

# Realising Value from Your Hotline Programme – *feedback from the 'Board Reporting' Groups*

## GROUP TASK 2:

Identify the best metrics and tactics to demonstrate hotline programme ROI to your board and audit committee.

Excellence in board reporting creates many opportunities for compliance teams to strengthen their relationship with senior leadership. Good board reporting will improve the company's culture from the top down, improve board engagement with your programme, and help cement the trust and respect your board has for the accomplishments of the compliance team.

A company's hotline provides one of the most important sources of information about your organisation. Direct feedback from your employees offers insights not available anywhere else, and a hotline can be the most reliable channel for this type of information. Reporting this data to leadership in the most meaningful and actionable way requires organisations to present, not only the right data, but to demonstrate its meaning in the most relevant context for your business.

## INSIGHTS FROM THE BBC:

Katharine James, Head of Corporate Investigations and Whistleblowing Lead at the BBC addressed the delegates on the importance of demonstrating the value the hotline programme brings to the business. As part of the board reporting requirement Katharine highlighted that programme owners must make reporting relevant to non-compliance experts, communicate programme results in a way that can be easily related to the overall business goals, and that programme outcomes should be communicated not just to your board but to all stakeholders, including your employees.

Tom Ilube, BBC Non-Executive Director, highlighted how hotline programmes provide some of the most critical information available to the organisation as it provides clear insight into its overall health. Compliance teams therefore have a huge opportunity, as custodians of this data, to inform the board on some of the most important indicators on culture and sustainability. Tom stressed that to be effective communicators, programme owners need to not only look at what they communicate, but how they communicate, with passion and with an understanding of the individual personalities of the board members themselves. He also described the importance of working closely with the audit committee to report on specific issues and key trends, and to effectively demonstrate patterns of risk to the board.

It is therefore no surprise that board reporting was the most popular choice for the delegates to discuss on the day. Many described reporting activity as one of the most critical tasks for a compliance team, but with resource and time constraints to contend with, the groups were keen to identify the best metrics and tactics that have proven most successful.

## Question 1) What hotline metrics do you focus on and why?

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Good reporting and analysis of hotline data helps organisations to answer crucial questions on where key areas of risk

might exist within the business and how effective the overall compliance programme is. It can help answer questions such as; How effective is the organisation's compliance programme? Do employees need further training on how and what to report on? Is the investigations process effective? Does the organisation's culture encourage employees to raise concerns?

However, unless the board has requested an exhaustive level of detail, they should only be given the most critical information. This is not a simple task. As well as deciding what metrics are best to demonstrate how the hotline is performing, the compliance team should also demonstrate how well the programme has been communicated, how employees feel about the programme, how company policies are reflected in the outcomes of the programme and how the programme has impacted the culture of the organisation.

## GROUP FEEDBACK:

All groups at the customer forum discussed the basic whistleblowing metrics that are the 'must haves' to include within a board report. Although hotline programmes never lack for content, the sheer amount of data that can be reported on can often desensitise the board to the value, accomplishments and challenges that a hotline programme has faced and overcome. The main challenges discussed by the groups focused on, not only what specific metrics should be reported to the board, but also how to make these metrics more relevant and relate them to the overall goals of the business.

» **What Hotline Metrics Do You Include in Your Board Reports?:** The delegates highlighted the metrics below:

- Number of reports received – the volume of cases compared by month was the most common metric mentioned
- Allegation type and geography – most organisations report on the type of allegation and where they originated
- Quality of reports – there were two definitions of quality; substantiation rates and 'priority' vs 'non-priority' cases
- Anonymity rates – some organisations include the percentage of anonymous vs named cases in their reports
- Outcome of reports – some organisations include the outcomes of investigations in their board report
- Retaliation rates – at least one organisation includes the number of retaliation reports made to their hotline

» **Reporting to the Audit Committee:** One of the groups highlighted the requirements for reporting to the audit committee. The audit committee's role to police both the organisation's ethical standards and compliance to regulatory requirements places the hotline programme in a key role to evaluate the adherence and impact of the internal controls implemented by the committee. This can often focus on reporting hotline trends as well as the outcomes of key investigations to evaluate the effectiveness to manage, investigate and address the cases received through the hotline.

» **Measuring Organisational Culture:** All groups in some way discussed the role of the hotline programme to provide a measure of the strength of the organisation's culture. Cultural indicators is an area often overlooked or ignored in many board reports. The groups discussed the significant challenges in measuring and reporting a topic that can often be outside the comfort zone of board members, as they tend to focus on the bottom-line. However, this is one of the most critical elements of discussion for board members, who help drive the organisation's 'tone from the top'.

## RECOMMENDATIONS:

» **Additional Hotline Metrics:** Organisations should also look to review the following additional hotline metrics for inclusion in the board report. Some metrics may only be relevant to include if there has been a change, or a new trend, identified by the compliance team:

- Case closure time – insufficient resources and case complexity are often cited as the reason for delays in case closure times<sup>1</sup>. The median case closure time for European organisations was reported as 73 days in 2018<sup>2</sup>. However, we recommend targeting a case closure time of 30 days, although recognising that more complex cases will take longer. This will ensure that employees feel confident that their reports are being taken seriously and the reported issue does not escalate further. In addition, the EU Whistleblowing Directive stipulates specific timeframes for providing feedback on cases.

Organisations should consider providing case closure data in context with both external benchmarks and regulatory guidelines to justify additional resources. In addition to adding resources, organisations can reduce case closure times by educating employees on what should be reported, the importance of regularly following-up on anonymous cases, and the information employees should provide to help complete an investigation more efficiently. Utilising case management software for triaging, reviewing and tracking cases, and the subsequent investigations, can also improve case closure times.

- Inquiries vs allegations - while allegations are claims or concerns that may require further investigation, inquiries are where employees simply contact the hotline for advice or assistance, but both types of reports provide insight into your programme. Tracking your inquiries can provide valuable insight into areas where more training may be needed, policies should be updated, or procedures reviewed.
- Follow-up rates from anonymous reports – substantiation rates generally remain high for anonymous reports. Because of the false perception that they hold less value than named reports, and because of the additional insights that you can get from anonymous reports (especially around corporate culture) there is often value in highlighting to the board any changes in anonymous follow-up rates. You may not encourage anonymity, but that anonymity encourages candor, so compliance officers should heed those anonymous groups and engage with them where possible. Failure to follow up on those reports can impact the ability to successfully resolve an issue and to glean valuable insight that would otherwise be lost forever.
- Reporting channels – most companies offer employees the option of making a report via a number of different channels; ‘open door’ reporting, web portals and telephone hotlines are the most common. Reporting on what channels employees are aware of, and are comfortable using, provides important insight to understand the strength of an organisation’s culture, particularly when looking at ‘open door’ reporting volumes.
- Report priority - not all reports are created equal. Certain allegations require more immediate attention than others, and some require timely escalation to the audit committee or senior leadership. The use of a prioritisation system allows companies to react quickly to urgent reports so that they can be handled in a timely fashion. At least one organisation at the forum reports on high priority vs low priority cases. Using this type of segmentation, companies can be more certain that cases are receiving the level of attention they warrant and can also ensure that investigation resources are optimally utilised.

» **Cultural Indicators:** When a rule, policy or a code conflicts with the organisation’s culture, the culture prevails most of the time. In order to have an effective ethics and compliance programme, a company needs to pay as much attention to culture as to policies, training, auditing, etc. An organisation’s hotline can offer real insight into the cultural health of an organisation; whether employees feel comfortable in speaking-up or where potential areas of concern may exist around employee behaviour or attitudes. Below is a list of recommendations for how culture can be discussed and reported at board level using both hotline data and the broader compliance programme. The board and the CCO should engage in a conversation on some of the following:

- ‘Open door’ reporting – a healthy culture exists when employees feel comfortable reporting directly to management
- Reports on retaliation – monitoring retaliation reports from the hotline provides crucial insight into corporate culture
- Investigation outcomes – what happens to great performers who violate the code?
- Employee perceptions – reporting on the results of employee and culture surveys, focus groups and message boards
- Personal responsibility - will employees, including senior leadership, take personal responsibility to address issues?
- Customer and supplier perceptions – extending surveys and monitoring social media channels to external parties

## AVAILABLE RESOURCES:

- [12 Internal Benchmarks for Hotline Reporting](#)
- [9 External Hotline Reporting Benchmarks](#)
- [Quantifying Corporate Culture and Managing Employee Risk](#)

## Question 2) How will you present information to your Board & Audit Committee?

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Board members are sophisticated, business-focused professionals who are accustomed to being provided with relevant, high-level information from their executive teams. Their expectation is that the data they receive is relevant to the business, has been vetted and analysed and can be easily converted for use in specific business plans.

In addition to reporting on hotline metrics, the compliance team needs to ensure that there is also high-level reporting on other key performance indicators that you establish, hopefully with board or senior management buy-in. If you present only hotline data the board may think compliance is only about the hotline.

Initially a report should set the stage for a discussion with a high level executive summary by outlining the key points and letting them know where you think the programme is most effective and how it ties in with your strategy and KPIs. Providing data without context or strategy is rarely useful and engaging, and as numbers can be interpreted in many ways, the board needs to understand what you believe the data suggests and why. You should present your report in a simple, easy to follow format, based on input from the board, while saving the deep dive details for the CCO to use for the audit and management steering committees.

### GROUP FEEDBACK:

The vast majority of delegates stated that they are required to provide regular reports to their board. Our compliance surveys show that this is in line with the vast majority of organisations who provide compliance reports to the board on a regular basis (77% as of 2018)<sup>3</sup>.

Some delegates commented on the challenge of having adequate resources and time to develop the board report. On the flip side, with all of the demands on board members' time, reports will have the greatest impact when they use the least amount of information, and where the focus is primarily on supporting the board's obligations of due care.

Two of the delegate groups discussed how to present their findings effectively to the board by demonstrating the value provided by the hotline programme. A number of ideas of how to do that were highlighted, including:

- Demonstrate how the programme is working in context to compliance programme goals
- Demonstrate how the programme is working in context to overall business goals
- Demonstrate impact through root cause analysis and process improvements
- Demonstrate value through cost savings
- Demonstrate value through external benchmarking

» **Reporting Outcomes:** Some of the groups discussed including information on priority hotline investigations and their outcomes, especially when they involve senior employees (whether they were reported by whistleblowers or otherwise). This is an excellent opportunity for the CCO to demonstrate the effectiveness of all key aspects of the hotline programme to; detect the issue, perform a timely investigation, undertake swift and fair action to address the issue, and review process improvements such as policy changes, training requirements or third party due diligence.

» **Providing Context:** The need to provide information to the board 'in context', and how KPIs should be reflected in the data, was discussed in two ways; demonstrating trends in internal data and external benchmarking.

- Data Trends – some of the delegates discussed that they report on trends found within their hotline data to highlight concerns or problem areas within the organisation to the board. These trends were usually identified in reporting hotline data by geography, or business unit (especially where a lack of reports, or 'reporting deserts', are identified) and by reporting category. Awareness and training activities were also mentioned as activities that can skew reporting trends that should also be reported to the board. This highlights one of the challenges with reporting trends in that other influences may be affecting hotline metrics, and therefore may need to be factored in or included in the report, such as:
  - o Published (or rumors of) internal cases and disciplinary actions
  - o Internal restructuring/management changes/layoffs
  - o Policy changes such as Code Of Conduct or HR

- o Mergers, acquisitions and changes in lines of business
  - o Regulatory changes
  - o News articles re: industry, competitors, or the latest compliance scandal
- Benchmarking – benchmarking data can give the board context about how the hotline is performing compared to similar organisations. Executives and boards are often on the lookout for benchmarking statistics to show consistency with peers. If metrics differ from the industry norm the report should provide some insight. During the forum it was unclear as to how many delegates use benchmarking data. In one group where this question was asked only a small number of delegates stated they use benchmarking to provide context to their data in their reports. Previous surveys have also shown that only a minority of organisations use benchmarking data<sup>4</sup>.

» **Segmenting Data:** How should you segment your data for reporting? Programme owners indicated that segmenting their data by allegation category is most often used in board reports. This was reflected during our group discussions, with the most popular methods to segment hotline data being by geography or business unit and by reporting category. Other categories mentioned were by employee level and by reporting mechanism.

## RECOMMENDATIONS:

» **Structure:** A good way to structure a board report is to follow the general categories for an effective compliance programme outlined in guidelines such as those provided by the OECD or by the US Federal Sentencing Guidelines (FSG). This provides the board with an information reporting structure closely aligned with their oversight obligations.

» **Reporting Risk:** It is also important to address the state of the company's risk assessment and risk readiness. This should be more than just addressing the risk that will occur from potential unethical or criminal conduct. Consider addressing some or all of the following in your board report, much of which can be informed from your hotline data:

- High-level summary of the top ethical and compliance risks for the enterprise as a whole and individual operating units
- Summary of exceptions to management's established policies or limits for key risks
- Summary of significant gaps in capabilities for managing key risks and status of initiatives to address those gaps
- Summary of emerging risks and trends that warrant board attention
- Periodic overview of management's methodologies used to assess, prioritise and measure risk
- Risk reports, such as trends in key risk indicators
- Report on effectiveness of responses for mitigating the most significant risks
- Case law updates and summaries of articles of interest

» **Compliance Programme Elements:** At least on an annual basis, a board report should address in some way the status and effectiveness of other key areas of the compliance programme to help bring context to the hotline data. Below are some areas to consider:

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| • Leadership programme activities and impact       | • Investigation and disciplinary actions       |
| • Attestation to policies, procedures and training | • Monitoring instances of retaliation          |
| • Employee and culture surveys                     | • Risk assessment reviews                      |
| • Hotline integration with HR practices            | • Key regulatory changes, trends & enforcement |

## AVAILABLE RESOURCES:

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| • <a href="#">2019 Regional Whistleblowing Benchmark Report</a> | • <a href="#">GRC Insights – KPI &amp; Compliance Benchmarking</a> |
| • <a href="#">OECD Anti-Corruption Compliance Handbook</a>      | • <a href="#">US Sentencing Commission Guidelines 2018</a>         |

## Question 3) What tactics will you employ?

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Strong hotline programmes, and compliance programmes as a whole, usually go hand-in-hand with an engaged board where a healthy relationship exists between the programme director and the board members. In the best case, the compliance team has regular, formal contact with board members and is given an opportunity to provide information on the hotline programme at regularly scheduled board meetings. In some cases, board members are also involved in the compliance programme communications themselves to help strengthen the 'tone from the top'.

### GROUP FEEDBACK:

All groups mentioned a number of specific tactics that they use when reporting to the board. While no delegates commented that they did not have some form of board reporting requirement or responsibility, the level of engagement with the audit committee was more mixed. We heard from delegates that work with the audit committee as an integral part of the overall compliance process, while in other cases the involvement with the audit committee was restricted to providing updates on the key outcomes of the hotline programme.

A board that is genuinely interested in the compliance process and its outcomes is often a sign of the dedication and professionalism of the board and of the work done by the CCO and the compliance team members. Although no group reported any specific issues or concerns with their board, there were differences in the level of board engagement from our groups, and many shared ideas with each other that had worked at their own organisations. Below are some of the additional reporting tactics mentioned by the delegates:

» **Demonstrate Financial Value and Programme ROI:** Delegates suggested highlighting the fines that occur within their own industry, comparing programme costs with the outsource alternatives, and demonstrating the impact of the programme as a competitive advantage. 93% of organisations indicate that their compliance programme has prevented at least one instance of misconduct in the last three years<sup>3</sup>. When demonstrating the cost of regulatory fines include the potential legal and monitoring costs that often outweigh the fines themselves. Quantify the reputational damage by highlighting potential changes in share price and customer churn. When evaluating internal resources compare these costs to the outsourced alternatives such as external investigation resources. To demonstrate the competitive advantage that your hotline brings to the organisation, use industry research to relate programme results to business performance, for example the correlation between higher volumes of hotline reports and improved financial performance<sup>6</sup>, and compare with your peers using external benchmarking data. For new hotline programmes, demonstrating the before and after situation was also used to demonstrate ROI for newly established programmes.

» **Elevate Board Engagement:** Find additional opportunities to engage in regular dialogue with the board. Ideas included directly involving them in your compliance programme and highlighting your compliance goals in strategic business discussions. For example, discuss the board's role in managing performance pressures and apply your programme goals to strategic decisions such as the development of compensation plans and goal-setting. This will help further cement the trust and respect the board has for the accomplishments of the company's compliance programme.

» **Communicate Programme Impact Beyond the Boardroom:** Use the communication channels that are at your disposal to demonstrate the impact that your hotline brings to your employees and all stakeholders. Our delegates suggested using the organisation's intranet, newswires and town halls to share both positive and negative news, and to redress the balance of negative news heard through the grapevine. Use anonymized case studies on outcomes and link these insights, and other examples from your industry sector, to provide context to your own data.

» **Reviewing Metrics:** Some of the delegates mentioned several tactics for reviewing hotline data in general. Below we highlight some of them, plus other tactics that we can recommend:

- Run your data different ways to compare different stats against each other and dig deeper to research any anomalies
- Sometimes you "don't know it until you see it" so follow your gut instincts on brewing problems
- Track and report on the quality of case management and investigation activities
- Track disciplinary actions by offence, level of employee, or group
- Look at measurements across the business such as web visits to your reporting portal or policy intranet
- Use a robust case management system to provide additional analysis and hotline trends

## RECOMMENDATIONS:

» **Leverage the Board:** Leverage the board to help you develop a more meaningful board reporting process and underscore the board's ownership in your compliance programme. Engaged boards can help extend and expand the compliance programme while also enhancing both top-down support and bottom-up buy-in for continuing to move the compliance programme from a reactive to a predictive model.

A regular schedule of board training should be developed with the board's buy-in, implemented promptly, and refreshed every 24 months or as new board members are elected. But remember, every minute of their time has a price tag. Make it short, sharp and impactful. This training should cover:

- Frameworks for ethics and compliance programmes (OECD, global requirements, risk based)
- Board's oversight responsibilities
- Specific compliance and ethics environment and risks to the organisation and to the board
- Creating a culture of integrity – challenges and building blocks, board observations and potential areas of impact
- Cases relevant to their roles and responsibilities

» **Key Board Reporting Take-Aways:** Always be mindful that the board is where your plans to create a culture of integrity and respect lives or dies. In reality some board members may be too embarrassed to ask questions about what their role should be. When reporting, observe the behaviour of your board members, including before and after meetings, the personal dynamics, the manner in which the meeting is conducted and the values the board operates to. Below are some final take-aways to think about when reporting to the board:

- Get to know your board members and adapt your communications to their individual personalities
- Be relevant and strategic while providing context where possible
- Look at what other organisations use to measure programme effectiveness<sup>3</sup>
- Anticipate, anticipate, and anticipate the sensitive questions and issues
- Help the board get comfortable with organisational culture issues, use current events and how boards have handled situations well, and not so well
- Start with a provocative question to get them engaged immediately, use scenarios and be interactive
- Build the relationships before you need them
- Report the 'what next?' – what is the future strategy and where do we want to get to
- Don't forget that board members are people too!

## APPENDIX:

- 1) [Are You Leaving Whistleblowers Waiting?](#)
- 2) [2019 Regional Whistleblowing Hotline Benchmark Report](#)
- 3) [2018 EMEA & APAC Ethics and Compliance Programme Benchmark Report](#)
- 4) 2013 Hotline Benchmark Report Webinar, NAVEX Global
- 5) [Definitive Guide to Incident Management](#)
- 6) [Evidence on the Use and Efficacy of Internal Whistleblowing Systems](#)

