Best Practices & Key Takeaways from:

Ethics Summit
December 6th, 8AM - 7PM
The Fullerton Hotel, Singapore

TOKYO FORUM
Moving Beyond Compliance to Create an Ethical Corporate Culture

Plus: “The Future of Corporate Ethics” from Ethisphere CEO, Timothy Erblich
The 4th Annual Asia Ethics Summit

At the 4th Annual Asia Ethics Summit, attendees had the opportunity to connect and hear from the most respected and diverse class of company leaders who gathered to inspire integrity and responsible business performance across the region. Held at the Fullerton Hotel in Singapore, the event attracted close to 200 attendees and provided participants with a first-hand look at the current business landscape, networking opportunities and Q&A with speakers and other leaders in the industry.

The Asia-Pacific market continues to be one of significant growth and influence, but it is also burdened with the complexities and challenges that can often outpace even the most mature businesses operating within the region.

Duc Trang, Vice President, Legal & Government Affairs for Motorola Solutions (left) shares his thoughts on anti-bribery concerns across APAC with Schneider Electric’s Pal Fredrick and FTI Consulting’s Beth Junell.
An enterprise can only sustain itself over the long-term by acting responsibly ...

– Shailesh Rao, Board of Directors, Jones Lang LaSalle

Now in its fourth year, the Asia Ethics Summit offers leading executives from the APAC business community a unique opportunity to connect in the interest of inspiring corporate integrity, ethical culture, and honored compliance practices. This pivotal event facilitated conversations across seasoned C-suite leaders, General Counsels, Chief Compliance Officers, global professional service firms, and more reputable professionals.

At left: Kevin McCormack, Ethisphere’s Vice President of Global Thought Leadership and Programs
Singapore's economy has evolved and the nation is now seen as a hot spot for global business and innovation. Reports show that during 2015-2016 there has been an uptick in M&A activity in the region and this was one of the hotly debated topics at the summit. For example, on the panel, “M&A Pitfalls in APAC: Why Compliance is Essential to the Deal”, the speakers agreed that bringing culture, different functions and the business units together can help in mitigating M&A risks. “Ultimately, what it comes down to is can you deal with risks as a company—how resilient are you?” asked Celina Teh, Vice President, Chief Integrity Officer, Asia Middle East & Africa Region, ABB. “If you have an honest reputation, handling these types of risks will not be tough—it’s all about ensuring that your people know how be proactive and they know what to do if any of these issues occur.”

Moderated by Bethany Hipp, Counsel, Allen & Overy, the session highlighted the need for more transparent data to help companies address common M&A pitfalls. “I’ve been involved in a lot of transactions—and what we’ve seen is that in high-risk areas for example there are layers of third parties involved and yet even though the company did its due diligence, it was a challenge to figure out who sat at the top of the chain.”

Other sessions included:

- Corporate Governance and the Challenges of Global Board Engagement
- The Rising Risk Profile in APAC: Emerging Anti-Corruption and Bribery Concerns
- Data Transfers and Growing Compliance Concerns Over Privacy
- Sounding the AML Alarm: Concerns for the Financial Sector and Beyond
- Human Rights Protection: Company Responsibility to Combat Human Trafficking
- C-suite on Culture: Embedding Ethics and Values Throughout the Company
The closing keynote, “Company Culture: Embedding Ethics and Values to Drive Business Behavior,” moderated by Ethisphere’s Stefan Linssen and featured insights from Beng Ti Tan, Head of Compliance, Asia, Fujitsu; and Monica Puri, General Counsel, SE Asia, JLL, explored the impact of core values on business behavior. “Culture has to filter down from the top,” said Puri. “It has to be everyone in an organization walking and talking the same talk, for example, the CEO has the same threshold for entertainment expenses like senior managers—it’s the same principles that apply throughout the organization.”

According to Tan, the same notion applies at Fujitsu. “The same policy applies to the President of each business unit that drives ethics and integrity across the company. We also measure objectives as well, at the end of the day there is a direct link between how well his/her objectives are achieved and the rewards.”
Aflac, CAQ and Ethisphere Host National Discussion on Business Ethics in Tokyo

On November 14, 2016, Ethisphere held its first ever Tokyo Ethics Forum, Moving Beyond Compliance to Create an Ethical Corporate Culture at the Shangri-La Hotel in Tokyo, Japan. With support from Aflac and the Center for Audit Quality (CAQ), a Washington D.C.-based, nonpartisan, nonprofit public policy advocacy organization, the forum brought together some of the brightest minds in the region to advance discussions around corporate integrity. The summit, which included a panel discussion titled, “Creating a Fraud Resistant Organization and Sustaining Long-term Growth Through Culture,” was attended by 40-50 senior level executives from well-known companies across Japan.

The half day event in Tokyo attracted a standing room only crowd of Japanese corporate executives wanting to find themselves ahead of the curve when it comes to best practices in ethics. Other discussions focused on ethics, governance and compliance challenges facing Japanese companies and included panel discussions titled “Creating a Fraud Resistant Organization” and “Sustaining Long-term Growth Through Culture,” which was attended by 40 senior-level executives from well-known companies in Japan, including Panasonic and KAO Corporation. Some key takeaways from the discussions included: good governance and compliance practices are not an endpoint, but rather seen as a path towards creating a corporate environment of trust, transparency and accountability. The shift from a rules based, prescriptive approach to a principles based approach was another area of focus for the attendees.
An ethical business culture is one that is essential to all business participants,” said Cindy Fornelli, Executive Director for the Center for Audit Quality (CAQ) during her opening remarks. “It’s very important to Boards of Directors and those that govern, investors and regulators—it is a shared value and we can all work together to create strong corporate cultures.”

In early 2017, the CAQ celebrated its 10th year in operation and marking this important milestone, Fornelli released a LinkedIn post, which echoed some points mentioned during the Tokyo Forum: when it comes to transparency, the public company auditing profession recognizes that transparency and disclosure are vital to healthy capital markets and investor protection, which is why the CAQ continued to engage constructively on transparency related to the execution and oversight of the audit.
In addition to presentations from general counsel, compliance officers, audit committee chairs and other industry leaders, the event also featured a keynote presentation from Aflac President, Paul Amos, who shared practical examples of how leaders can influence culture. “Good ethics and good ethical culture only matter if you can stay true when it counts,” Amos said during his closing remarks. “When we talk about tone at the top, it’s not just about having those few minutes a month or one seminar a year talking about ethics—it’s a value that is woven into everything that we do, storytelling is a big part of our culture at Aflac but as we look to the future, we have to draw a bright line in the sand of whether we are going to allow people to make certain actions. We can build all the laws in the world and while it keeps us moving in the right direction, I have to ensure that we are standing nowhere near the line.”

Amos went on to highlight the company’s 2016 Corporate Social Responsibility report, initiatives such as Aflac Parents’ House in helping families experiencing childhood cancer and much more. Aflac is a strong proponent of Prime Minister Shinzo Abe’s call for elevating the role of women in the workplace in Japan, which has been dubbed “Womenomics.” The Georgia-based company has recently conducted forums on diversity in Tokyo, inviting women from Aflac U.S. to Japan to discuss their roles in the company as women in leadership. Aflac Japan is on pace to meet Prime Minister Abe’s goal of having 30 percent of leadership positions held by women by 2020. “In the context of a rapidly aging society, Japan’s highly educated women represent significant untapped potential, which is why Aflac is a major proponent of diversity initiatives in Japan,” Amos added.

The event was also a showcase for global best practices within Ethisphere’s Business Ethics Leadership Alliance and the World’s Most Ethical Companies® community.

Our Tokyo Ethics Forum served as a catalyst for driving thought leadership among major companies and executives to improve company performance, culture and value.

– Ty Francis, Executive Vice President and Group Publisher, Ethisphere
“Tokyo plays a unique role in the world economy,” said Ty Francis, Executive Vice President and Group Publisher, Ethisphere. “Our Tokyo Ethics Forum served as a catalyst for driving thought leadership among major companies and executives to improve company performance, culture and value. It presented a rare opportunity for members of the C-suite to share best practices, connect and engage in discussions that can help move the needle on ethical issues. Companies are a critical part of the global ecosystem, and those that lead with integrity are in a position to influence the economy and change the world. We look forward to our 2017 Tokyo Ethics Forum.”

For more, follow the conversation on Twitter #TokyoEthicsForum.
A few weeks ago I was proud to host Ethisphere’s 9th annual Global Ethics Summit in New York City. The Global Ethics Summit is an opportunity for companies from around the world to celebrate what makes them great businesses with corporate cultures that shine above the rest. At the summit great ideas were exchanged and, during one of the keynote panels, I heard something that literally stopped me in my tracks, not because it was bad or unethical, but because it just sounded so strange by today’s standards.

We live in an age where ethics matter more than ever. In the wake of a greed-induced worldwide financial crisis that crippled the markets and caused global panic, consumers, investors and regulators alike have demanded cultural reforms of the corporate world. So when distinguished businessman Stanley Bergman, Chairman of the Board and Chief Executive Officer at Henry Schein, a Fortune 500 medical devices company with annual revenues in excess of US$10 billion, said that twenty-one years ago his company attempted to insert a statement about ethics and corporate social responsibility into their financial statements only to be rebuffed by investors, all I could think of is how times have changed.

Of course, today you would be hard-pressed to find a successful company that does not prioritize ethics. The Corporate Social Responsibility Report has become standard practice in the business world and CEOs are more likely than not to include a component of ethics and responsibility in every public presentation – even when delivering quarterly financial reports. Those same investors, who once shunned any discussions about ethics, are now embracing the notion that being a good corporate citizen is, in fact, good for business. Why is that? Probably because they view a good corporate reputation as an inoculation from an episode of bad public relations. Investors are particular about controlling risk and companies that are less likely to make negative headlines are a smaller risk.

The Ethisphere Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success. Earlier this year, Ethisphere and Kroll released the 2017 Anti-Bribery and Corruption Benchmarking Report, which highlighted that companies with engaged leadership teams believe that their bribery and corruption risks will decrease in the coming year. At the same time, the reputational risk associated with bribery and corruption allegations remains a top-of-mind issue for most respondents.

In essence, all research points toward a clear link between ethics and performance and, with more involvement from leadership, we are seeing that these efforts are being prioritized.
So it made me wonder, given how much has improved in two decades, what might the state of corporate ethics look like in 2037? In short, I think today’s trends are only going to grow in relevance and the demand for ethical companies will only increase. As the research shows, younger generations have a healthy appetite for ethics, so resistance is futile. Millennials, or Gen Y, and Gen Z often measure the quality of a company not only by what they sell but by who they are and therefore, it is important for companies to stay ahead of the curve and make ethics a vital part of their business plan or they could find themselves on thin ice.

We have said it time and time again, what gets measured, gets done. Each year, Ethisphere surveys companies across the globe to create the World’s Most Ethical Companies list, which is announced annually in March. In 2017, one hundred and twenty-four companies made it to the coveted list. Ethisphere’s notion that financial value and ethics are inexorably tied together has been explained through an analysis of how stock prices of publicly-traded 2017 honorees compare to the S&P 500 Index over the last two years. The analysis demonstrates a 6.4 percent premium which Ethisphere refers to as the ‘ethics premium’. To expand on this further, the entire community of World’s Most Ethical Companies believe that customers, employees, investors and regulators place a high premium on trust and that ethics and good governance are key to earning that trust. Take Tokyo-based Kao Corporation, for instance, an 11-time World’s Most Ethical Companies honoree that continuously stands by its mission to enrich the lives of people globally and contribute to the sustainability of the world. As one of the leading companies in Japan with its household and personal care, cosmetics and chemical businesses, the company has been engaging in business for over 130 years with integrity – a core value spelled out the ‘Kao Way’. Very early in its journey, the company recognized that millennials and Gen Z are less fixated on a company’s financial performance but more interested in its potential to do good. As a result, Kao has made sustainability a major part of its business operations. This is reflected in all aspects, including how it designs its products. Kao adopted a universal design which facilitates the enrichment of the lives of consumers through a wide range of its products. There are three pillars to its universal design program: products are user-friendly and developed with a focus on accessibility, safety and ease; they bring joy to the daily lives of consumers; and they contribute to the promotion of social inclusion through the consideration of diverse lifestyles. So, how important are ethics in Japan? A recent survey done by US-based Aflac, a Fortune 500 company and also an 11-time World’s Most Ethical Companies honoree that sells a variety of health and life insurance products in the US and Japan, shows just how deep the desire for companies to be good corporate citizens actually runs among consumers and investors.

According to this study, 81 percent of potential customers are more likely to purchase products from a company active in philanthropic efforts year-round, rather than just in times of need. What is even more concerning to business executives is that 75 percent of consumers are likely to take some negative action ranging from social media posts, negative recommendations to family and friends and even boycotts against companies they deem irresponsible. In addition, companies perceived as unethical risk losing 39 percent of their customer base while, as I explained earlier, the stock prices of those that appear on the 2017 list of World’s Most Ethical Companies outpaced the S&P 500 Index by more than 6 percentage points.

A commitment to ethical business is more important now than ever before. One theory has to do with the millennial generation. Not only are they currently the largest demographic in the workforce, but they are incredibly skeptical, and why not? This is the generation most impacted by the aftermath of an ethics-induced financial meltdown. They are the ones whose hopes and dreams were put on hold because of the bad actions of the generation that preceded them. How

**How does your company measure corporate ethical culture?**

- Questions on measuring employee perceptions of ethical culture in HR engagement survey: 77%
- Review of social media: 73%
- Management interviews on culture: 69%
- Employee focus groups or interviews: 66%
- Physical site visits and assessments: 66%
- Dedicated employee perceptions of ethical culture survey: 57%
- Formal review following investigations that include culture of ethics: 49%
- We use a unique approach: 22%

2017 WME Honorees
many of them saw their family’s college savings evaporate, resulting in huge tuition debts before they even had a chance to graduate and begin their careers? How many saw their trust in the free market system forever changed? Of course they are skeptical and with good reason. More than that, they have all the means to act on these emotions in the palm of their hands.

Twenty-one years ago, when Henry Schein’s plan to focus on ethics was rebuked by investors it was a different world. There were no mobile apps and the internet was in its relative infancy. Most people logged on to their computers just to hear a familiar voice say, ‘you’ve got mail’. It was not the research tool that it is today. However, today the internet and smart phones are nuclear arrows in the quiver of every potential consumer and investor. This has impacted the corporate world in a big way. Today, companies that could once seek sanctuary by omitting discussions on ethics and responsibility from their financial reports will find very quickly that they can run but they cannot hide. Today’s consumer is going to find out one way or another.

Looking through the crystal ball I can see a day when the term ‘corporate ethics’ rolls off the tongue as easily as the air we breathe, and I see this commitment going global. Our inaugural ethics summits in Dubai and Tokyo and similar events in Brazil and Singapore revealed a hunger for sharing best practices that companies can employ to improve their compliance and governance programs. Whether in the United States, Europe or South America, companies are learning that they have no choice: they will either adapt to the will of the consumer or perish. In fact, I envision the day when being honored as one of the World’s Most Ethical Companies becomes universal because only those who are ethical will continue to exist.

Timothy Erblich is Chief Executive Officer, Ethisphere Institute.

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