NAVEX GLOBAL™

The Ethics and Compliance Experts

The 2013 Ethics and Compliance Hotline Benchmark Report

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Introduction

Every year, ethics and compliance professionals gather data from the reports made through their various reporting systems. The way the data is segmented may mean the difference between catching a problem early or just having a stack of tables and graphs with little context for programs, Boards, or senior executives to interpret.

Analysis of reports alleging misconduct and questions raised about company policies provide a valuable perspective on a company's culture as well as the effectiveness of its ethics and compliance program. The challenge, however, in helpline/ hotline data analysis and reporting is that there is no right number of total reports or reports about a specific issue type. Every organization and industry faces different risks, which is reflected in the variety of concerns raised by its employees. Further, even within industries, such as healthcare or manufacturing, there are significant differences.

NAVEX Global, through our delivery of intake services and case/incident management systems, has access to the world's largest and most complete database of reports and outcomes. This data – with identifying characteristics removed – has allowed the creation of a set of benchmarks across a group of metrics which will assist organizations in making informed decisions about program effectiveness, potential problem areas, and necessary resource allocations. This report reviews the cross-industry benchmarks created using data from all companies in the database. It should serve as an excellent starting point for companies wishing to assess their organization's reporting data.

For each benchmark you will find:

- A description of the benchmark and what may be learned from it
- How to calculate the benchmark
- The 2012 data for all industries combined
- Key findings and observations

Companies wishing to make the best use of their reporting data as a diagnostic tool should also compare their data to that of their peers. NAVEX Global offers the benchmark data contained in this report for 21 industries and 45 sub-industries, for companies of various sizes, and for other demographic cross-sections as part of the Integrity Diagnostics™ report service.

*More information about Integrity Diagnostics™ can be found at the close of this document.

Contents

THE 2013 COMPLIANCE HELPLINE BENCHMARK REPORT

STATISTICAL SNAPSHOT

It starts with

8,000+

NAVEX Global clients

Representing more than

40 million

employees with hotline/helpline services

6,300 clients on a NAVEX Global case management system

{ CLEAN & **SCRUB DATA** + **REMOVE** ANOMALIES = **1,650** clients with 10+ reports in 2012

370,000 (REPORTS IN 2012)

1.5 Million Reports

in the last five years

We Use

Medians or Midpoints

TO REDUCE THE IMPACT OF OUTLIERS

NORMAL RANGES identify extreme data points as potential areas for concern.

Medians and ranges provide context to your benchmarks.

REFLECTS ALL INTAKE METHODS

WEB   HELPLINE   OPEN DOOR   MOBILE   E-MAIL

Our data **COVERS 21** industries, and an additional **45 SUB-INDUSTRIES.**

NAVEX Global Calculates Benchmarks Differently

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

Rather than viewing the dataset as belonging to one large company, NAVEX Global equally weighed the data of all companies with significant data. Instead of calculating the average result of all companies combined, we calculate the rate for a given metric for each company in our database – the largest helpline report dataset in the world. We find the median rate among all companies of a given industry or size, which paints a more accurate picture of what's actually happening at most companies in that grouping.

There is no "right" answer concerning reporting data. We not only provide a median data rate in our benchmarks, we also provide what we consider to be a healthy range of results. If a company's data falls into that range, even if the data point is 10% or more above or below the median industry rate, it is our opinion that the data is unlikely to be representative of a potential issue. If a company's data falls above or below that range, it is possible that there is still not an issue, but we feel that the result warrants further analysis.
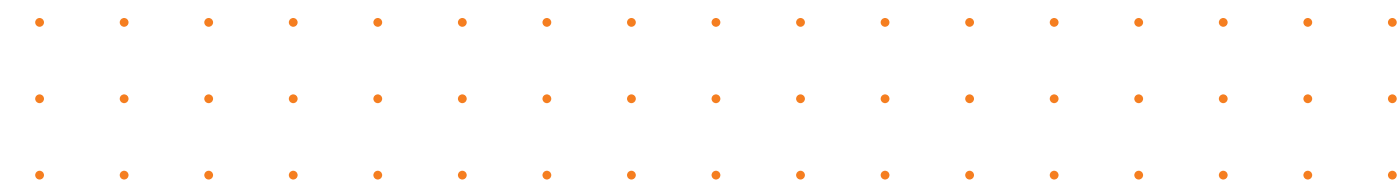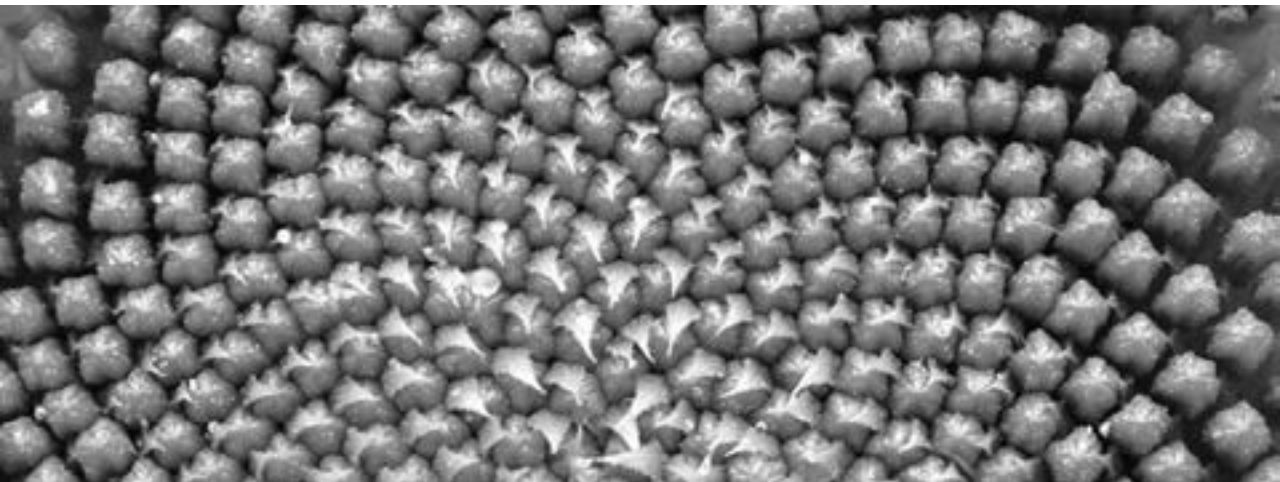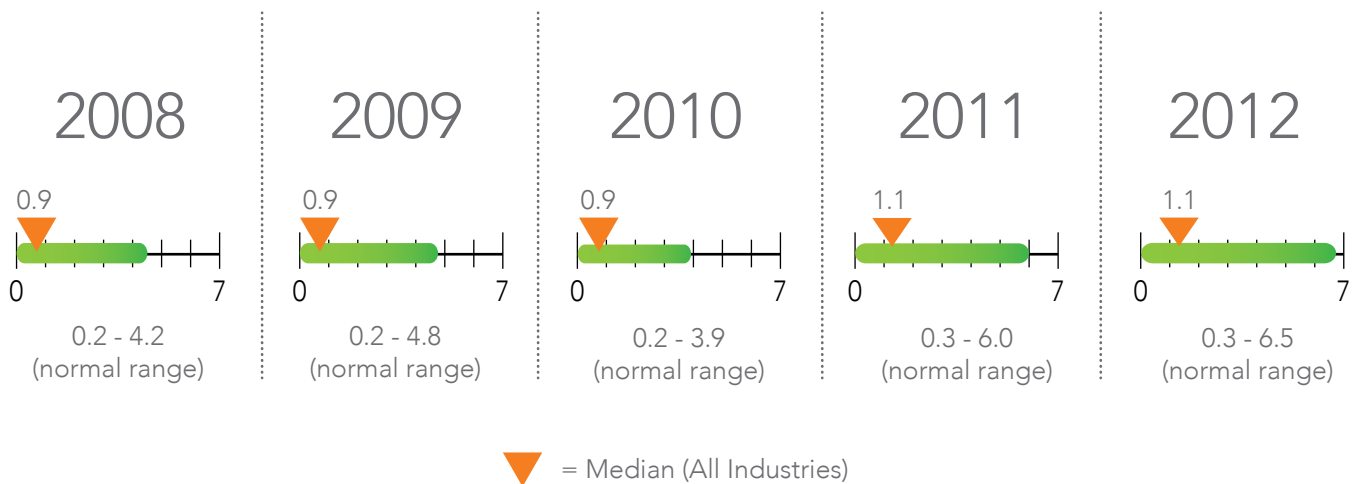
Report Volume

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

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

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

How does your report volume compare to others?

| 2008	2009	2010	2011	2012
0.9	0.9	0.9	1.1	1.1
0 — 7	0 — 7	0 — 7	0 — 7	0 — 7
0.2 - 4.2 (normal range)	0.2 - 4.8 (normal range)	0.2 - 3.9 (normal range)	0.3 - 6.0 (normal range)	0.3 - 6.5 (normal range)

▼ = Median (All Industries)

As you can see, the last few years has seen **a rise in the reporting rate.** This rise in reporting may be due to:

1. Increasing sophistication of ethics and compliance programs' communications and training strategies
2. Involvement and accountability of the board and executive leadership
3. Media coverage of whistle blower lawsuits and awards
4. Encouragement from government officials to report observed misconduct

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

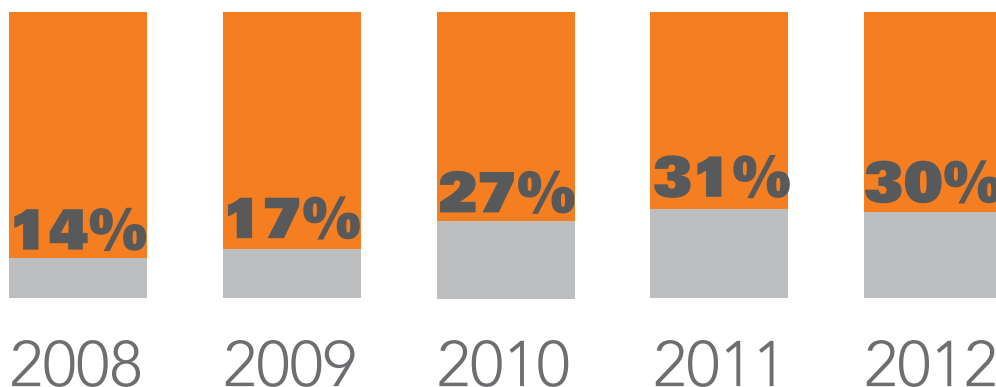| All Companies, Helpline and Web Submissions Only	Companies which Track Reports from All Sources
1.0	1.7
0 — 9	0 — 9
0.3 - 5.6 (normal range)	0.4 - 8.4 (normal range)
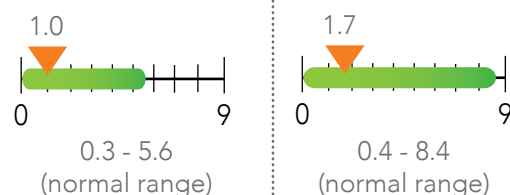
Reports Per 100 Employees 2012

▼ = Median (All Industries)

Repeat Reporters are making up a greater percentage of the report volume.

14%	**17%**	**27%**	**31%**	**30%**
2008	2009	2010	2011	2012

In fact, the percentage of reports by self-identified repeat reports has

MORE THAN DOUBLED in the last five years.

And don't be too quick to discredit your Repeat Reporters. In 2012, among contacts from reporters who chose to indicate whether this was their first time submitting an issue or not, repeat reporters' allegations were substantiated at the same rate as first time reporters. Historically they have been substantiated at rates even higher than their "first contact" colleagues.

2012 Substantiation Rate For Repeat Reporters

36%
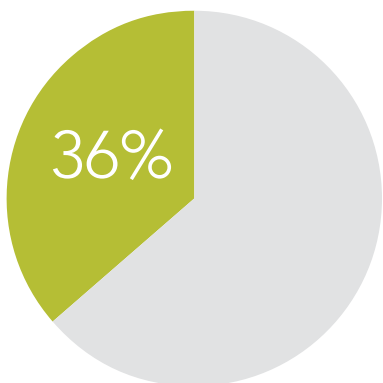
2012 Substantiation Rate For First-Time Reporters

36%
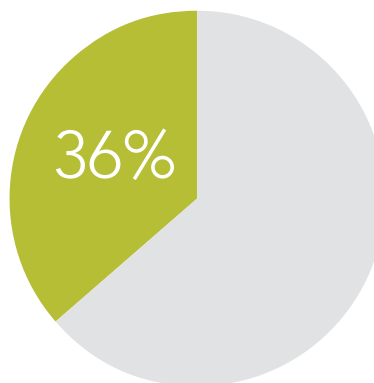
Anonymous vs. Named Reports

Anonymous Reports shows the percentage of all contacts submitted by individuals who chose to withhold their identity.

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

How does your anonymous reporting rate compare?

60%	65%	64%	62%	63%
2008	2009	2010	2011	2012
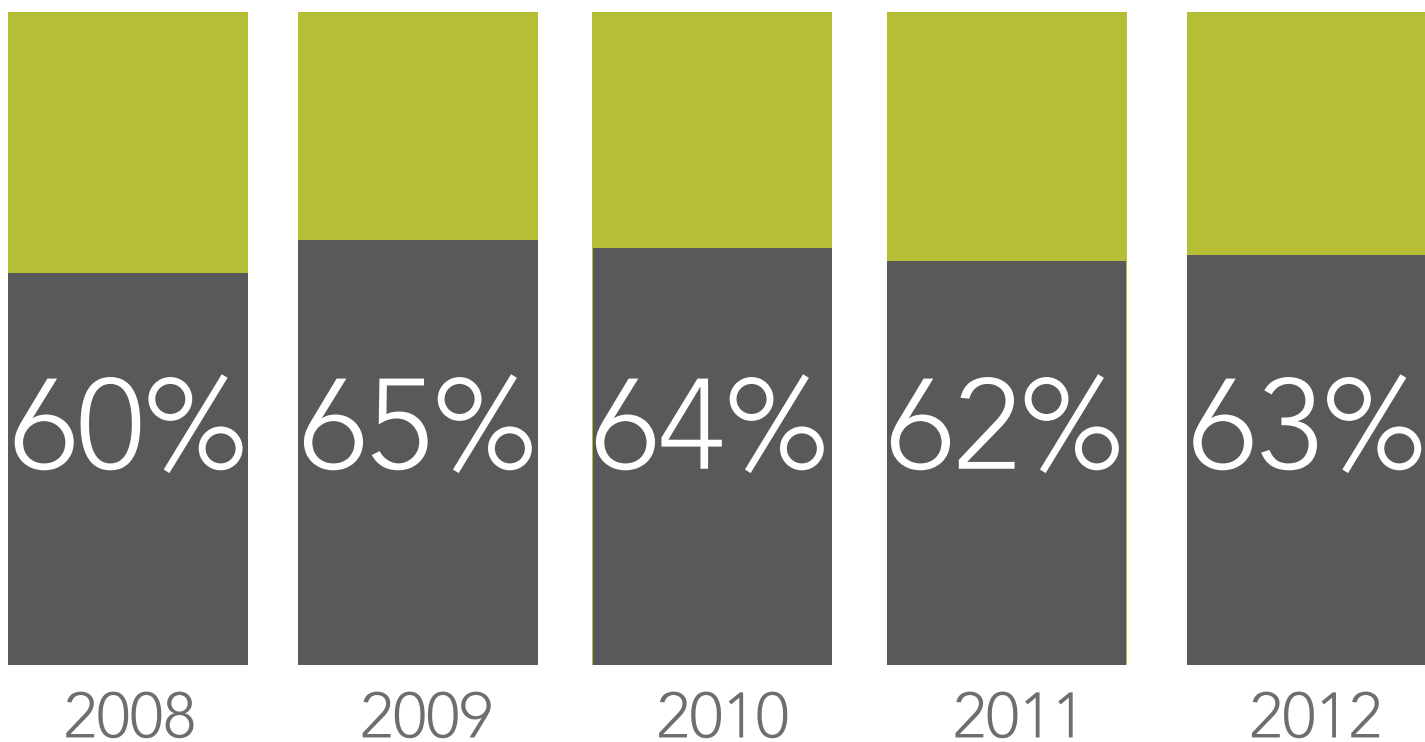
Median Company Rate, All Industries

Follow-up Rate on Anonymous Reports

Helpline report intake processes attempt to collect as much information as possible about an incident, but investigators may still have follow-up questions for reporters. Because investigators cannot directly ask questions of anonymous reporters, it is vital that they stay engaged in the process and check in on their report periodically using the PIN they receive at the time of their report. Investigators may have posted additional questions or requests for information needed to complete the investigation and reach appropriate resolutions for each case.

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

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

How to Calculate: Divide the number of anonymous reports with at least one follow-up by the total number of anonymous reports.

How does your Follow-up Rate on Anonymous Reports compare?

43%	32%	31%	31%	23%
2008	2009	2010	2011	2012

Median Company Rate, All Industries
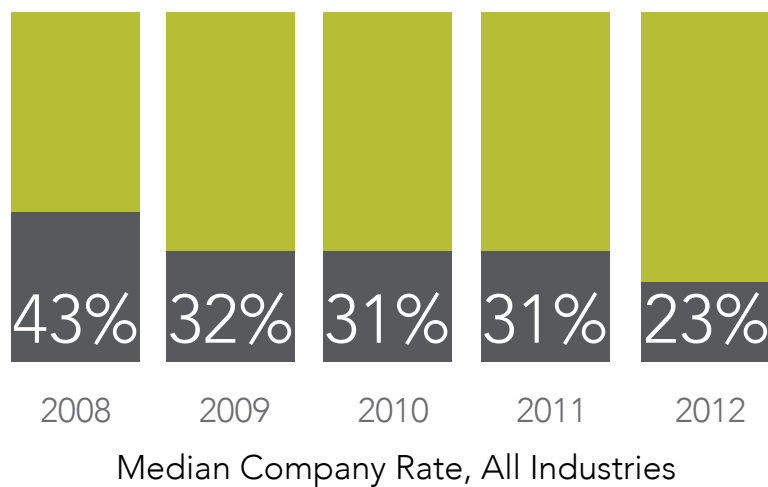
The **Follow-up Rate on Anonymous Reports has Dropped by Half** over the last five years, which is a startling statistic. Over the same period, as we show later in this report, the substantiation rate of anonymous reports has risen, which is the opposite of what we would have expected. However, it appears that the overall quality of reports are improving at a fast enough rate (evidenced by the 7% improvement in overall substantiation rates in the last four years) to more than offset the issues generated by a declining follow-up rate. Regardless, this is a discouraging finding and we encourage organizations to raise the level of awareness around the importance of follow-up with their employees.
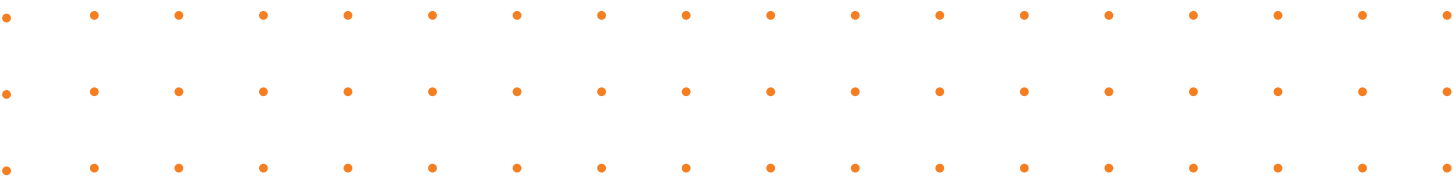
Substantiated Reports

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

How to Calculate: Divide the number of reports that are (fully or partially) substantiated by the total number of reports which were determined to be either substantiated (in whole or in part) or unsubstantiated.

How does your Substantiation Rate compare?

31%	33%	32%	41%	38%
2008	2009	2010	2011	2012

Average Substantiation Rate by Allegation Category (2012)

52%	45%	35%	44%	50%	38%
Accounting, Auditing, and Financial Reporting	Business Integrity	HR, Diversity, and Workplace Respect	Environment, Health, and Safety	Misuse, Misappropriation of Corporate Assets	Average Substantiation Rate for all Reports
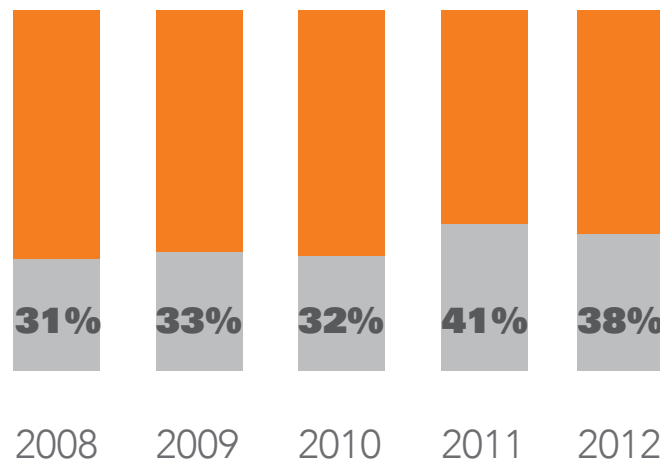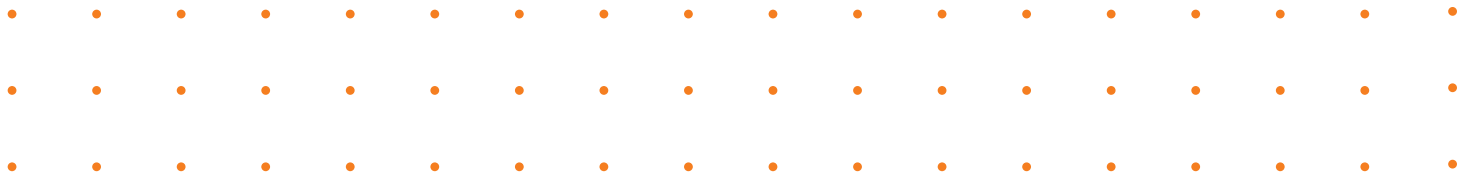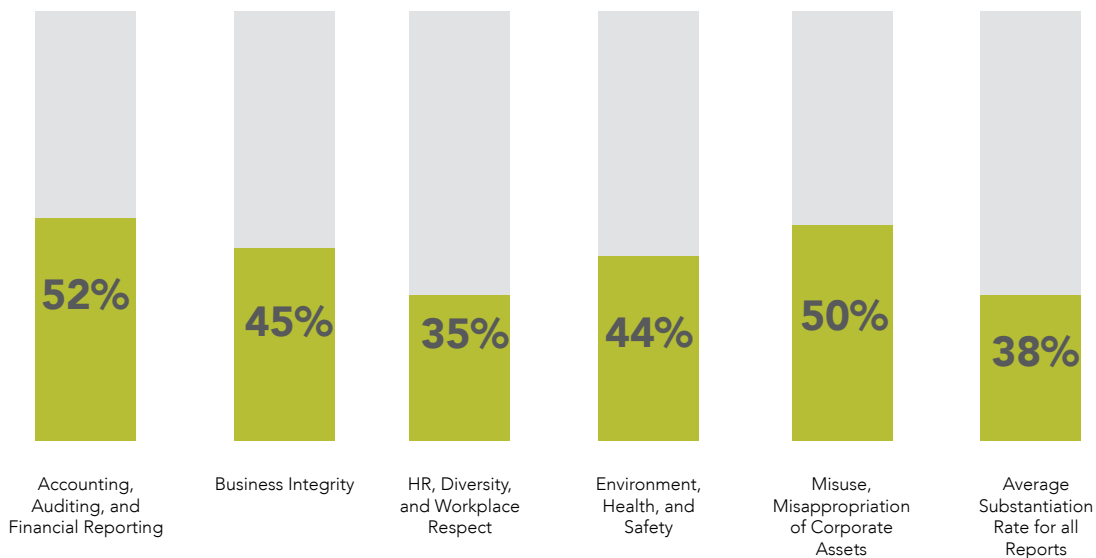
Substantiated Anonymous Reports

A bias exists among some senior leaders and board members against anonymous reports. Many feel as though employees who choose to withhold their identity are doing so because they are making a false or frivolous allegation. Research also indicates this bias often extends to investigators. In our experience, however, names are withheld typically out of fear of retaliation or a desire to not be involved, not because the issue reported is false or frivolous.

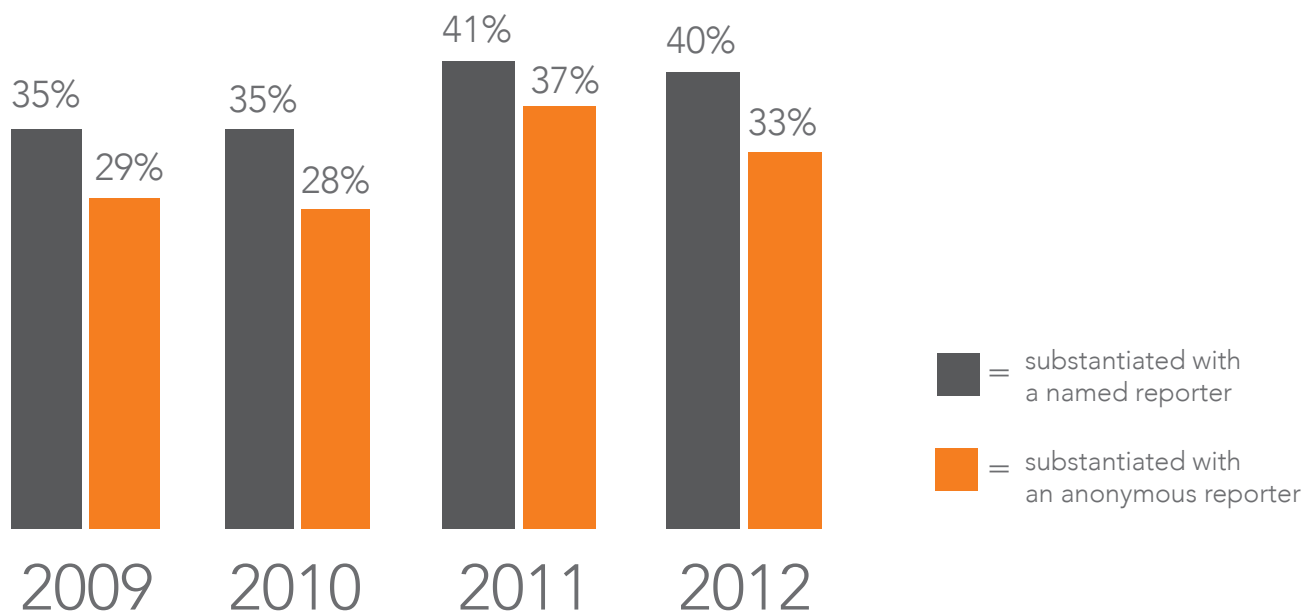Investigators' inability to contact anonymous reporters who do not follow-up likely explains some of the gap between substantiation rates for "named" and "anonymous" reports, but a significantly lower substantiation rate on anonymous reports could signal something else. Additionally, allegations which are made via the helpline or web reporting portal are substantiated at a lower rate, generally, than those made via direct contact with the ethics and compliance office. The majority of anonymous reports are submitted through third-party channels while nearly all direct contact reports involve named reporters.

How to Calculate: Divide the number of anonymous reports that are (fully or partially) substantiated by the total number of anonymous reports with a determined disposition.

How does your Substantiation Rate on Anonymous Reports compare?

35%   35%   41%   40%

29%   28%   37%   33%

= substantiated with a named reporter

= substantiated with an anonymous reporter

2009   2010   2011   2012

Despite the aforementioned potential bias against anonymous allegations among some leaders and even some investigators, the gap in average overall substantiation rate between allegations made by reporters has remained at 7% or less over the last four years, indicating that such reports are valuable and credible.

Case Closure Time

In order to engender the belief among employees that their concerns are important and are being seriously considered, it is vital that organizations complete investigations in a timely fashion. If months go by without a case being resolved, many reporters will conclude that the company is not listening and not taking action. This belief could be detrimental to an organization on a number of levels.

Case Closure Time is the average number days it takes to complete an investigation and close a case.

How to Calculate: First calculate the number of days between the date a case is received and the date it is marked closed for each case closed during the reporting period (calculating the rate based on case open date will skew the data toward shorter closure times, making the result inaccurate). Then calculate the average case closure time by dividing the sum of all case closure times by the number of cases closed in the reporting period.

How does your Case Closure Time Compare?

Year	Days
2008	30 DAYS
2009	32 DAYS
2010	32 DAYS
2011	32 DAYS
2012	32 DAYS

For the last five years the **median company's average case closure rate** has remained at roughly *30* days, which is what we consider the best practice rate.
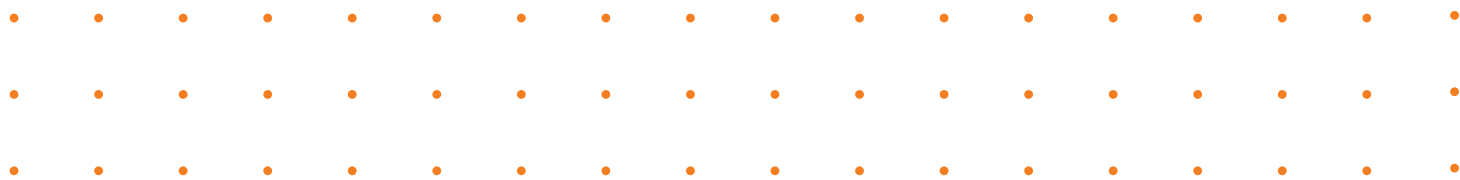
Intake Method

Most companies offer employees the option of making a report via a web portal in addition to the helpline phone option. Providing multiple avenues for employees to report is important as some may be reluctant to report via the telephone and may be more comfortable using a different intake system. Capturing reports through multiple channels results a more complete picture of the imminent risks in your organization.

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

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

How to Calculate: Group all non-hotline and non-web report forms as "All other Methods," and then tally up the number of reports received by each method and divide by the total number of reports. The resulting percentages represent how your employees are choosing to report.

What channels are your employees using to report?

SUBMISSION *METHOD* 2012

HELPLINE	WEB PORTAL	ALL OTHER METHODS
52%	**15%**	**32%**
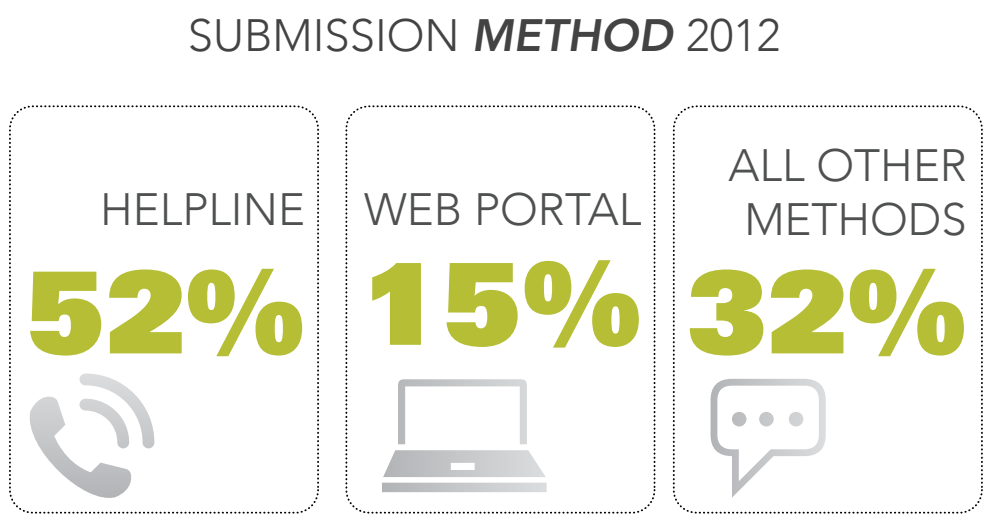
* Benchmark includes only companies who track all intake methods in NAVEX Global case management systems.
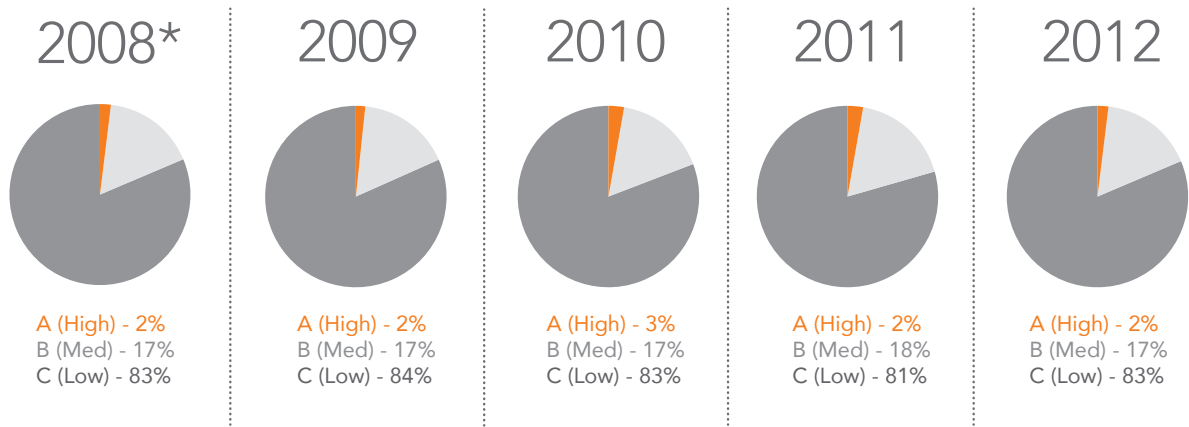
Report Priority

Not all reports are created equal. Certain allegations require more immediate attention than others. Some need to be escalated or assigned to the audit committee or the board of directors. The use of a prioritization system allows companies to react quickly to urgent reports so that they can be handled in a timely fashion.

- **Priority A** – usually applied to reports which are serious or urgent allegations of misconduct that must be addressed in 24 hours.

- **Priority B** – usually denotes reports which are determined to be serious do not involve imminent danger to persons or property.

- **Priority C** – generally used to indicate concerns that are not immediate or specific questions about policies.

Report Priority measures the percentage of cases that had a high, medium, or low priority.

How to Calculate: Divide the number of reports in each priority category by the total number of reports created during the reporting period.

REPORT PRIORITY BY YEAR

2008*	2009	2010	2011	2012

2008*	2009	2010	2011	2012
A (High) - 2%	A (High) - 2%	A (High) - 3%	A (High) - 2%	A (High) - 2%
B (Med) - 17%	B (Med) - 17%	B (Med) - 17%	B (Med) - 18%	B (Med) - 17%
C (Low) - 83%	C (Low) - 84%	C (Low) - 83%	C (Low) - 81%	C (Low) - 83%

*Totals of the yearly medians in the table do not equal 100% because each is calculated separately and only companies with reports of a given priority level are considered for that benchmark.
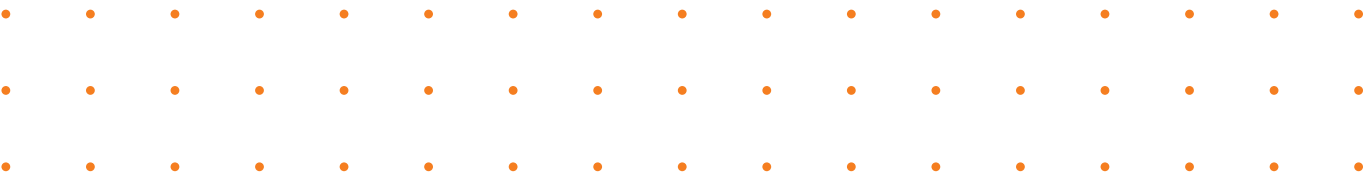
Report Categories

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

1. Accounting, Auditing, Financial (i.e. Financial misconduct, Internal controls, Expense reporting)

2. Business Integrity (i.e. Bribery, Falsification of documents, Fraud, COI, Vendor/ Customer issues)

3. Diversity, Workplace Respect, HR (i.e. Discrimination, Harassment, Compensation, General HR)

4. Environment, Health, Safety (i.e. EPA compliance, Assault, Safety, OSHA, Substance use)

5. Misuse, Misappropriation of Corporate Assets (i.e. Computer usage, Employee theft, Time clock abuse)

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

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

Legend:
= 2008
= 2009
= 2010
= 2011
= 2012

Category	2008	2009	2010	2011	2012
Accounting, Auditing, and Financial Reporting	3%	3%	3%	3%	3%
Business Integrity	16%	16%	17%	16%	17%
HR, Diversity, and Workplace Respect	70%	71%	69%	68%	69%
Environment, Health, and Safety	7%	7%	7%	9%	7%
Misuse, Misappropriation of Corporate Assets	5%	5%	5%	7%	6%

As the table above shows, there has been **Remarkable Consistency** in the breakdown of reports by category over the last five years.

We also reviewed the data to determine **which industries received the highest rate of reporting in each category type.** The following table highlights the findings:

Industry with Highest Median Company Rate by Allegation Category 2012

5%	26%	78%	18%	12%
EDUCATION	HEALTHCARE	ACCOMMODATION & FOOD SERVICE	WHOLESALE TRADE	PUBLIC ADMINISTRATION & GOVERNMENT
Accounting, Auditing and Financial Reporting	Business Integrity	HR, Diversity and Workplace Respect	Environment, Health and Safety	Misuse, Misappropriation of Corporate Assets

Some industries' elevated levels of certain types of reports are to be expected. For example, HIPAA and other privacy issues as well as patient care concerns all fall under the heading of Business Integrity, so it is not surprising that Healthcare companies see the highest levels of these types of issues. Other findings here are more surprising such as the highest rate of Accounting and Financial Reporting concerns seen by the Education industry in 2012.

We also looked at the **substantiation rate of reports by each Allegation Category.** An important finding is that reports dealing auditing, financial reporting and misuse or misappropriation of assets are substantiated 50% of the time.

Average Substantiation Rate by Allegation Category 2012

Accounting, Auditing and Financial Reporting	Business Integrity	HR, Diversity and Workplace Respect	Environment, Health and Safety	Misuse, Misappropriation of Corporate Assets
52%	**45%**	**35%**	**44%**	**50%**

Average Substantiation Rate for All Reports

38%

Additionally, while it is not surprising that allegations which involve accounting issues take the most time to resolve, but it may surprise some that allegations involving EHS issues are, on average, resolved as quickly as HR allegations.

Average Case Closure Times by Allegation Category 2012 result

Category	Days
HR, Diversity and Workplace Respect	25 DAYS
Environment, Health and Safety	25 DAYS
Business Integrity	32 DAYS
Misuse, Misappropriation of Corporate Assets	33 DAYS
Accounting, Auditing and Financial Reporting	42 DAYS

0   25   50

DAYS

Conclusion

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

- Do we need more training?

- Do we need to review or update our policies?

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

- Should we dig deeper into data of concern with employee surveys and focus groups?

- Do enough employees know about our reporting channels?

- Are our investigations thorough and effective?

- Does our culture support employees who raise concerns?

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

About NAVEX Global

NAVEX Global is the trusted global ethics and compliance expert for more than 8,000 clients in over 200 countries – the largest ethics and compliance community in the world. A merger of industry leaders ELT, EthicsPoint, Global Compliance Services and PolicyTech, NAVEX Global provides a comprehensive suite of solutions to manage governance, risk and compliance (GRC), providing critical cross-program insights thorough unmatched expertise and actionable data.

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Integrity Diagnostics™

Integrity Diagnostics is NAVEX Global's custom benchmark report which contains data representing approximately 370,000 contacts (incident reports, allegations, and specific policy questions) submitted to more than 1,600 organizations in 2012. All organizations that meet the minimum reporting criteria (at least 10 unique contacts in 2012) are included. The report is designed to provide companies with the information they need to be able to compare their reporting system results to those of other organizations within their industry.

Integrity Diagnostics™ is a tailored benchmarking report that compares your organization's data to that of your peers. An Integrity Diagnostics™ report takes the guesswork out of data review and provides you a comparative diagnostic report with tailored analysis and recommendations for your organization.

It includes the following:

- Your organization's diagnostics charted against your industry with median and normal range (The data)
- Analysis of each metric and what it means for your organization (What the data means)
- Recommendations for improving specific areas of your compliance program (What to do with the findings)