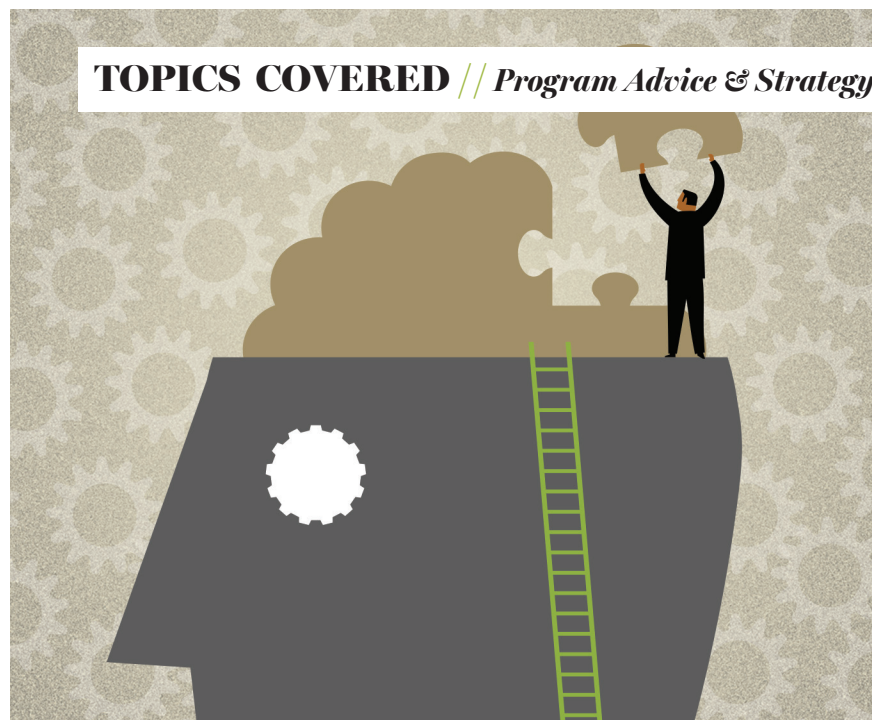


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CREATING ENDURING VALUE

The Advantages of Taking a Strategic Approach to Ethics

Written by Richard A. Smith

At Realogy, integrity is a core value. We view our commitment to integrity not just as the right thing to do, but as a critical component of our company's success. As we continue to move forward, we are focused on enhancing our ethics & compliance program through defined measurements and metrics.

So how does a company go about measuring a value like integrity? First, you need a plan. As the old saying goes, "plan your work, and then work your plan." In my experience, the best plans include a disciplined assessment process that measures progress against goals, and allow the flexibility to make changes to adapt to new data and trends. Planning and measurement are as important in establishing an ethical culture as they are in developing and executing a financial plan.

We have a number of metrics that we use to manage risks related to ethics and compliance, among them:

- **Enterprise Risk Management** – We take a rigorous and disciplined approach to ERM at both the individual business unit and corporate level. We actively track our progress and monitor risk trends in a select number of categories most relevant to our business.
- **Training and Certification** – Our employees must certify annually on our Code of Ethics training, which includes an industry-specific focus on the Real Estate Settlement & Procedures Act (RESPA), among other topics. Each year we add new custom content that reflects the most current trends and business issues faced by our industry.
- **Employee Engagement** – We have been tracking how our employees feel about our ethical behavior for the past 10 years. In our most recent employee survey, 99% of Realogy employees stated that they feel they have a personal responsibility to make sure the company behaves ethically.
- **Hotline Data** – Like many companies, we have a Code of Ethics Hotline through which we track and manage potential issues. Because real estate is such a relationship-based business, we have been extremely proactive in getting our employees to self-report any potential conflicts of interests or relationships that could pose a potential conflict. Through this process of self-disclosure, we are able to identify potential risks and move proactively to protect both

our employees and the company's reputation. Over time, we have had an increase in self-reported potential conflicts, and we view this as a positive reflection of our ethical culture. We are pleased that our employees both understand the company's commitment to adhering to the highest ethical standards in the workplace, and also recognize that if they have any inkling of a concern, it's better to consult with our ethics & compliance team rather than to make assumptions on their own.

- **Return on Investment** – We actively look at our ROI from our compliance activities. For example, by implementing and adhering to a strong records retention schedule, we have achieved significant and quantifiable annual savings in off-site records storage costs while also reducing our risk profile. Another way that we measure our risk-based approach to ethics and compliance is from the absence of fines, investigation costs, penalties, attorneys' fees and multiyear consent decrees that have become the norm for other companies. By focusing on ways to eliminate or minimize our risk, including fraud prevention, our ethics & compliance program contributes positively to the company's bottom line.

In addition to these standard measurement practices, we have developed a long-term ethics and compliance strategic planning process that looks ahead to the next three to five years and incorporates business and functional perspectives obtained through tailored feedback from key stakeholders. Our ethics & compliance team utilizes a neutral third-party to conduct interviews and solicit actionable feedback from our business unit leaders, with an emphasis on obtaining their perceptions of risk.

By identifying potential risk mitigation gaps incorporated from a range of differ-

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According to a 2016 Gallup poll, only **six percent** of the American Public says they trust big business "a great deal."

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ent perspectives in our planning process, we are better able to understand how our risk exposure may change, or may need to be changed. From there, our Chief Ethics & Compliance Officer, Liz Gehringer, conducts an analysis of business risk issues and how they compare to the issues identified as compliance risks. This first-hand feedback from our key executive officers ensures that our ethics & compliance strategy incorporates a diverse set of perspectives and business needs. We also ask our top executives to individually sign off on the ethics & compliance plan as a means to create buy-in and increase the quantity and quality of their feedback in the process as our strategies are developed.

Our ethics & compliance plan is executed with regular checkpoints at every audit committee board meeting, and progress is reported quarterly. Our commitment to ethics is a benefit to our business, and it truly supports our business growth. We are keenly focused on improvements to meet the new risks and regulatory demands that may arise.

Going well beyond our internal practices, we have stepped back and taken a hard look outside our company and industry in order to identify broader trends impacting the current ethics and compliance environment, and we have incorporated them into our strategic planning process.

Here are the five broad external trends that we are monitoring closely and for which we are maintaining a proactive stance internally:

1. Theft of funds and data are on the rise: Ethics & compliance, information security and law enforcement are typically stuck in emergency response mode as criminals call the shots.
2. Integrating compliance into operations: Regulators are less impressed with check-the-box activities so compliance programs need to move from bolt-on to built-in, risk-specific practices.
3. Using data analytics: As compliance-related data grows, companies begin to deploy compliance monitoring, non-compliance monitoring and predictive

analytics. We see a growing shift in companies using a single system of record.

4. Managing the expanded enterprise: Companies are held more accountable for understanding their supply chain and third-party network activities. Corruption is not going away and cyber concerns about partners are growing. Companies should know more about their partners to avoid complications inherent in an association with a bad actor or, at the minimum, an entity not focused on ethics.
5. Focusing on basic integrity: Recent headline scenarios in the automotive industry are driving companies to question basic right-from-wrong decision making and the failure of employees to speak up at the time an ethical problem occurs.

In closing, we understand that the work we do supports very important aspects of our clients' lives, their homes and their businesses. Together with our employees, we have created a culture that inspires a fundamental mindset of always doing the right thing. The enduring value of our unwavering commitment to ethics and integrity is reflected in how we operate our business and how we think about our future.

Author Biography

Richard A. Smith is Chairman, CEO and President of Realogy Holdings Corp. (NYSE: RLG), a global leader in residential real estate franchising with company-owned real estate brokerage operations as well as relocation, title and settlement services. Realogy's renowned brands and businesses include Coldwell Banker, CENTURY 21, ERA, Sotheby's International Realty, Better Homes and Gardens Real Estate, ZipRealty and the Corcoran Group, along with NRT, Cartus, Title Resource Group and ZapLabs, the company's innovation and technology hub.