

Data on Ethical Performance for Small and Medium Sized Enterprises (SME)



**Asia-Pacific
Economic Cooperation**

*APEC Virtual Ethics for SMEs
Compliance Program*

Why be Ethical?

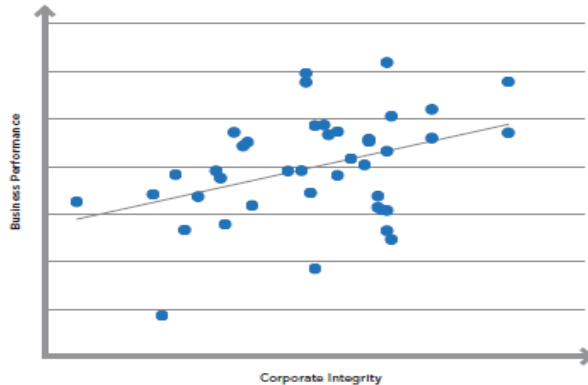
Ethics Drives Employee Engagement

Employees' perceptions of company ethics impact their overall engagement. Engaged employees reduce ethics risk: they are more likely to react to misconduct by reporting their observations

National Business Ethics Survey: Ethics and Employee Engagement
Ethics Resource Center (ERC) with the Hay Group, 2010

A CULTURE OF INTEGRITY DRIVES PERFORMANCE

The Relationship Between Business Performance and Integrity



The top drivers of employee performance are when managers demonstrate corporate values and ethical behavior.

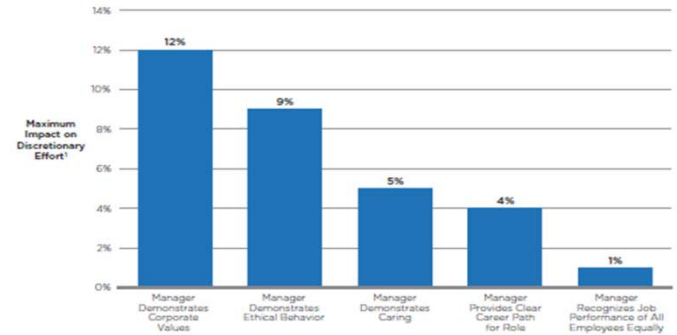
What the Numbers Mean
Managers exhibiting corporate values can improve employees' performance by 12%.

Please note that the CSI program names mentioned in this document have changed since the time of publication.

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THE CONNECTION BETWEEN MANAGER VALUES AND EMPLOYEE PERFORMANCE

Maximum Impact of Manager Characteristics of Ethics and Values
Q1 2009



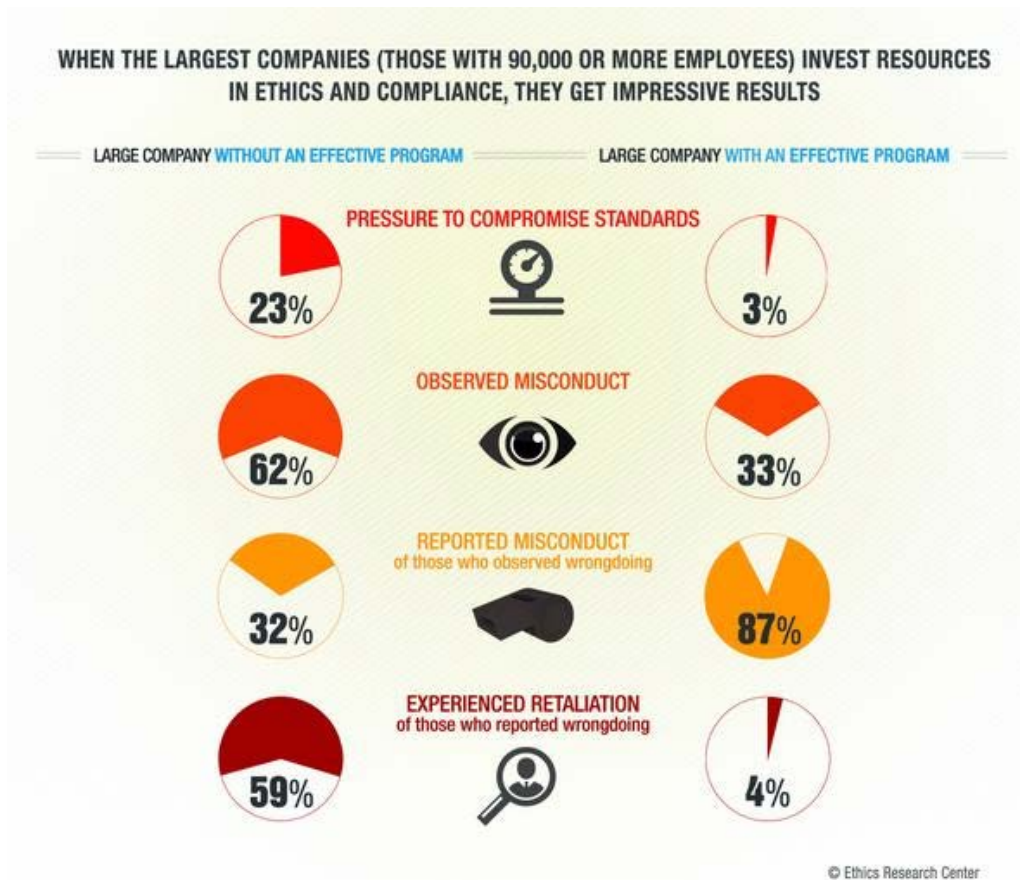
n = 15,761

¹ Discretionary Effort: Discretionary effort is the respondent's willingness to expend effort beyond typical expectations. Examples of this behavior include willingness to invest additional time and effort to accomplish a task or looking for ways to perform one's job more effectively.

Source: Corporate Leadership Council survey

State of Ethics in Large Companies

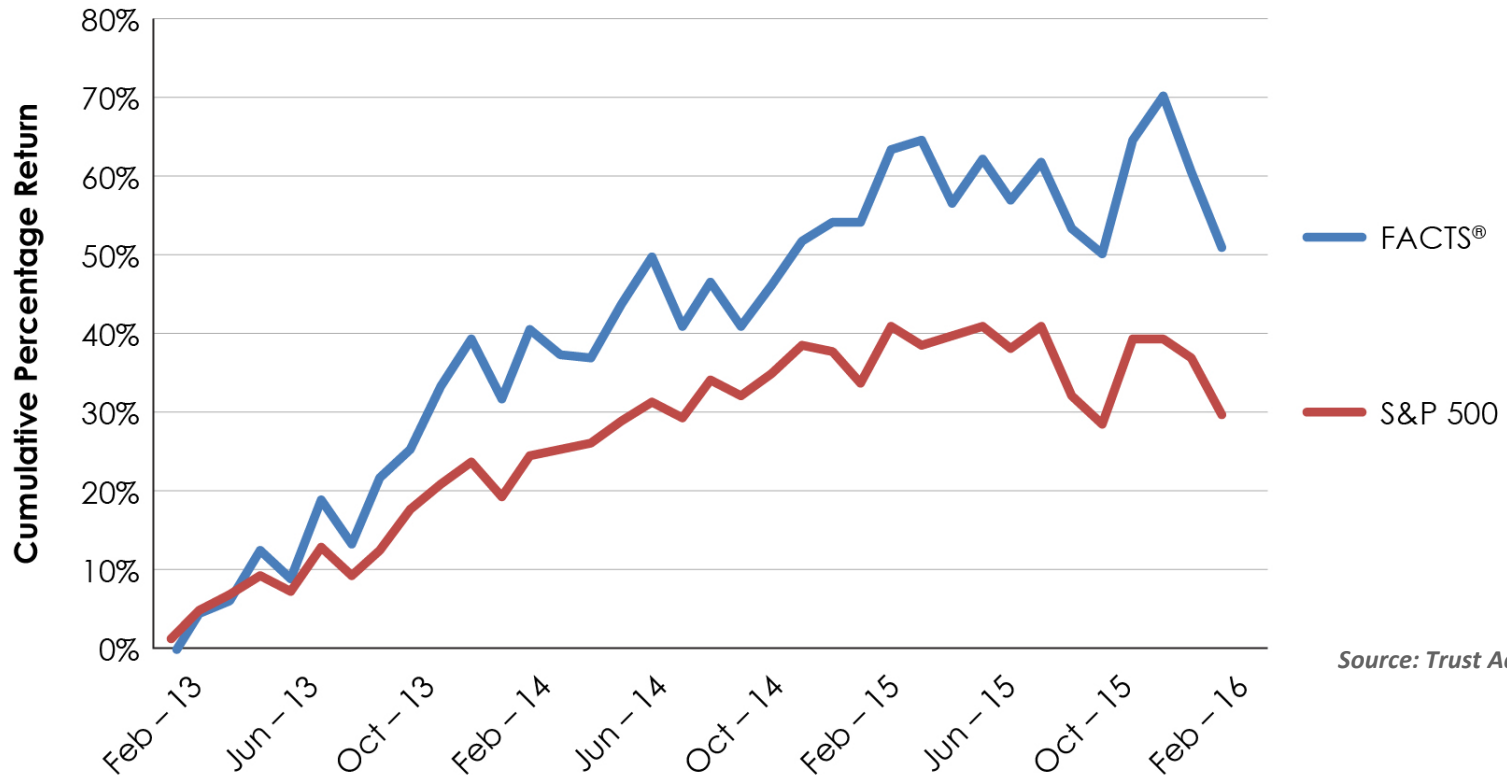
“Companies that invest in ethics reap an enormous return,” ECI CEO Patricia Harned said. “Better workplace ethics cuts business risks by reducing the chance that serious ethics problems will throw companies off course and distract them from their core business.”



Source: A Research Report from the National Business Ethics Survey® (NBES®)

Benchmarking: America's most trustworthy public companies outperformed the S&P 500

Cumulative Returns: FACTS® vs. S&P 500



Source: Trust Across America

Trust works as a business strategy and ethics builds trust

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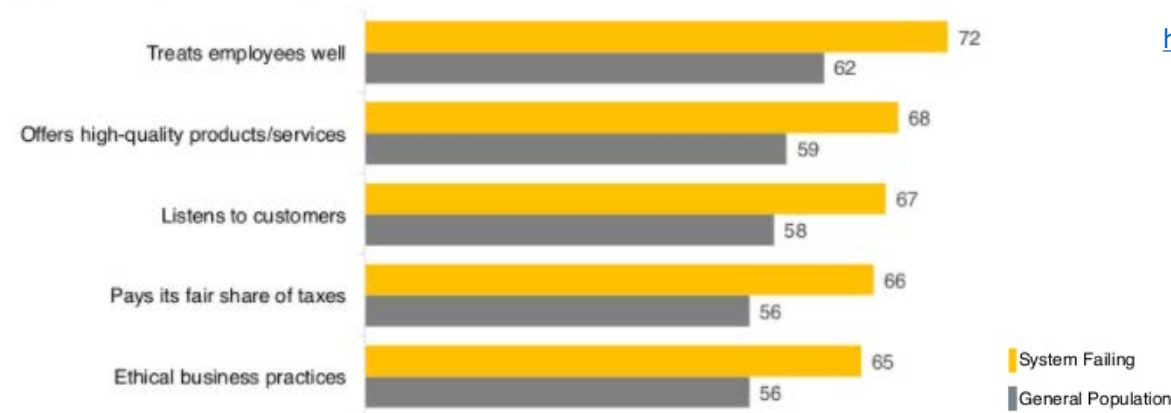
Building trust with ethics

Trust and ethics go hand in glove – in today’s world of falling trust, Edelman finds that 65% of respondents agree that ethics is essential for building trust.

In the healthcare sector, approximately 8 in 10 people (82 percent) believe the government needs to do more to regulate the pharmaceutical industry; and 8 in 10 people (80 percent) believe that the pharmaceutical industry puts profits over people.

When the System is Failing, Companies Must Do More

Percent who rate each attribute as important in **building trust in a company** (top 5 most important shown)



Source: 2017 Edelman Trust Barometer Q80-Q35. How important is each of the following attributes to building your TRUST in a company? Use a 9-point scale where one means that attribute is "not at all important to building your trust" and nine means it is "extremely important to building your trust" in a company. (Top 2 Box Importance) Data displayed is mean Top 2 Box rating for the listed items. Items were included if they were considered important by 50% or more of those who believe the system is failing. General Population and cut by "the system is failing segments", 20-country global total. Q672-675, 678-680, 684-690. For details on how the "system failing" measure was calculated, please refer to the Technical Appendix.



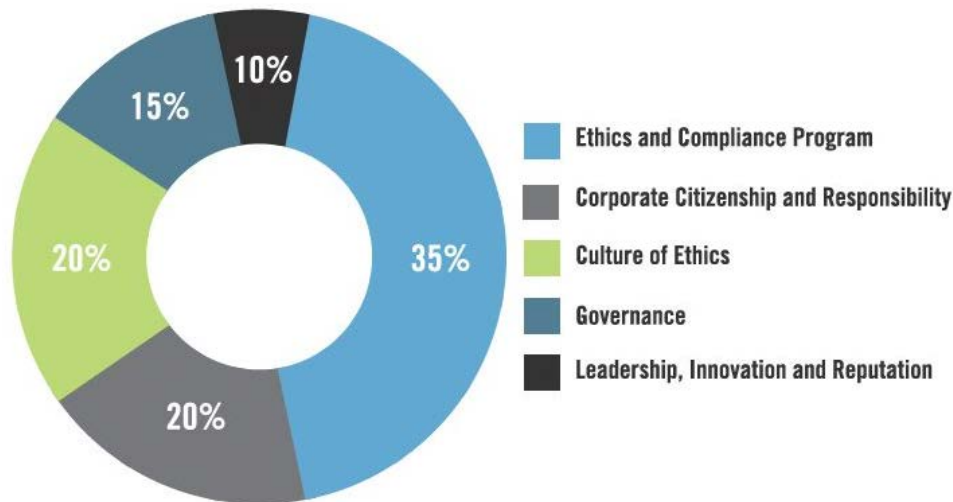
[healthcare sector barometer summary](#)

Source: 2017 Edelman Barometer

Benchmarking our EQ... Ethics Quotient

In researching the world's most ethical companies Ethisphere considers the two most important components of a company's EQ (Ethics Quotient) to be:

- The nature of a company's Ethics and Compliance programme* and
- whether it is embedded into the company's culture from TOP to bottom.



[Ethisphere summit](#): “90% of the World’s Most Ethical Company Honorees include examples of real world ethical and compliance dilemmas that have happened inside their organization”

* This category reviews company's performance indicators associated with the overall ethics and compliance program specifically including program structure, responsibility, and resources; program oversight and tone at the top; written standards; training and communication; due care; detection, monitoring and auditing; and enforcement and discipline.

Source: Ethisphere, World's Most Ethical Companies

The evolving expectations of employees drive current corporate ethics trends

1

Increasing skepticism of companies doing the “right thing” when put in difficult situations

- Employees believe companies should put “people above profits”
 - They do not believe businesses care about people outside of financial gain
- When looking at newer waves of employees entering the workforce, 50% prefer purposeful work over a higher salary
 - 53% would work harder if they were making a difference to others¹

2

Increasing expectation that companies be involved in “good causes” to give back to the community and not just for profit

- 89% of younger employees feel companies must engage in activities outside of profit driven ones²
- These activities should be:
 - Empowering
 - Beneficial to their local community

3

Increasing belief that employers should share values with their employees

- When companies do not have internal repercussions for unethical behaviors, employees will use social media as a way to “out” the business to the general public

¹Global Tolerance Survey

²Deloitte Survey

Creating an ethics-based culture helps increase internal employee satisfaction and performance



Increased Retention¹

Higher Employee Engagement¹

Increased Productivity¹

¹Global Tolerance Survey