to remain anonymous rather than reveal their identity. While this is the highest level of anonymous reports throughout the five-year period, it is close to static over the reporting period, and slightly higher than overall figures.
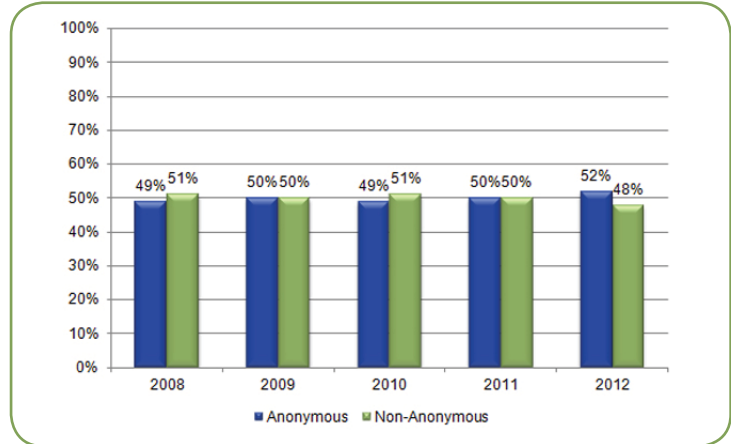
CASE OUTCOME

The four-year upward trend of the number of cases not warranting an investigation ended in 2012 with a nine percentage point decrease from 2011. This is a significant shift. Results also show a nine percentage point increase in the number of cases that resulted in a corrective action.

Case Outcome	2008	2009	2010	2011	2012
No Investigation Warranted	6%	13%	18%	24%	15%
Investigated, Corrective Action Taken	39%	44%	40%	44%	53%
Investigated, No Corrective Action Taken	54%	42%	42%	32%	31%
Referred/Advised	1%	0%	0%	0%	0%
Other	0%	1%	< 1%	< 1%	0%

CASE DISPOSITION

The most common case disposition category for the Wholesale Trade industry throughout the four-year period was the Disciplined/Counseled category, showing steady increases over the past two years. In all four years, the second most common category was Terminated, with a high of 23% in 2010. In 2012, only 7% of cases were Cleared/No Action and 1% of cases were unresolved.

| Case Disposition	2009	2010	2011	2012
Cleared/No Action	12%	13%	8%	7%
Disciplined/Counseled	66%	61%	70%	74%
Terminated	14%	23%	21%	18%
Prosecuted	< 1%	0%	< 1%	< 1%
Other/Unresolved	8%	3%	2%	1%

WHOLESALE TRADE REPORTING PERCENTAGE BY SIZE

Across the five-year period, report distribution for Wholesale Trade has been relatively stable. Group 3 (10,001 - 20,000 employees) and Group 4 (20,001 - 50,000 employees) have seen eight percentage point variances during that time. Group 3 saw a four percentage point increase from 2011 numbers.

Employee Range	2008	2009	2010	2011	2012
Group 1 (0 - 5,000)	15%	12%	14%	16%	14%
Group 2 (5,001 - 10,000)	14%	13%	11%	11%	11%
Group 3 (10,001 - 20,000)	14%	8%	7%	6%	10%
Group 4 (20,001 - 50,000)	15%	21%	21%	21%	23%
Group 5 (50,001 +)	42%	46%	46%	46%	43%

## WHOLESALE TRADE BY NUMBER OF ORGANIZATIONS IN EACH GROUP

For Wholesale Trade, the largest number of organizations (64%) falls within the smallest group – companies with less than 5,000 employees. Only 3% of all organizations fall within the largest group with more than 50,000 employees. The second largest number of organizations (14%) falls within the second smallest group (Group 2, 5,001 to 10,000 employees).
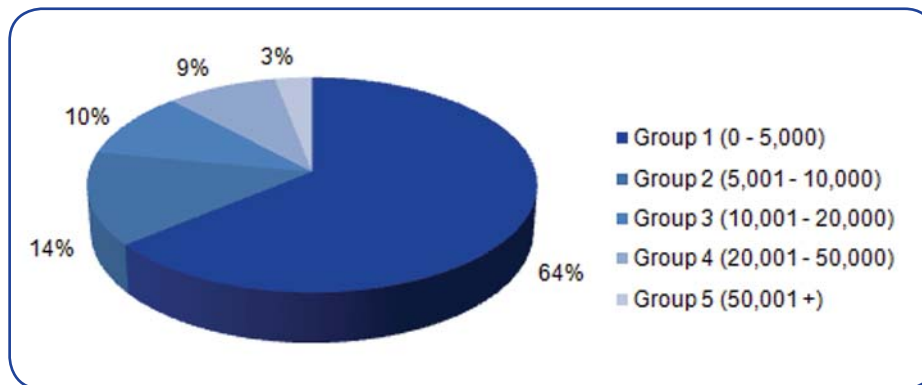
WHOLESALE TRADE REPORTS BY GEOGRAPHY

During the period of 2009 - 2012, the reports in the Wholesale Trade industry were evenly split between reports originating in North America (51.2%) and Unknown (48.3%) origins. No other geography had more than 1% of reporting. However, the percentage of reports originating in North America in 2012 is more than 10 percentage points higher than it was four years ago, and inversely, the percentage of unknown location reports has fallen by almost the same amount during that timeframe.

**Wholesale Trade
by Geographical Breakdown 2009 - 2012**
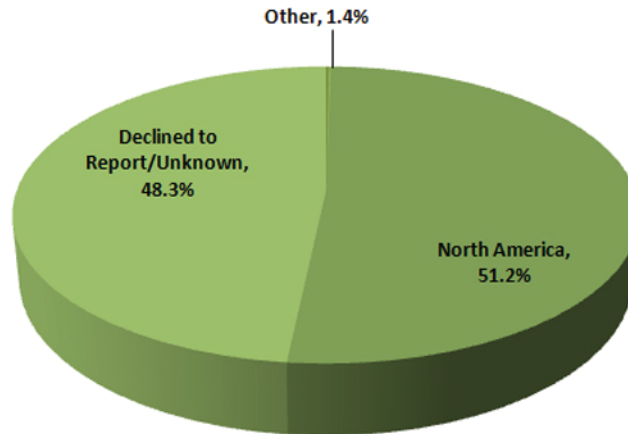
Note: The chart represents a cumulative average of data from the past four years.

In 2012, 55.4% of reports in the Wholesale Trade industry originated in North America.

Geographic Reporting	2009	2010	2011	2012
Africa	0.0%	0.0%	0.1%	0.0%
Asia	0.1%	0.1%	0.0%	0.2%
Caribbean	0.1%	0.1%	0.1%	0.2%
Central America	0.0%	0.0%	0.0%	0.1%
Europe	0.0%	0.1%	0.0%	0.1%
Middle East	0.0%	0.0%	0.0%	0.0%
North America	45.3%	49.2%	54.8%	55.4%
Oceania	0.1%	0.1%	0.2%	0.1%
South America	0.0%	0.1%	0.2%	0.2%
Declined to Report/Unknown	54.3%	50.4%	44.8%	43.8%

Wholesale Trade

End Notes

USER INPUT

This report is a snapshot of the state of business compliance by industry as assessed by hotline reports. We encourage suggestions from readers for use in future studies. What data should be added? What should be different? Are there other variables that should be collected? Send your feedback to benchmarking@tnwinc.com.

LEGAL OBLIGATIONS AND PRIVACY

In compiling the benchmarking report, The Network has taken in-depth measures to adhere to legal, ethical and contractual obligations. The data set for this report contains only summary information that is useful for understanding reporting activity. The data set does not contain the names of any organizations or individuals. The goal is to provide useful information that will benefit all organizations and the greater compliance community, while at the same time protecting the confidentiality of all program participants. The Network will never disclose the identity of individuals who submit reports, the identity of the individual(s) who are the subject of a report, or any other data that may reveal the identity of any individual or organization. To further protect the identities of participants, this report only utilizes aggregate, non-specific data and data ranges.

ABOUT THE NETWORK

The Network is a leading provider of integrated governance, risk and compliance (GRC) solutions that allow organizations to create better workplaces and ethical cultures. Core to our solutions is our global hotline reporting system. We believe it is essential to have a structure in place so that employees can confidently come forward, without fear of retribution, and be able to provide information about fraudulent, illegal or unethical behavior. Our proactive and reactive methods for detection make it possible to properly investigate allegations and act to correct areas of weakness or failure.

Originally established as the first whistleblower hotline provider in 1982, The Network's clients include thousands of global organizations in every industry, including nearly half of the Fortune 500 and key members of the FTSE. More than 26 million employees worldwide rely on our technology and expert-level services every day.

ABOUT BDO CONSULTING

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