CAN'T PAPER EVERY BEHAVIOR
MOVING BEYOND POLICY, PUTTING
PRINCIPLES INTO ACTION

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Steve Wynn Resigns From Company Amid Sexual Misconduct Allegations

Oxfam's deputy CEO resigns over sex crimes scandal

Credit Suisse launches investigation into sex assault claims

Four Directors Will Leave Volkswagen Board

MARK ZUCKERBERG ACKNOWLEDGES THAT FACEBOOK DIDN'T DO ENOUGH TO PREVENT ITS MISUSE

Nike's Head of Diversity Leaves During Review of Corporate Culture
Culture is a Key Driver of Impact

Regulators have long identified culture as a driver of Compliance & Ethics strategy.

"... undertake an appropriate assessment of corporate efforts to create an organizational culture that encourages a commitment to compliance with the law and ethical conduct..."

"Culture needs to be set from the top. Members of the corporation need to know that the corporation is committed to ethical standards... and that executives... are role models for ethical business conduct".

"... A corporation is directed by its management and management is responsible for a corporate culture in which criminal conduct is either discouraged or tacitly encouraged."

US Federal Sentencing Guidelines
UK Serious Fraud Office
The Department of Justice

2017 Word of the Year
complicit

Source: Dictionary.com

The Culture Around Employees Who Observe a Lack of Accountability

- 13x More likely to make an important decision without thinking about values.
- 11x More likely to not understand how to apply values into their day-to-day role.
- 10x More likely to hesitate to speak up when observing or suspecting misconduct.
- 8x More likely to have a manager who doesn’t model values.
- 7x More likely to report that compromising its mission to achieve short-term results.
RULES TO VALUES SHIFT:

Over the past five years, my organization’s ethics & compliance program and efforts have increasingly focused on values, not just rules.

<table>
<thead>
<tr>
<th>Degree of Focus on Values</th>
<th>Low Performing</th>
<th>High Performing</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a great degree</td>
<td>18%</td>
<td>78%</td>
</tr>
<tr>
<td>Somewhat</td>
<td>12%</td>
<td>22%</td>
</tr>
<tr>
<td>Very little</td>
<td>18%</td>
<td>6%</td>
</tr>
<tr>
<td>Not at all</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>

CODE REALIGNMENT: CODE OF RULES TO CODE OF PRINCIPLES

Rate the degree to which your organization’s code of conduct meets the following goals:

- Integrates organizational core values by expressing them in behavioral terms
- Connects people with a clear sense of the organization’s purpose

<table>
<thead>
<tr>
<th>Goal</th>
<th>Low Performing</th>
<th>Neither</th>
<th>High Performing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrates core values</td>
<td>23%</td>
<td>38%</td>
<td>49%</td>
</tr>
<tr>
<td>Connects people to purpose</td>
<td>1%</td>
<td>6%</td>
<td>93%</td>
</tr>
<tr>
<td>Connects people to purpose</td>
<td>1%</td>
<td>6%</td>
<td>93%</td>
</tr>
<tr>
<td>Expresses core values in behavior</td>
<td>1%</td>
<td>5%</td>
<td>94%</td>
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</tbody>
</table>
Indicate how you would characterize the effectiveness of your organization’s E&C program as a business enabler (e.g., provides advice/counsel, enables better decision-making):

In the past year, did your organization’s consideration of E&C risks or factors substantially modify or lead to the abandonment of a business initiative?

The Time For Building Relationships is NOT in the Middle of a Crisis

- Setting the tone of a speak-up culture within the company often starts with leaders.
- Employees report misconduct 71% of the time when they believe top management is committed to ethics.
- Front-line management are the gatekeepers of culture. They are in the most influential position to foster an environment that encourages employees to raise concerns and speak out.
- Do they LISTEN UP?
  - Less than 2% of managers are formally trained in active listening.
  - Average manager interrupts employees within 17 seconds when someone is speaking.
  - 57% of people will go to their direct supervisor when they observe misconduct.
Key Takeaways:

**COMPLIANCE is an OUTCOME of CULTURE**

1. Reach across the aisle: collaborate cross-functionally
2. Build ‘Drip’ campaigns: increase cadence of communications in short bits
3. Align core messages with corporate values
4. Education should integrate situational awareness & guidelines
5. Simplify policies so they are tangible, actionable
6. Workforce needs simulated practice APPLYING policy
7. Build dialogue into existing meetings, stand-ups
8. Be accessible, it takes courage to speak out
9. Develop front-line leaders to LISTEN, take ACTION
10. Measure accountability across the board

Q&A