How can trust survive without integrity?

Why taking the human-centered approach empowers an ethical culture

Global Integrity Report 2024

Forensic & Integrity Services

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Contents

Foreword

Against a backdrop of rapid change, persistent macroeconomic and geopolitical uncertainty, as well as increased regulatory scrutiny, organizations are finding it increasingly difficult to maintain a culture of integrity and compliance. While third parties continue to be involved in a significant number of integrity incidents, the EY Global Integrity Report 2024 suggests that there are internal forces at play as well.

In an unfortunate turn, since the EY Global Integrity Report 2022, nearly four out of 10 respondents say they'd be willing to behave unethically in one or more ways to improve their career or financial position — more than one and a half times higher than our previous findings. This sentiment among our respondents serves as a reminder that an appropriate tone at the top is critical.

The "say-do" gap highlighted in 2022 — the difference between what leaders say and how they act — has grown wider. At the top of the organization, over two-thirds of board members say they'd be willing to behave unethically in one or more ways for their own benefit, up from 43% two years ago. More than eroding trust within and outside the organization, a top-down, "all talk, no walk" mentality puts the organization's reputation and bottom line at risk.

The good news is that almost half (49%) of global respondents think compliance with their organization's standards of integrity has improved in the last two years, up 7% from 2022. It's a trend that needs to continue as the integrity risk landscape only increases in complexity.

The more challenging the times, the more important operating with integrity becomes. In today's environment, acting with integrity is vital for building trust among employees, customers, suppliers and investors. It starts with people.

Organizations will want to take steps to build an integrity-first organization that puts people at the center of their policies, training and culture. At the same time, leaders will need to step up. They should set the tone for a culture that doesn't tolerate misconduct by behaving with integrity themselves and by acting against misconduct when they see it. They also need to create an environment where employees can speak up without retribution.

The EY Global Integrity Report 2024 reinforces the need for organizations to refocus on integrity, and provides practical and actionable insights that compliance leaders can use to promote a culture of compliance within their organizations.

Andrew Gordon

Andrew Gordon
Global Leader
EY Forensic & Integrity Services

Key findings

The EY Global Integrity Report 2024 highlights a positive development, with almost half (49%) of global respondents thinking that compliance with their organization's standards of integrity has improved in the last two years. This marks an increase of seven percentage points from our EY Global Integrity Report 2022 findings. But headwinds continue when it comes to the true test of integrity: the everyday actions of people.

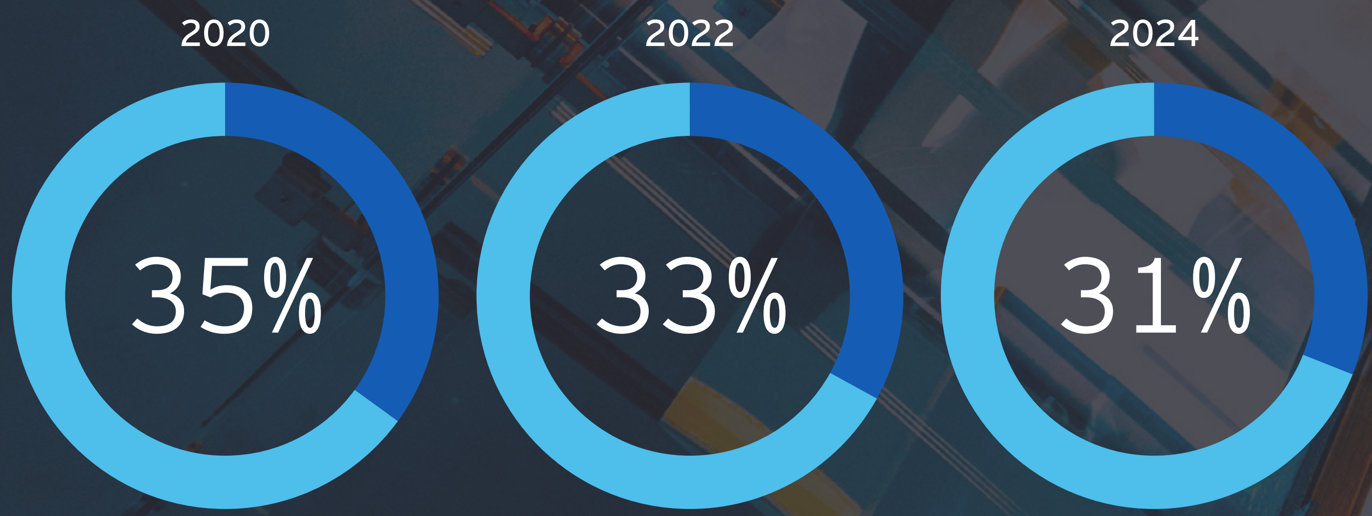
Willingness to act without integrity appears to be on the rise.

Nearly four out of 10 (**38%**) global respondents admit they'd be prepared to behave unethically in one or more ways to improve their own career progression or remuneration – more than one and a half times higher than the findings in our last report.

Leaders need to act on what they say.

Employee misconduct is directly influenced by the behaviors they observe from leaders. If leaders aren't prepared to act with integrity, neither will employees. For example, where **25%** of workers say they'd behave unethically for their own benefit, the percentage rises to **67%** among board members and **51%** among senior management. Leaders who talk about integrity but don't reflect it in their own behaviors are the highest offenders of integrity within an organization.

Perceived tolerance of unethical behavior is holding steady



% agree that unethical behavior is tolerated when senior staff or high performers are involved

Base: 2020/2022/2024 Global (2,948/4,612/5,464).

Leaders themselves felt pressure not to report observed misconduct within their organization.

Nearly two-thirds of board members (**65%**) and **57%** of senior management feel under pressure not to report misconduct (versus **50%** of employees). Further, in the last two years, **43%** of board members have had concerns about misconduct within their organization that they chose not to report (versus **19%** of employees). Four in 10 board members also admit that when an issue is reported, they've faced retaliation themselves or witnessed adverse consequences toward someone who reported misconduct (versus **16%** of employees).

Communication and awareness are critical to the success of compliance programs.

More than half (**54%**) of global respondents say that employees not understanding policies or requirements, combined with a lack of internal resources to manage compliance activities, creates opportunities for employees to violate integrity standards. In response, **52%** agree that awareness, training and communications, as well as governance and leadership, are top priorities for their integrity programs over the next two years.

52%

of global respondents agree that awareness, training and communications, as well as governance and leadership, are top priorities for their integrity programs over the next two years.

Note: This survey is designed to be as global as possible, within practical constraints. We have conducted a broad survey of geographies, sizes of organization and employee levels. As such, the survey results identify responses from a broad data set and may not be indicative of the reader's domicile but reflect trends identified by respondents in a more diverse set of circumstances. This survey includes the views of individuals who have self-identified as a board director. EY professionals do not define "a board" within the context of this survey; references to board directors could, therefore, include a variety of board types across the range of organizations where survey respondents work.

Introduction

Integrity is an essential component of trust.

Without trust, from employees, customers, suppliers and investors, the future viability of the organization can come under threat.

By acknowledging the seriousness of misconduct and taking proactive steps to prevent, detect and address it, companies can build an integrity-first organization that puts people at the center and establishes a robust culture that is supported by unwavering commitment from leadership and on-demand support for employees.

However, for any integrity and compliance program to succeed, companies must start (but not end) with board members and executives, who must set the tone for a culture that doesn't tolerate misconduct. Leaders need to listen, practice what they preach and act against misconduct.

Sadly, there will always be some "potentially compromised employees." But, by creating an integrity-first culture that not only encourages but also incentivizes employees to act with integrity, even when no one is looking, organizations can create an environment that truly reflect its belief system and doing the right thing, even in times of adversity and uncertainty.

Corporate integrity and trust are the foundations upon which business excellence sits. When we refer to integrity, we refer to the creation of a culture that supports ethical decision-making, and protecting organizations against the temptations to pursue short-term gains at the expense of ethical behavior. In an environment of persistent macroeconomic, geopolitical and market volatility, and regulatory scrutiny, today's executives find themselves navigating a business landscape of increased complexity and uncertainty that may be putting corporate integrity to the test.

The content in this report helps organizations, executives and leaders entrusted with steering the moral compass of the company during these uncertain times to learn more about how businesses across the globe are approaching integrity amid significant operational challenges and regulatory complexity. It includes our insights and key takeaways to address the evolution of the compliance environment and the establishment of organizational integrity. The findings of the EY Global Integrity Report 2024 suggest that chief compliance officers (CCOs) and in-house general counsel, in particular, are seeing their roles and responsibilities expand. This is adding pressure to an increasingly long list of requirements and skills they need to keep current within a rapidly changing environment.

One in five organizations has had a significant integrity incident in the last two years. One in five respondents admits that their organization has had a significant integrity incident, such as a major fraud, data privacy and security breach, or regulatory compliance violation in the last two years. Among board directors, this percentage rises to one-third. Notably, of those who say their organization had a significant integrity incident, more than two-thirds (68%) say the incident involved a third party.

Based on an analysis of over 500,000 corporate violations in the US and UK from 2010 to 2023,[1] we identified the following key highlights:

Almost **US$1 trillion in penalties** have been incurred since 2010 (inflation adjusted), with **over 40% growth** in both the number of violations and the number of companies in violation.

Certain financial and employment violations have become two to 10 times more frequent since 2010, including accounting deficiencies, AML deficiencies, tax violations, labor standards, workplace safety and consumer privacy. On the flipside, there has been a sharp drop in violations related to employee compensation, public safety, banking and the environment, and limited progress on anti-competitive behavior, discrimination or whistleblower retaliation.

21%

of global respondents say their organization has experienced a significant integrity incident in the last two years.

Violations typically associated with "a few bad apples" account for less than 10% of penalties (e.g., fraud, bribery) – the most salient violations may require an erosion of integrity culture to happen (e.g., environment, price-fixing, consumer protection).

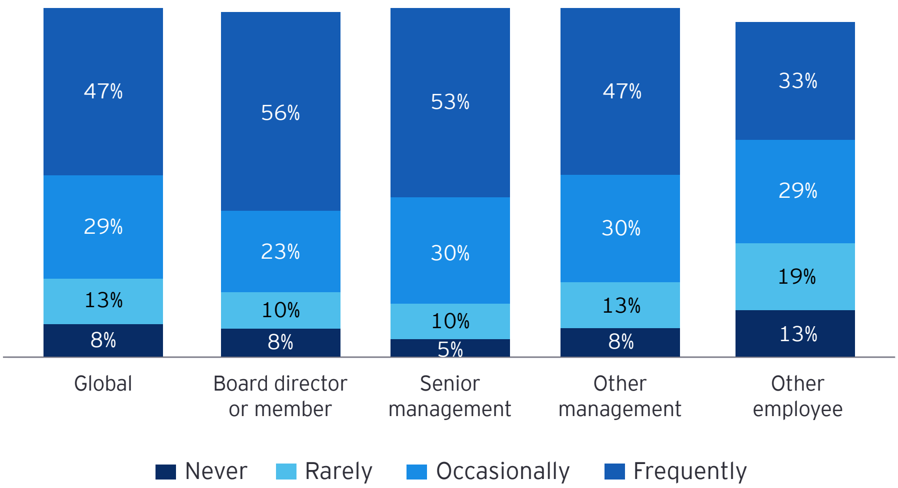
Repeat offending is linked to an erosion of culture. In instances where companies were repeat offenders, systematic issues within their compliance program or organization may not have been addressed. The number of different violation types steadily climbs from one in four companies with a violation in a single year up to 8.3 for those with a violation every year since 2010.

[1] Analysis of corporate civil and criminal penalties included in the Violation Tracker (https://violationtracker.goodjobsfirst.org/) and Violation Tracker UK (https://violationtrackeruk.goodjobsfirst.org/) databases, both produced by the Corporate Research Project of Good Jobs First. All penalty amounts were converted to US$ and inflation adjusted to 2023 dollars. This analysis excludes fines of less than US$5,000 (nominal) in the US and includes "cautions" with no dollar amount issued by UK regulators.

> In business, trust and integrity are the pillars that uphold an organization's reputation and build confidence. Ignoring ethical values isn't just a lapse in judgment—it's a gamble with an organization's most valuable asset.

Andrew Gordon, Global Leader EY Forensic & Integrity Services

In the last two years, how often have you heard management communicate about the importance of behaving with integrity?



Note: The chart excludes % of respondents who answered "don't know" and "prefer not to say" so does not add up to 100%.

The gap between talk and action remains wide

The say-do gap is an issue we raised in the EY Global Integrity Report 2022. The latest findings suggest little has changed to close the gap between what leaders are saying about corporate integrity and what they are doing – or what their people are doing. This is especially concerning at the board level, where executives appear more likely to behave badly themselves and tolerate the behavior of potentially compromised employees if they are senior or high performers.

More than eroding (or erasing) trust within and outside the organization, a top-down, all talk, no walk mentality puts the organization's reputation and bottom line at risk. One recent research finding suggests that corporate fraud destroys roughly 1.6% of a company's equity value annually, equal to US$830b in 2021.[2]

Leaders across the organization need to act with integrity. They should be subject to at least the same responsibilities and disciplinary actions for wrongdoing that apply to everyone else in the business.

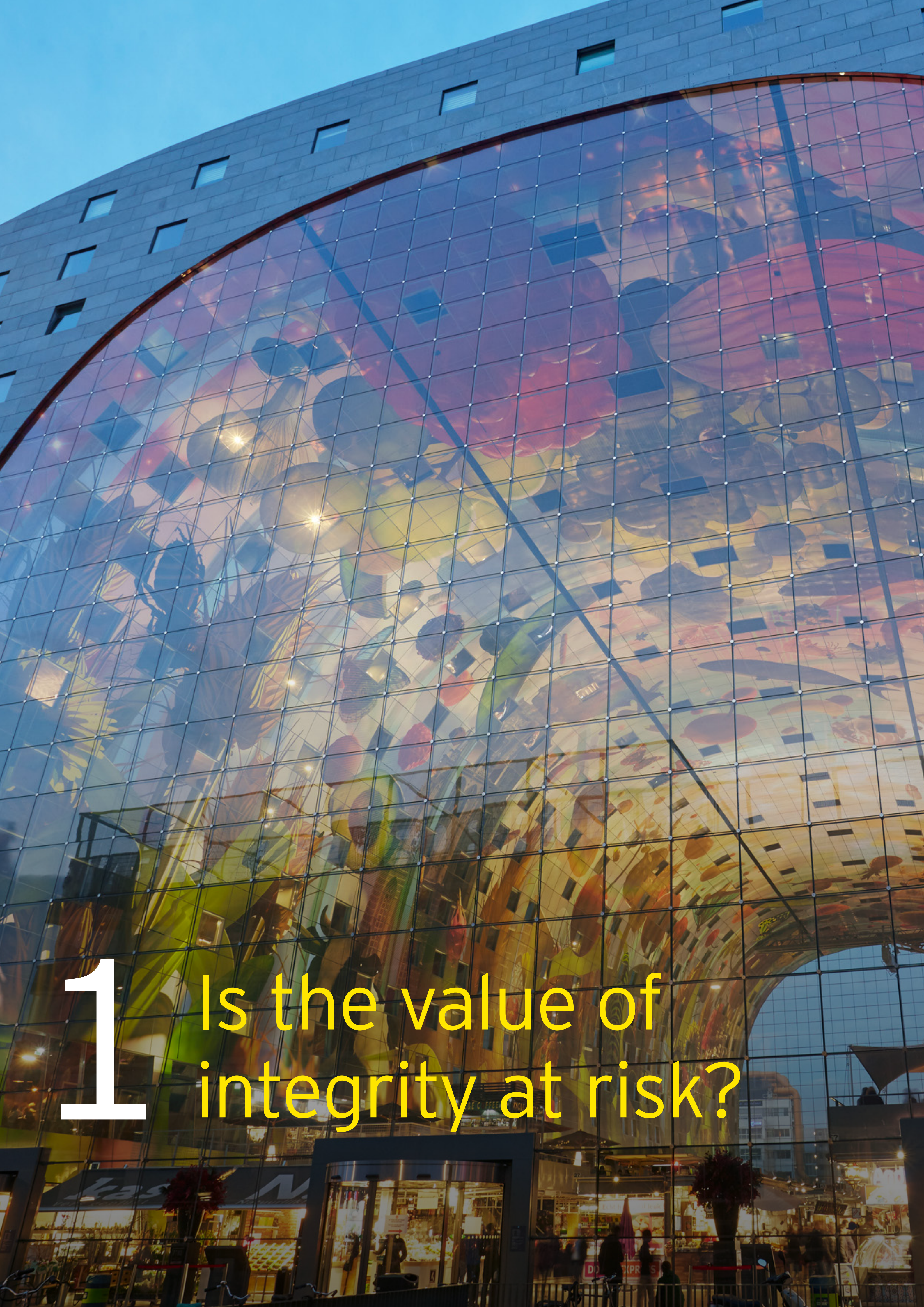
Organizations can create a virtuous circle of integrity

In times of rapid change and difficult market conditions, it can be challenging for organizations to maintain or strengthen their standards of integrity. Arguably, this is exactly the time to make integrity a top priority. By taking an agile, human-centered approach to integrity – one that puts the right programs in place to drive behavior to create a strong culture and a strong belief in their commitment to integrity – organizations can keep pace with evolving regulations and increasing societal expectations. Equally, they can create a virtuous circle of integrity that sets a course to renewed trust within the organization, and among customers, investors, governments and societies.

[2] Dyck, Alexander, Morse, Adair, Zingales, Luigi, How pervasive is corporate fraud?, George J. Stigler Center for the Study of the Economy and the State, New Working Paper Series No. #327, January 2023. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4590097#. Accessed 20 March 2024.

> Corporate integrity is about choosing ethical courage over convenient shortcuts, prioritizing what is right over what is profitable, and embodying the company's core values in every action, not just in rhetoric.

Arpinder Singh, Global Markets and India Leader
EY Forensic & Integrity Services



1 Is the value of integrity at risk?

49%

of all global respondents think compliance within their organization's standards of integrity has improved in the last two years.

The current state of integrity

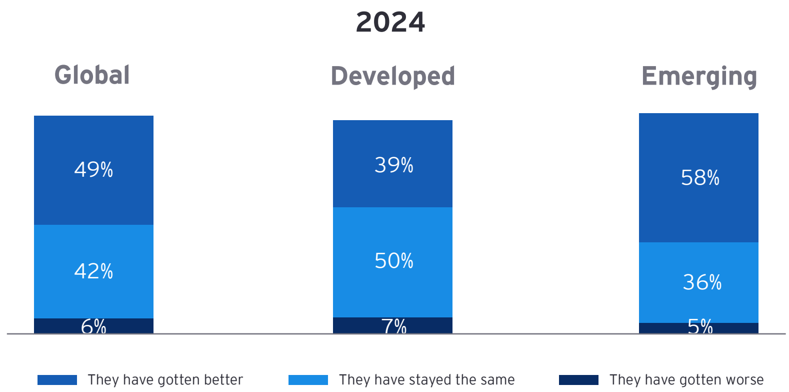
Almost half of respondents report improved standards of integrity.

Forty-nine percent of all global respondents think compliance within their organization's standards of integrity has improved in the last two years, marking an increase of seven percentage points from the EY Global Integrity Report 2022 findings. In emerging markets, 58% of respondents believe compliance has improved, which is a positive development given the inherent integrity and compliance risks in such markets.

Top reasons cited for improved integrity suggest that improvements are coming both from better direction from management and leadership, and stricter regulation and pressure from regulators.

Despite the rise in overall perception of integrity, companies struggle with significant incidents and violations. Twenty percent of companies admit that their organization has had a significant integrity incident, such as a major fraud, data privacy or security breach, or regulatory compliance violation in the last two years. Notably, of those who say their organization had a significant integrity incident, more than two-thirds report the incident involved a third party.

In general, has compliance with your organization's standards of integrity gotten better or worse in the last two years, or stayed the same?



Note: The chart excludes % of respondents who answered "don't know" and/or "prefer not to say" so does not add up to 100%.

EY key takeaways

- Even in the most ethical organizations, misconduct can and will occur. Such misconduct in the form of major corporate violations is costly, both in terms of internal resourcing to investigate and remediate misconduct, and settling violations and fines with government regulators.
- Organizations should be periodically evaluating the nature of their incidents and determining the largest issues, drivers and lessons learned. This exercise goes hand in hand with ongoing risk assessment activities and can help identify systemic operational issues requiring more broad remediation across the organization. It can also pinpoint targeted improvements within discrete compliance areas.
- For example, according to the research, compliance personnel most often cited employees not understanding policy requirements and misunderstandings due to cultural differences as the top issues causing historic incidents and violations. Organizations can develop targeted education campaigns and on-demand communication channels for higher-risk employees, jurisdictions and compliance risk areas. This can be more effective than classroom or web-based training modules.

Headwinds on sustaining integrity

In today's environment, what factors are having the greatest influence on a company's ability to act with integrity? The research points to a number of key external and internal challenges.

External risks

Nearly half (49%) of respondents are finding it difficult to adapt to the speed and volume of change in regulations, and say economic pressures, such as inflation, unemployment and exchange rates, make it harder to carry out business with integrity. Geographically, from a list of twelve regions, global legal and compliance respondents cite China (22%), Eastern Europe, including Russia (21%), US and Canada (17%) and Middle East and North Africa (16%) as posing the greatest integrity risks, including compliance and fraud risks, for doing business in the next two years.

49%

of global respondents say the current macroenvironment is the greatest source of external pressure on employees to violate organizational standards of integrity.

Employee risks

Continuing challenges around misconduct are making it difficult for organizations to drive higher standards of integrity across the business and among third parties and supply chains. More than one-third (38%) of global respondents say they'd be willing to behave unethically if asked by a manager. Nearly half (47%) of respondents say employees pose the greatest integrity risk for the organization over the next two years.

47%

of global respondents say people within the organization pose the greatest integrity risk for the organization over the next two years.

Operational risks

While 40% cite privacy and security as their greatest operational integrity risks, 53% of global respondents say that employee turnover and employees not understanding policy are the greatest internal threats to organizational standards of integrity.

53%

of global respondents say that employee turnover and employees not understanding policy are the greatest internal threats to organizational standards of integrity.

When conducting risk assessments, it's important for companies to consider the impact of both internal and external factors on business strategies, commercial activities and employee pressures. It's also important to understand not only which factors apply but also how and why they apply to link to compliance risks and better inform compliance priorities.

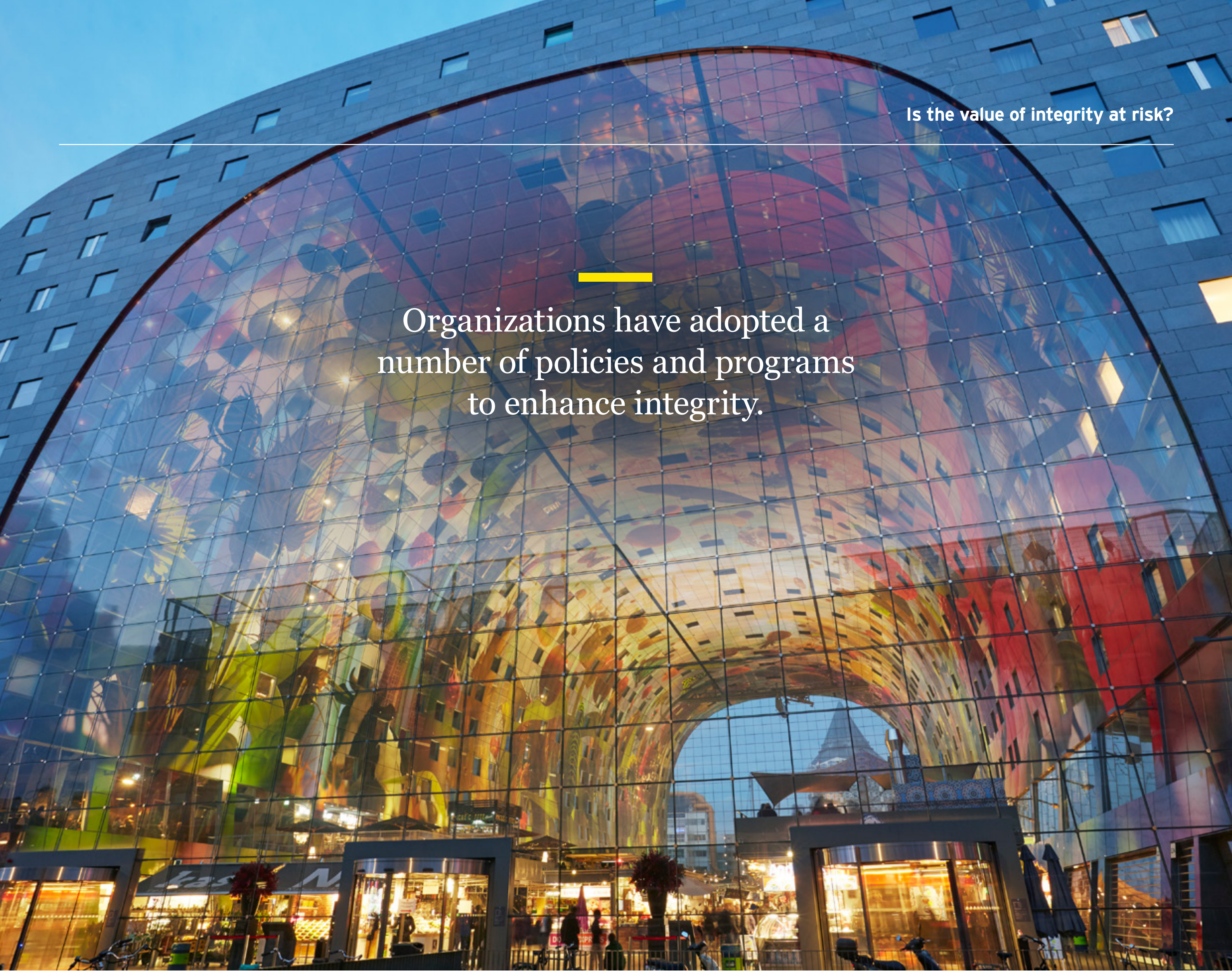
For example, if employee turnover is seen as one of the biggest internal factors because it weakens the company's ability to spot and prevent wrongdoing, this insight provides opportunities not only focused on employee retention and improved onboarding but also on automating preventive controls and monitoring them for effectiveness.

> According to Transparency International's 2023 Corruption Perceptions Index, corruption continues to thrive around the world.

[3] Corruption Perceptions Index 2023, Transparency International, 2023, https://images.transparencycdn.org/images/CPI-2023-Report.pdf.

[4] Moushey, Leah, Tillen, James G., Hollinger, Abi, "Anti-Bribery & Corruption: Global overview," Miller & Chevalier Chartered, www.lexology.com, 2 February 2024, https://www.lexology.com/library/detail.aspx?g=b8e34cdc-59f0-4560-80c0-708ac707e5cd. Accessed on 20 March 2024.

[5] Ibid.



Organizations have adopted a number of policies and programs to enhance integrity.

Percentage of organizations that have taken the following actions:

72%

Disincentivized bad actions

- Employee discipline measures
- Internal investigations and remediation processes
- Employee compensation structures that reduce or recoup compensation for failure to comply with ethical standards
- Executive compensation and bonus clawback in cases of compliance breaches

67%

Implemented new training

- Training on ethics and integrity in business or professional life
- Processes or training for conducting due diligence on customers
- Processes or training for conducting due diligence on third parties, such as suppliers, vendors, partners, customers or consultants

55%

Enacted new policies

- Training on ethics and integrity in business or professional life
- A policy on either corporate social responsibility (CSR) or environmental, social and governance (ESG) policies concerning appropriate communication channels and corporate access to data on personal mobile devices and messaging platforms, e.g., WhatsApp

31%

Incentivized good behavior

- Incentives to encourage behaviors that demonstrate integrity

2 What is the root cause of misconduct?

To better understand what breeds misconduct and how it can thrive, EY conducted a deeper analysis of the report data. The results suggest that most organizations can divide their employees into one of three types based on their willingness to exhibit illegal or unethical behavior.

1. **Principled employees** are unwilling to act unethically for personal gain or at the request of a manager.
2. **Potentially compromised employees** are willing to act unethically for personal gain or at the request of a manager.
3. **Potential enablers** are willing to act unethically at the request of a manager but would not do so for personal gain.

More than half (58%) of employees take a principled approach to integrity, indicating a majority of employees are already inclined to uphold a culture of integrity. However, this leaves a significant remainder of employees within the organization (42%) who are willing to sacrifice integrity under the right conditions. Employees must therefore be properly incentivized and supported when they have the courage to come forward and report wrongdoing, so that misconduct can be appropriately addressed and corrected.

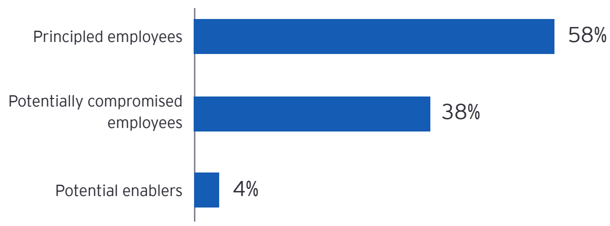
The research shows that potentially compromised employees have a more negative view of their organization's compliance environment. They are less likely to say their organizations have programs, policies and controls in place to encourage integrity. They're more likely to believe unethical behavior is often tolerated at their organization. Further, they are nearly three times more likely to say that unethical conduct is ignored within their teams, and more than five times more likely to say that unethical conduct is ignored within their organization's supply or distribution chain.

58%

More than half (**58%**) of employees take a principled approach, which bodes well for the future of corporate integrity.

Employee approaches toward integrity and unethical or illegal activities
Based on employees' willingness and motivations to commit illegal or unethical acts

Employees' approach to integrity
% of employees



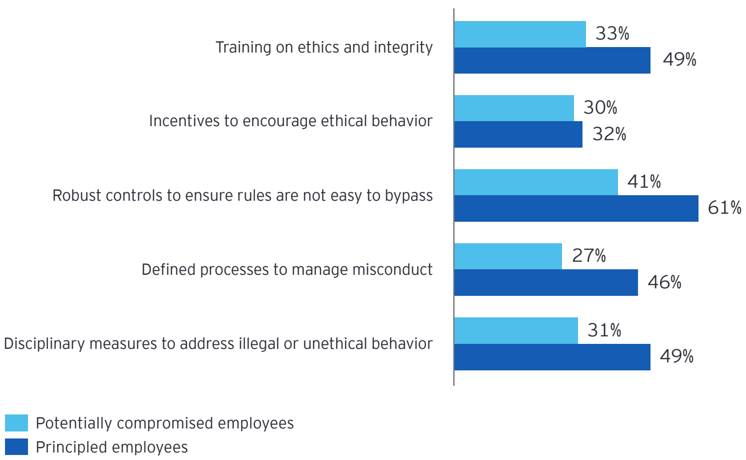
Description of employees' approach to integrity

Unwilling to act unethically for personal gain or at the request of a manager

Willing to act unethically for personal gain or at the request of a manager

Willing to act unethically at the request of a manager but would not do so for personal gain

Employees who say their companies have the following programs, policies and controls in place to encourage integrity
% of employees



Potentially compromised employees are more likely to have had bad experiences when reporting misconduct.

Interestingly, potentially compromised employees are more likely to work for organizations that experienced major integrity events in the past two years, causing more potential reputational harm and incurring more regulatory action.

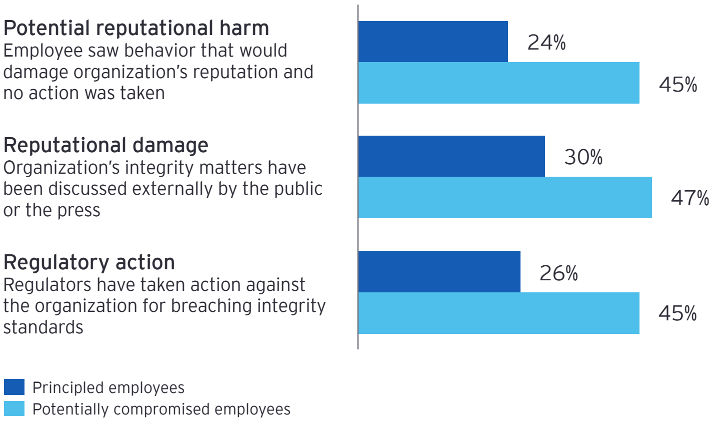
Potentially compromised employees are more likely to have had bad experiences when reporting misconduct. They were **twice as likely** as principled employees to have been pressured not to report misconduct, nearly **three times more likely** to have faced retaliation for reporting misconduct, and **two and a half times more likely** to have felt misconduct wasn't properly dealt with.

For potentially compromised employees, breaking with integrity guidelines may be less a question of being hardwired to behave badly and more a question of learned – or rationalized – behavior. They may have the attitude that "if others are doing it, I can get away with it too." Or "if the company doesn't care, I would be open to behaving badly if needed or pressured into it." Fundamentally, it seems that potentially compromised employees can rationalize their behavior because they don't trust the integrity of the organization.

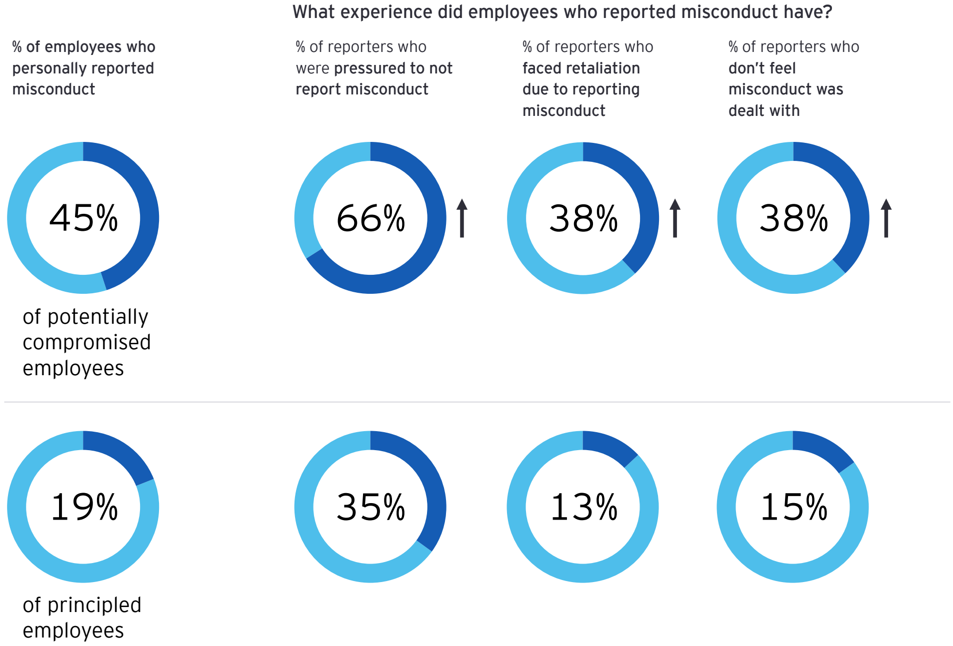
Similarly a significant proportion of leaders admit a willingness to behave unethically. Two-thirds (67%) of board members admit they'd be prepared to behave unethically in one or more ways to improve their own career progression or remuneration package (versus only 25% of employees).

Potentially compromised employees are more likely to work for organizations that experienced major integrity events in the past two years

% of employees who have seen the following at their company over the past two years



Employees who have personally reported misconduct to management or through the organization's whistleblowing hotline



Which of the following was the root cause that led to the integrity incident taking place?

Base: global (1132).

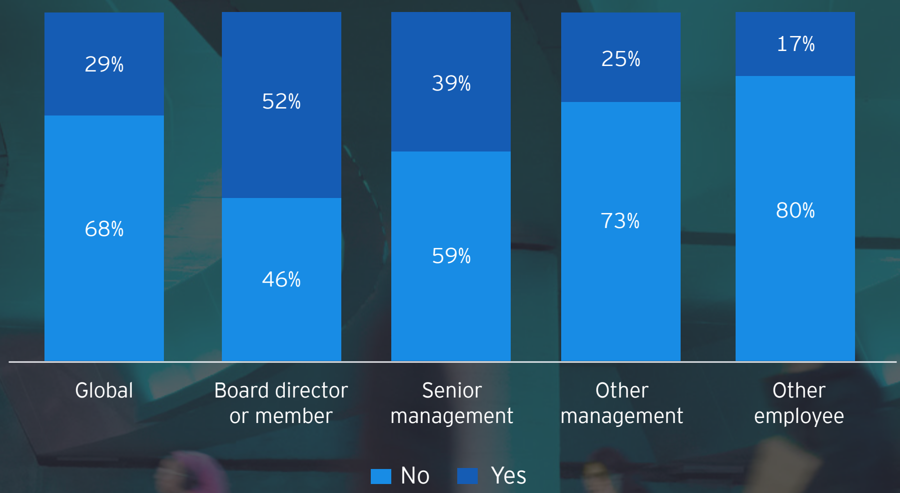
Further, of those who acknowledge that their organization experienced an integrity incident, 45% attribute the root cause to a lack of appropriate tone from senior leadership or pressure from management.

Tone at the top issues are also reflected in leadership's willingness to address reported misconduct. While more than half (52%) of board members say they've reported misconduct in the last two years (down from 59% in 2022), nearly two-thirds (65%) of those who reported felt under pressure not to report (versus 62% in 2022).

Equally significant, of the board members who chose not to report, 38% felt that their concerns wouldn't be acted upon (versus 46% of employees), 35% feared for their personal safety (versus 28% of employees) and 32% felt under pressure from management not to report (versus 25% of employees).

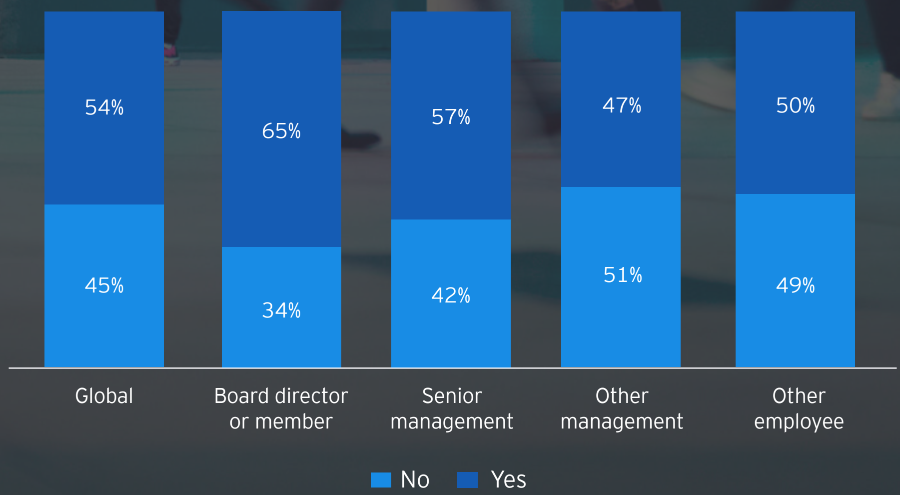
> "The obligation of the ethics and compliance function is to investigate with equal zealous and enthusiasm the complaints of employees irrespective of their rank in the organization. Once the investigation is completed, it is imperative the business follows through on the necessary findings.
>
> **Marcel Cordero**, Legal & Compliance Director, Alicorp

Have you personally ever reported issues of misconduct – for example, to management or through a whistleblowing hotline – in the last two years?



Base: Global (5464); board director or member (445); senior management (1625); other management (2134); other employee (1260).
Note: The chart excludes % of respondents who answered "prefer not to say" so does not add up to 100%.

On any of the occasions you reported misconduct, did you feel under pressure not to report?



Base: Global (1603); board director or member (232); senior management (626); other management (530); other employee (215).
Note: The chart excludes % of respondents who answered "prefer not to say" so does not add up to 100%.

> Organizations need to create an environment where employees feel psychologically safe to speak up and confident that their concerns will not only be heard, but also acted upon.

Which, if any, of the following were reasons why you did not report your concerns?

	Global	Board director or member	Senior management	Other management	Other employee
Felt like my concerns would not be acted upon	38%	38%	34%	39%	46%
Concern about my future career progression	35%	30%	36%	34%	37%
Fear for my personal safety	30%	35%	31%	28%	28%
Felt under pressure from management not to report	27%	32%	27%	25%	25%
Felt it was not my responsibility to address it	26%	27%	28%	22%	26%
Loyalty to my colleagues	25%	26%	24%	27%	24%
Loyalty to my organization	22%	30%	27%	19%	13%
Did not know who to talk to	20%	23%	20%	20%	20%

Base: Global (1425); board director or member (191); senior management (517); other management (475); other employee (242).

Nearly half of board members (47%) and 40% of senior management also admit that, in the last two years, they've seen behavior by other employees that would damage their organization's reputation if it was known externally and that no internal response was taken.

Why should employees speak up if leaders don't act?

Organizations need to create an environment where employees feel psychologically safe to speak up and confident that their concerns will not only be heard, but also acted upon. Whistleblowing, or a "speak up" culture, is a powerful tool that empowers individuals to speak up against misconduct and unethical behavior, and serves as a crucial safeguard against corruption, fraud and other forms of wrongdoing. According to the Association of Certified Fraud Examiners (AFCE), 43% of all fraud is uncovered through tips by whistleblowers (of those, more than half were employees).

In 2023, the US (S.811 – SEC Whistleblower Reform Act of 2023) and the EU (EU Whistleblowing Directive 2023) introduced new whistleblowing legislation to extend protections and make access to whistleblowing mechanisms mandatory for more companies. More whistleblower protection laws, increased awareness of the importance of reporting misconduct, and advancements in communication technology have created more efficient and effective channels to report wrongdoing.

The findings suggest more organizations have implemented whistleblowing hotlines. The proportion of respondents saying their organization does not have one is significantly lower than two years ago (down from 14% to 7%). Moreover, one-third say it has become easier to report concerns, and that the solutions for whistleblowing are more advanced and offer greater anonymity. These advancements may, at least in part, explain why board members and senior management say they feel more confident that the whistleblowing environment has improved over the last two years. Employees, however, are less convinced, reflecting distrust in the whistleblowing process.

[6] Association of Certified Fraud Examiners, Occupational Fraud 2024: A Report to the Nations, © 2024 Association of Certified Fraud Examiners, Inc., https://www.acfe.com/-/media/files/acfe/pdfs/rttn/2024/2024-report-to-the-nations.

	Board members 2024	Board members 2022	Senior management 2024	Senior management 2022	Employees 2024	Employees 2022
It's become easier for employees to report their concerns	40%	46%	36%	44%	26%	25%
Whistleblowers are now offered more protection from retaliation	33%	41%	35%	37%	14%	13%

A significant number within leadership (41% of board members and 28% of senior management) admit they've faced or witnessed retaliation against someone who reported misconduct through the organization's whistleblowing mechanism. Senior leaders are also more likely than employees to acknowledge that their reason for not reporting their concerns was fear for their personal safety. This suggests that the measures companies have taken to create a speak-up culture have been more effective at the employee level but require stronger efforts at the senior leadership level.

The survey points to protection from retaliation as a key area among both senior leadership as well as employees. Without a supportive environment to speak up when they see wrongdoing, employees may feel better incentivized to report their grievances externally. For example, the Department of Justice's new Whistleblower Pilot Program in the US, announced in early 2024, aims to incentivize whistleblowers to come forward with information related to corporate misconduct. This program, in addition to other whistleblower programs in the US and globally, may add pressure to an organization's efforts to encourage employees to report misconduct through internal channels. It's vital that organizations design and implement internal whistleblower systems that are trusted by employees and used by all levels across the organization without fear of retribution.

EY key takeaway

In striving to establish trust in responses to reported misconduct, organizations need to do more to hold leadership accountable and incentivize speak-up behavior by:

- Requiring periodic certifications by senior leadership, including board members and executives, acknowledging that they are required to report wrongdoing and affirming that they have reported all observed wrongdoing
- Developing specific privacy protocols and controls to offer greater confidentiality protections, and strictly adhering to such confidentiality standards throughout the report-handling process
- Ensuring those charged with investigating and resolving reports of misconduct are truly independent; in cases involving senior leadership, this may require formation of a special committee
- Following up with whistleblowers to periodically inform them of status and resolution of reported complaints
- Subjecting the whistleblower hotline to periodic audits by independent parties; such audits should include evaluation of completeness and adequacy in addressing all reported incidents, compliance with confidentiality requirements, consistency of disciplinary actions, and effectiveness of whistleblowing hotline controls (consider publishing summary findings from this audit within the organization to instill employee confidence in the reporting process)

3 Which approach to integrity are you taking?

> In an integrity-first organization, management speaks frequently about the importance of integrity, and puts policies and programs in place to back their words up with actions.

Based on the report data and deeper analysis around organizational policies and programs, and how often management speaks about the importance of integrity, we've learned that, generally, companies take one of four distinct approaches to their integrity culture:

1. **Integrity-first.** In an integrity-first organization, management speaks frequently about the importance of integrity and puts policies and programs in place to back their words up with actions, thus closing the "say-do" gap. Only 22% of organizations fall into this category, down from 32% in our last report.

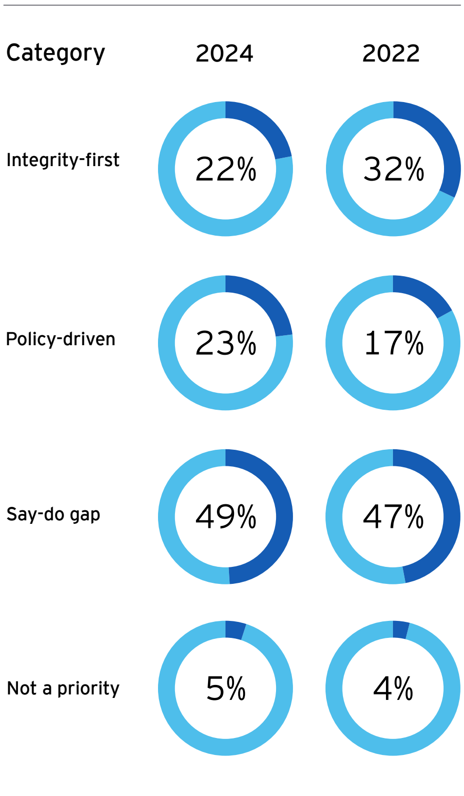
2. **Policy-driven.** For 23% of organizations (versus 17% in our last report), management has taken a policy-driven approach, selecting a range of policies and programs to boost integrity and meet compliance obligations without fully embracing an integrity-first mindset.

3. **Say-do gap.** Executives speak frequently about integrity in organizations that fall into this category. However, they don't back up their words with actions by implementing policies and programs. Slightly less than half (49%) of organizations take this approach to integrity – roughly the same (47%) as our last report.

4. **Not a priority.** Interestingly, 5% of organizations don't prioritize the promotion of integrity at all – a statistic that has remained largely static since our last report.

While nearly a third of organizations were taking an integrity-first approach two years ago, this has dropped to fewer than a quarter based on this year's findings. Given the increase in organizations that are taking a policy-driven approach, it's possible that organizations that were previously taking an integrity-first approach believe that, now they have the appropriate policies in place, they no longer need to communicate the importance of integrity as frequently, nor do they see the need to be as vigilant about activating policies as they did before.

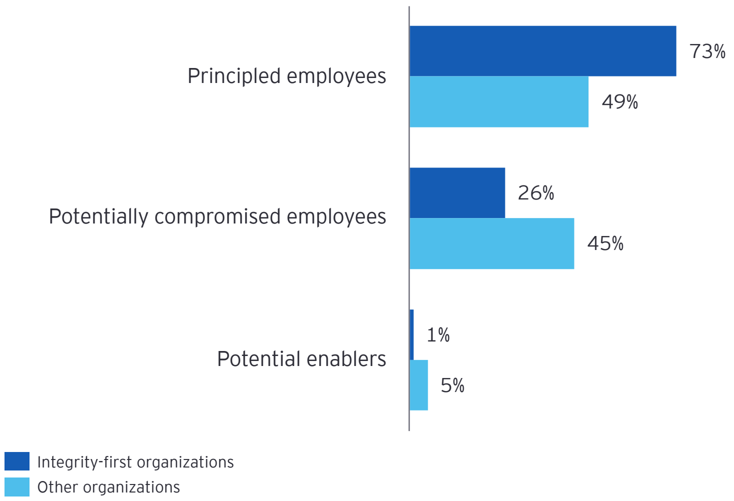
These organizations appear to have moved from being on the front foot regarding integrity to allowing it to take a back seat while they focus on navigating their business through more volatile economic terrain. Yet it's in difficult times that an integrity-first approach is most critical. It's a threshold to which every organization should aspire – in good and bad times.



> "Ethics may start at the top, but managers steer the moral compass of the company. Training people leaders to appropriately act on conveyed misconduct is essential to encouraging a speak-up culture.
>
> **Erica Salmon Byrne**, Chief Strategy Officer and Executive Chair, Ethisphere and the Business Ethics Leadership Alliance.

Leaders need to do more than promote ethical behavior – they need to demonstrate it.

Companies with a more robust approach to integrity have fewer employees willing to sacrifice the organization's integrity values
Employee approaches toward integrity and unethical or illegal activities
Based on employees' willingness and motivations to commit illegal or unethical acts



Source: EY Global Integrity Report 2024 survey data.

Questions for organizations to ask themselves

- How would you categorize your organization (integrity-first, policy-driven, say-do gap or not a priority)?
- Where do you want to be two years from now?
- Do you see potentially compromised employees in your organization? If so, where?
- What can you do to stimulate improvement using the mechanisms you have?
- What new mechanisms do you need to put in place to become or remain an integrity-first organization?

Four ways to build a people-centered, integrity-first organization
If the goal is to become an integrity-first organization, the next question leaders may ask is: How do I do that?
It starts by putting people at the center of the integrity agenda. People are an organization's most valued asset and greatest liability when it comes to integrity. As such, they need to be at the heart of the organization's approach to integrity. This includes implementing supportive frameworks and structures, as well as creating an integrity-first culture that drives positive behaviors and a strong commitment to integrity. Here are four ways leaders can build a people-centered integrity-first organization:

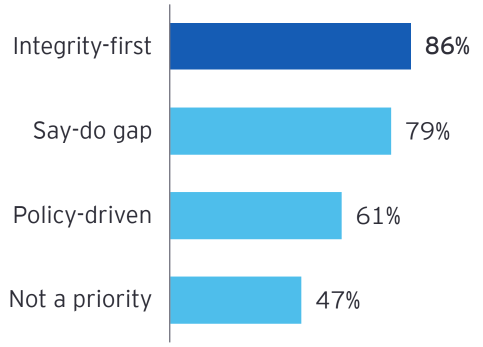
1. Lead from the top
The report data demonstrates that integrity can't be built or sustained on an approach of all talk and no action. Organizations need to focus on preventing and addressing misconduct by starting at the top.

Leaders need to do more than promote ethical behavior – they need to demonstrate it. Additionally, leaders need to adhere to the integrity-related policies and procedures they establish. They need to not only establish mechanisms for reporting and investigating incidents of misconduct but also support and follow them. If organizations want to close the say-do gap, leaders will need to act with integrity as much as they espouse integrity for those lower down in the organization.

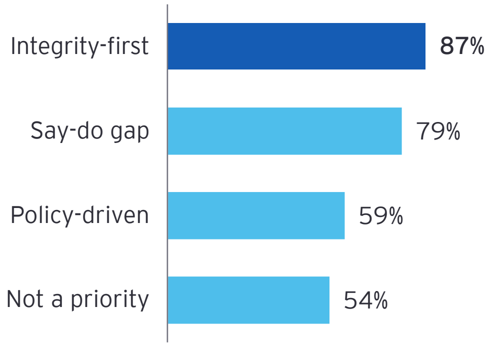
A strategy without structure can limit the effectiveness of an organization's integrity program.

Companies with a more robust approach to integrity are more likely to integrate compliance and reputational risk management into decision-making processes

Compliance with regulations is always considered when making important decisions
% of organizations



Reputational risk is always considered when making important decisions
% of organizations



Source: EY Global Integrity Report 2024 survey data.

This can be a significant step in creating the supportive environment that employees need to feel comfortable to not only behave with integrity but also intervene or report when they see wrongdoing. Leaders would do well to foster an environment that focuses on trust, psychological safety and transparent communication that is heard at all levels of the organization. This can start with leaders listening and acting. The more employees see leaders upholding the organization's values and taking concrete action in response to misconduct, the more likely they are to report wrongdoing when they observe it.

2. Design and implement a structure to execute strategy

Structure follows strategy. A strategy without structure can limit the effectiveness of an organization's integrity program. Organizations need to establish sound governance structures that align with the organization's defined roles and responsibilities; establish clear accountability through both KPIs and key behavioral indicators (KBIs) break down the silos to allow the free flow of information to those who need it; and build trust through transparency.

Further, they need to identify the root cause of wrongdoing, looking beyond simply assigning blame to potentially compromised employees to address systemic issues.

The analysis suggests that companies with a more robust approach to integrity are more likely to integrate compliance and reputational risk management into day-to-day decision-making processes. Employees are also more likely to believe in their organization's rules and processes, and more likely to trust their colleagues.

Organizations need to recognize that traditional ways of training and communicating integrity will need to adapt to real-world demands.

3. Strengthen a culture of integrity across the organization

Organizations need to recognize that integrity is a team effort. Compliance should not be viewed as a stand-alone support function. Compliance and integrity standards need to be embedded directly into operations and procedures. For example, specific compliance requirements should be called out in corporate policies and built into process workflows, such as new business development, third-party risk management, vendor payments and employee reimbursements. KPIs and KBIs should be incorporated into performance and remuneration across the board, with compensation structures to reward employees for demonstrating integrity rather than punishing them for misconduct or noncompliance. In our findings, half of global respondents specifically call out employee and executive compensation structures that punish noncompliance. Metrics should equally focus on positive reinforcement for behaving with integrity.

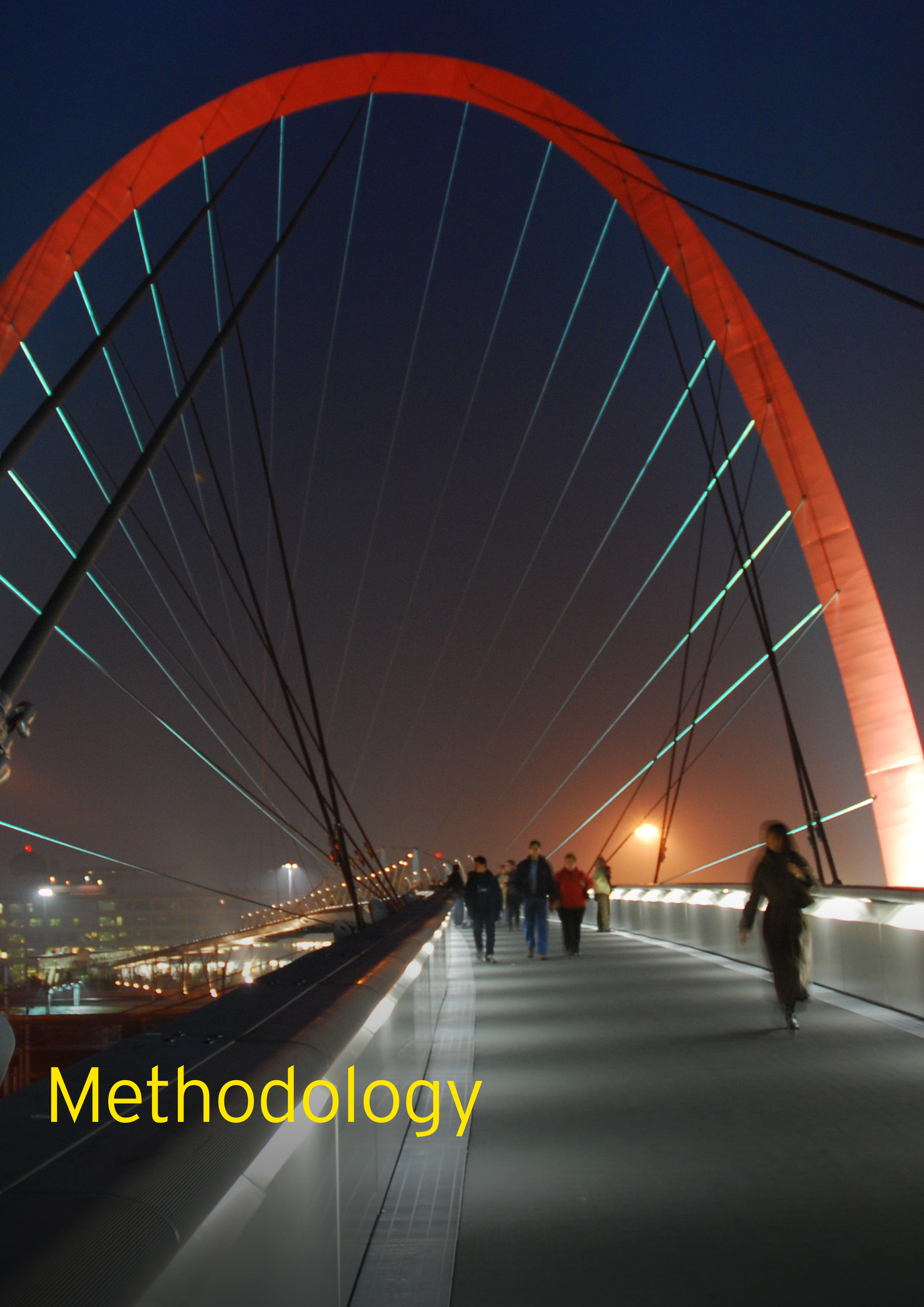
4. Boost awareness, training and communication

Respondents say better awareness, training and communication ranks among their top three priorities to address integrity risks over the next two years.

Traditional ways of training and communicating integrity need to adapt to real-world demands. Periodic training may teach broad principles, but it is not enough to navigate the complexities faced in real-life scenarios. Moreover, employees may meet barriers to find the guidance they need; they may feel uncomfortable contacting a manager with questions, or overwhelmed by the volume of policies and regulations to search through for answers.

Just-in-time and consumer-targeted training can help. Employees receive online instruction tailored to their job profile when they need it. Leaders may also consider a GPT-powered compliance chatbot to answer on-demand questions about specific compliance scenarios or company policies and procedures, creating a real-time helpline for inquiries.

Leaders, meanwhile, need to communicate why integrity is important, with clear and repeated messaging. Currently, fewer than half (47%) of management teams frequently communicate to their employees the importance of behaving with integrity. Employees are more inclined to comply when they see leadership's commitment and the importance placed on integrity consistently echoed across business segments and divisions.



Methodology

The EY Global Integrity Report 2024 is based on a survey of 5,464 board members, senior managers, managers and employees in a sample of large organizations and public bodies in 53 countries and territories across the Americas, Asia-Pacific and Europe, the Middle East, India and Africa. Interviews were conducted by the global research agency, Ipsos, through online panels between October 2023 and January 2024.

Job title

Board director or member	445	8%
Senior management	1,625	30%
Other management	2,134	39%
Other employee	1,260	23%

Employees

250–499 employees	10	>1%
500–999 employees	1,085	20%
1,000–4,999 employees	1,980	36%
5,000–9,999 employees	879	16%
10,000 employees +	1,180	22%

Number of interviews in each region

North America	
Canada	100
United States	500
Total	**600**

South America and Latin America	
Argentina	90
Brazil	107
Chile	70
Colombia	90
Ecuador	100
Mexico	100
Peru	45
Total	**602**

Oceania	
Australia	100
New Zealand	50
Total	**150**

Far East Asia	
China Mainland	506
Hong Kong	80
Indonesia	100
Malaysia	100
South Korea	100
Taiwan	50
Thailand	100
Vietnam	100
Total	**1,136**

Western Europe	
Austria	100
Belgium	80
Denmark	50
Finland	100
France	100
Germany	100
Greece	100
Ireland	50
Italy	100
Netherlands	100
Norway	60
Portugal	100
Spain	100
Sweden	100
Switzerland	60
United Kingdom	150
Total	**1,450**

Middle East, India and Africa	
India	100
Israel	50
Kenya	45
Nigeria	60
Saudi Arabia	75
South Africa	100
Turkey	50
United Arab Emirates	100
Total	**580**

Eastern Europe	
Bulgaria	50
Czech Republic	100
Hungary	100
Poland	100
Romania	100
Serbia	100
Slovakia	100
Slovenia	96
Ukraine	100
Total	**846**

Japan	
Japan	100
Total	**100**

Industry summary

Advanced manufacturing and mobility	1,069	20%
Consumer products, retail and wholesale	954	17%
Energy and resources	300	5%
Financial services	794	15%
Government and public sector	530	10%
Health sciences and wellness	424	8%
Professional firms and services	241	4%
Real estate, hospitality and construction	667	12%
Technology, communications and entertainment	979	18%
Other	626	11%
Total	**6,584**	**120%**

Note: Respondents could choose more than one sector so the number does not add up to 100%.

Using the survey data, EY conducted a segmentation analysis based on a comparative series of questions from the current survey and the 2022 survey. Responses were weighted to the 2024 question "Which, if any, of the following does your organization have in place?" against the 2022 question "In the last 18 months, how often have you heard management communicate about the importance of behaving with integrity?" The responses to the second question were given a score in the latest survey so that an average could be taken between the two levels of management and how often they communicated. For example, "frequent" communication was a 5, "often" was a 3, and so on. Companies that had the most policies in place and were most frequently communicated with about behaving with integrity comprise the "integrity-first" segment. Companies where management frequently communicates but is lacking in policies fall into the "say-do" gap category, and so on.

Additional insights

Integrity-first AI today builds trust for tomorrow

Artificial intelligence (AI) is shaping the future of many organizations and has the power to fundamentally transform the way we work. There are many significant successes around the use of AI impacting daily life, including the legal, compliance and internal audit functions. Yet for all its potential, the risks associated with AI are demonstrated in instances where it has been used to adversely influence business processes, impersonate individuals and entities, and lead to biased decision-making.

According to the 2024 Edelman Trust Barometer, people trust businesses more than nongovernmental organizations (NGOs) or government (59%, 54% and 50% respectively) to make sure innovations are safe, understood, beneficial and accessible. Even so, 59% confidence in businesses leaves considerable room for improvement. Every entity, private and public, needs to do more to build trust in the ethical use of AI.

Nonetheless, AI is being rapidly adopted. The EY Global Integrity Report 2024 findings suggest organizations are grappling with AI ideation, development and deployment to transform their business. Across the organization, slightly more than a quarter (29%) say they're currently using AI-enabled tools in their business and operations. Another quarter (25%) say they plan to do so in the next two years.

Within businesses, IT is the earliest adopter, with 42% currently using AI-enabled tools. Compliance (31%) and finance (33%) are also taking bold steps. Internal audit (23%) and legal (14%), meanwhile, lag behind in active use of AI, but many have plans to catch up in the next two years. Given the growing expectation among regulators to move from manual corporate reporting, such as spreadsheets and email-based processes, to dynamic, real-time or near real-time monitoring and reporting,[7] organizations will have to move faster than anticipated in adopting AI tools. The volume of data being generated, combined with the need for real-time information to drive business strategy and increasingly complex regulatory requirements, means that AI-enabled tools will soon become something organizations need to have now rather than something nice to have in the future.

Yet organizations say they're struggling to keep up in building governance frameworks for the ethical use of AI, even as generative AI (GenAI) picks up speed.

The overall low adoption of AI within legal and internal audit suggests that the organization's second and third lines of defense are not keeping pace with the use of AI in the rest of the organization. We observed this same situation with the rise of big data and robotic process automation (RPA) in prior years, where legal, compliance and internal audit are still catching up to the organization's use of data analytics.

Legal, compliance and internal audit must play a bigger role in how and where functions adopt AI. These functions should be part of the risk committee that evaluates the adoption of new innovations, such as AI, and develops guardrails around use cases. They also need to evaluate skills and competencies, and upskill executives and developers on responsible design principles and legal considerations involved in AI development.

> Artificial intelligence (AI) is shaping the future of technology and revolutionizing industries; it has the power to continually shift human evolution.

[7] Staying Compliant in a Complex World: What Today's Business Leaders Need to know, MIT SMR Connections on behalf of EY, MITSloan Management Review, 2 October 2023, https://sloanreview.mit.edu/mitsmr-connections/staying-compliant-in-a-complex-world-what-todays-business-leaders-need-to-know/. Accessed on 14 April 2024.

Key challenges, use cases and potential for AI in the compliance function

Legal and compliance executives are excited about the potential of AI and see different opportunities for many use cases. However, they are also concerned about the challenges it poses.

Legal and compliance respondents in the EY Global Integrity Report 2024 cite continuous improvement, ongoing monitoring and risk assessments as the top routine compliance activities best suited to the use of AI. Further, they say that AI's greatest impact in compliance is centered around advanced data gathering, manipulation and risk analysis in correlating data sets (40%), active monitoring and altering (37%), and risk-scoring activities (34%).

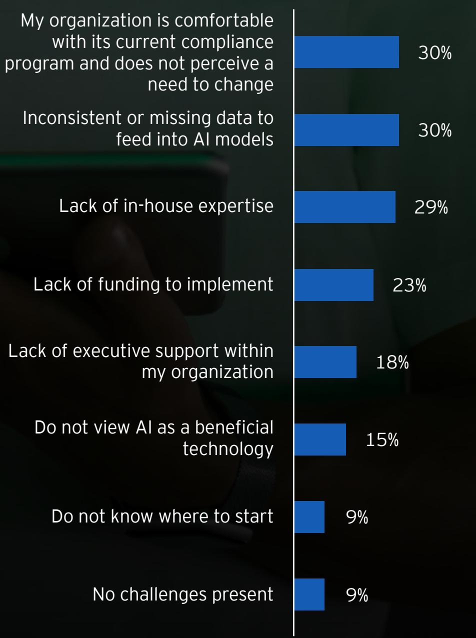
However, legal and compliance executives are wary of key risks that may be holding them back from fully deploying AI within their functions. The top two challenges they cite include inconsistent or missing data to feed into AI models, and a lack of in-house expertise. These issues mean that organizations are challenged to be sure that AI-enabled tools are being used within the organization according to in-house guidelines and adhere to jurisdictional regulations or legal requirements.

We have seen many successful uses of AI within the compliance and legal functions. For example, GenAI tools can quickly research and summarize large masses of information, draft contracts and perform certain electronic discovery procedures, greatly increasing accuracy and efficiency in executing routine tasks. AI can also help compliance leaders develop new insights, empowering better decision-marking.

Specific use cases for AI within compliance and legal functions:

- Monitor regulatory changes and analyze internal data to identify potential compliance gaps.
- Streamline the due diligence process by automating third-party background checks and financial analyses to detect red flags.
- Improve risk assessment by analyzing financial transactions, communications and other data to detect patterns and anomalies.
- Generate real-time alerts of red flag activity and triage instances of potential misconduct.
- Greatly reduce the cost and time to mine large data sets by using predictive models to perform email and document review in response to regulatory inquiries, subpoenas and litigation.
- Automatically identify and extract or redact private and privileged information across whole data sets.
- Provide on-demand answers to employee compliance inquiries, reference corporate policies and give "how to" instructions through AI chatbots.

What are your top challenges in deploying AI within your compliance function?

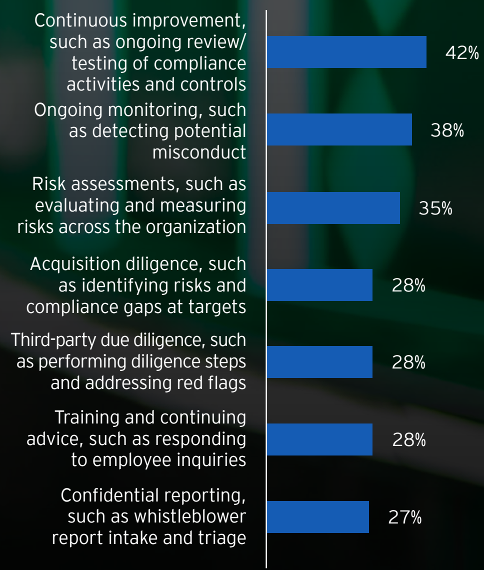


Base: Global (149).

What are the use cases in which AI can have the greatest impact within the compliance function?

Base: Global (149).

Which routine compliance activities do you think are best suited to incorporate AI?



Base: Global (149).

Emerging markets are ahead in managing and safeguarding the use of AI

Whether organizations are in the planning stages or already actively using AI, roughly four in 10 have put measures in place to manage its deployment and use. Interestingly, emerging markets appear more mature in their understanding of, and responsibilities toward, AI.

Further, 51% of executives in emerging markets say they've received training or guidance from their organization about the permitted uses or risks of AI, versus 35% of executives in developed markets. Rates in the Middle East, India and North Africa (60%), Far East Asia (59%) and South America (54%) are significantly higher than in Western Europe (35%), North America (32%) and Oceania (28%).

What measures has your organization put in place, or is planning to put in place, to manage the deployment and use of AI across the entire organization?

	Already put in place		Planning to put in place	
	Developed	Emerging	Developed	Emerging
Vetting AI-enabled tools and applications prior to deployment in the organization	36%	44%	48%	49%
Requiring senior leadership involvement/improvement for AI-enabled tools and applications	34%	41%	43%	48%
Providing guidance to employees on the use of AI to improve business processes	35%	43%	46%	46%
Setting ethical standards for appropriate use of AI	33%	42%	44%	45%
Setting processes and policies to manage the risks around AI, such as privacy or fraud	35%	43%	45%	46%

Base: Developed (1726); Emerging (2411).

The accelerating pace of AI evolution is pushing AI regulation to the top of the agenda for policymakers

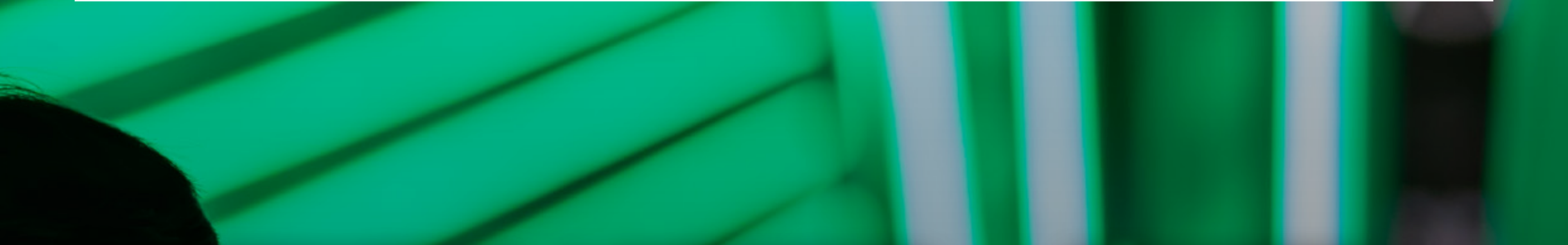
In the EU, some member countries are looking to increase the use of facial recognition among their police forces. However, the European Parliament recently adopted tighter restrictions as part of the Artificial Intelligence Act.[8] This Act, which is expected to come into force in June 2024, is the most developed AI regulation globally, and will have extraterritorial effect and steep fines, making it relevant for all organizations doing business in or with European countries. China, which was one of the first countries to implement AI regulations, is currently expanding its various regulations and policies applicable to specific AI uses. China has also adopted UNESCO's recommendations on the ethics of AI and is a party to the OECD's AI principles.[9] In India, the government is asking technology companies to get express permission before publicly launching AI tools and has warned companies against using AI products that could generate responses that "threaten the integrity of the electoral process." This represents a walk-back of its stated position in 2023 of taking a hands-off approach to AI.[10] The US, meanwhile, is not likely to pass new federal legislation on AI in the near future, but regulators such as the Federal Trade Commission (FTC) have responded to public concerns about the impact of GenAI by opening expansive investigations into some AI platforms.[11] There is also much US state-level and locally specific legislation in force or under consideration.

[8] Artificial Intelligence Act: MEPs adopt landmark law | News European Parliament | https://www.europarl.europa.eu/news/en/press-room/20240308IPR19015/artificial-intelligence-act-meps-adopt-landmark-law

[9] Global AI Law and Policy Tracker | IAPP Research and Insights | https://iapp.org/media/pdf/resource_center/global_ai_law_policy_tracker.pdf

[10] India asks tech firms to seek approval before releasing 'unreliable' AI tools | Reuters | https://www.reuters.com/world/india/india-asks-tech-firms-seek-approval-before-releasing-unreliable-ai-tools-2024-03-04/

[11] FTC investigates open AI over data leak and ChatGPT's inaccuracy | The Washington Post | https://www.washingtonpost.com/technology/2023/07/13/ftc-openai-chatgpt-sam-altman-lina-khan/



These latest efforts by regulators around the world suggest that AI will become more regulated as adoption increases, with additional need for organizations to manage compliance processes, protect against legal risks and employ the internal audit function to validate the effectiveness of controls around the use of AI. In the meantime, the current evolving landscape of regulations could leave organizations vulnerable to disruption if they aren't proactive about instilling a culture of integrity around AI that reflects the company's values and beliefs.

Five ways organizations can take an integrity-first approach to AI:

1. **Assess the AI strategy.** Whether the organization has already implemented AI or plans to do so in the near term, it's important to understand its current maturity in managing the use of AI. An AI maturity assessment can help to identify critical gaps. For example, when a global pharmaceutical company conducted an AI compliance assessment, it learned that one of its largest gaps was the absence of a consistent AI governance framework.

2. **Develop a formal AI policy and the means to implement it.** Governance is the anchor to enable secure, sustainable, responsible and transparent AI. While creating an AI governance framework can be useful, these are often voluntary or inconsistently applied. A more constructive approach is to develop a formal – and enforceable – AI policy, accompanied by the appropriate means to implement and monitor it. The policy should give specific attention to standards and guidelines addressing respect of people's rights, safety and privacy; fairness, accuracy, reliability of AI output; and the security of underlying data and models.

3. **Assemble a cross-functional team.** For an AI policy to be most effective, multiple stakeholders across the organization (IT, privacy and information security, compliance, legal, innovation, finance and internal audit) need to work together to consider AI use cases, associated risks and appropriate guardrails. Each perspective is important in adopting appropriate AI strategies.

4. **Build a regulatory and litigation response plan for AI.** With legal and regulatory environments becoming more challenging, especially pertaining to AI, organizations should be prepared with a response plan to manage such crisis events. Should an issue arise, the organization's use of AI will be heavily scrutinized. Organizations need to know who needs to be involved, where the data lives and who is responsible for it.

5. **Optimize data governance and processes.** In the EY Global Integrity Report 2024, executives cited inconsistent or incomplete data feeds into AI models as their number one challenge in deploying AI within the compliance function. For legal and compliance professionals – and arguably the workforce at large – to trust the data, organizations need to have a clear and complete understanding of their data. This should include data mapping and lineage to know where the data comes from, as well as its level of quality and limitations. Further, organizations should have, or build, an inventory of all AI and machine learning (ML) tools in use. As the organization's AI capabilities mature, it can focus on building a scalable, flexible, secure infrastructure that can safely manage a portfolio of AI algorithms.

Given the speed at which AI is advancing and its potential to fundamentally transform today's business landscape, organizations need to have a governance strategy for AI, and implement a systematic approach for its ethical and compliant use, sooner rather than later. An integrity-first approach that focuses on transparency, accountability, trust and fairness will promote the safe and ethical use of AI – to the benefit not only of the organization but also society.

> “
> One of the dangers [with AI] is that presumption of infallibility. Another challenge is data and the use of it. Jurisdictions are understanding and appreciating the need for ethical standards and guidance regarding the use of private data.
>
> **Liban Jama**, EY Americas Forensic & Integrity Services Leader

Find out more

Download the AI global regulatory landscape: https://www.ey.com/en_uk/ai/how-to-navigate-global-trends-in-artificial-intelligence-regulation

Case study: How a global biopharma became a leader in ethical AI – https://www.ey.com/en_gl/insights/ai/how-a-global-biopharma-became-a-leader-in-ethical-ai

Additional insights

ESG integrity reaches a crossroad between aspiration and regulation

A quick scan of the market landscape suggests that the tone and nature of the conversation around ESG issues have shifted since the last report. While executives continue to highlight their strides in driving ESG, the argument for ESG has moved from the aspirational – corporate values, "doing the right thing" and being good corporate citizens – to the practical. Today's conversations focus on ESG's significant challenges and risks, particularly around changing regulation and data integrity. According to our survey, the top ESG challenges include keeping up with and complying with new and changing ESG regulations (37%); limited reliable data to measure progress against performance targets (34%); and a lack of dedicated resources and budget for ESG initiatives (29%).

ESG-related legislation

Proposed:

- **Australia:** Climate-Related Financial Disclosure (proposed). In December 2022, the Australian Commonwealth Government Treasury released a Climate-Related Financial Disclosure Consultation Paper. The paper outlines the climate disclosures that certain Australian companies may have to follow in the near future – as soon as 2024.
- **Canada:** Disclosure of Climate-related Matters (proposed). Beginning in 2024, large Canadian banks, insurance companies and federally regulated financial institutions will have to provide ESG reporting and climate-related disclosures. Additionally, listed Canadian companies will have to comply with ESG reporting requirements.
- **US:** Securities and Exchange Commission (SEC) Climate Disclosure Standards (proposed). In March 2022, the US SEC announced that it would propose rule changes to require registered companies to include specific climate-related disclosures in their registration statements and periodic reports. Such disclosures would cover information about climate-related risks that could have a material impact on their business, along with incorporating key climate-related metrics in their audited financial statements, including greenhouse gas emission disclosures. A final rule was expected in October 2023, but its release is now expected sometime in 2024.

Confirmed:

- **EU:** Corporate Sustainability Reporting Directive (CSRD). Over the next three years, more than 50,000 organizations (EU and non-EU) will be required to report under the program. The CSRD is anticipated to make significant advancements in reaching Europe's carbon-neutral goals by 2050.
- **EU:** Carbon Border Adjustment Mechanism (CBAM). This encourages cleaner production in non-EU countries through fees charged by importers for the emissions embedded in their imports.
- **India:** This Business Responsibility and Sustainability Report (BRSR) came into effect in 2023 and is the first framework in India requiring eligible Indian companies to report metrics on sustainability-related factors.

Find out more

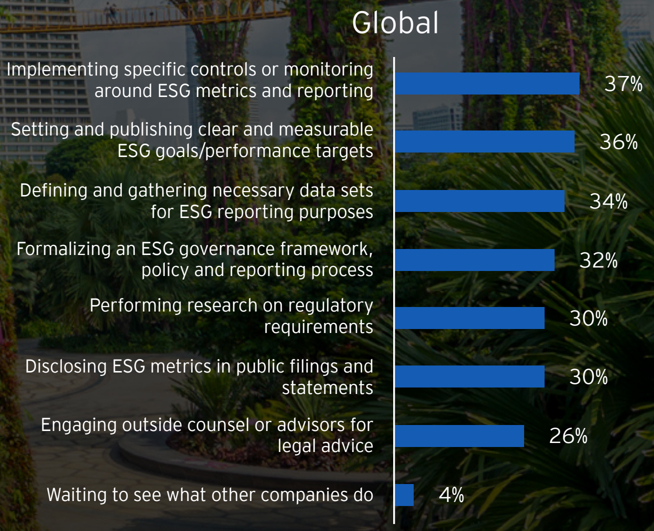
How good governance can keep corporates clean from greenwashing: https://www.ey.com/en_gl/insights/assurance/how-good-governance-can-keep-corporates-clean-from-greenwashing

Organizations will need to be comfortable speaking frequently about the importance of ESG integrity as part of their corporate strategy.

In response, companies say they're increasing their focus on ESG and have already undertaken several initiatives to comply with ESG external reporting requirements. Further, nearly two-thirds believe their organization is transparent about its progress.

Despite the activity, there remains a fundamental lack of clarity of purpose, knowledge and an actionable path forward. Taking an integrity-first approach across all aspects of ESG can help. Organizations need to be comfortable speaking frequently about the importance of ESG integrity as part of their corporate ESG strategy. Organizations also require policies and programs to provide assurance that ESG measures and reporting address both regulatory requirements in all applicable jurisdictions and fulfill the organization's stated ESG ambitions.

What measures are your company already undertaking to understand and comply with your organization's ESG external reporting requirements in the regions where you operate?



Base: Global (4556).

How would you rate your organization's transparency and communication to the public regarding its ESG initiatives and progress?
% of organizations

[12] Waly, Ghada, "UN Global Compact Event: Uniting Leaders for Business Integrity: Can we achieve the SDGs without addressing corruption?," United Nations: Office on Drugs and Crime, 19 September 2023, https://www.unodc.org/unodc/en/speeches/2023/un-global-compact-event_-uniting-leaders-for-business-integrity_-can-we-achieve-the-sdgs-without-addressing-corruption-190923.html, accessed 12 April 2024.

Organizations need to not only establish their ambitions and strategic priorities around ESG, they also need to focus on aligning everyone to these priorities.

There are five key areas that organizations need to focus on:

1. **Make ESG a strategic priority and gain consensus around the alignment of priorities.** Overall, 62% of global respondents agree that their organization makes ESG a priority. However, there is a perception gap between senior management's confidence they are doing this (73%) and rank-and-file employees (52%). Further, there appears to be some discrepancy around the alignment of priorities. For example, while board members say their organization is prioritizing climate-related sustainability and greenhouse gas emissions, and responsible supply chain management, senior management, management and employees believe the top priorities are social responsibility, followed by ethical governance and transparency. Not only do organizations need to establish their ambitions and strategic priorities around ESG, they also need to focus on aligning everyone to these priorities.

2. **Clarify who owns ESG within the organization.** Part of the reason for varying views and ESG priorities within the organization may be because typically no single business function owns ESG. If ESG assignments are shared among various functions, well-defined roles and responsibilities should be established, with clear accountability among all stakeholders.

3. **Implement a robust reporting process.** Transparent and accurate reporting are cornerstones of building trust with employees, regulators, customers and investors. One-third of respondents (34%) identified unreliable, inconsistent or inaccurate data as the greatest ESG compliance challenge. A similar number (34%) identified a top priority of defining and gathering necessary data sets for ESG reporting. Data integrity is a significant risk area within ESG reporting and complying with regulatory requirements. Companies should leverage technology and automation to build workflows that gather, compute and monitor performance metrics in a consistent and reliable manner. ESG should be incorporated into existing disclosure and control procedures for external reporting, with tested internal controls and records retention policies that provide assurance in the quality and reliability of ESG reporting.

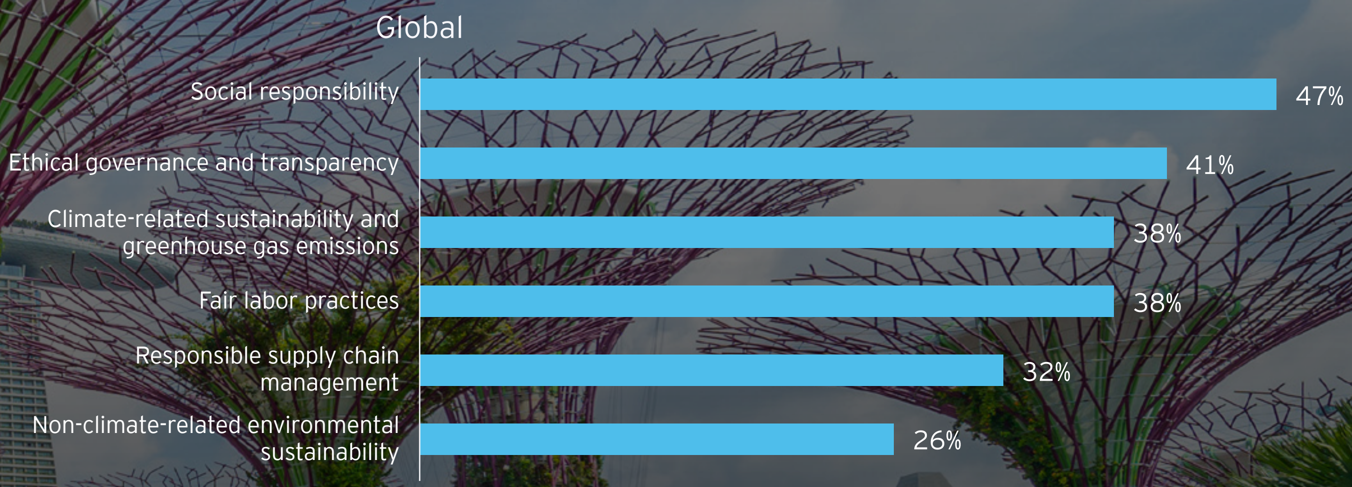
4. **Design and implement an agile ESG governance framework and processes that allow the organization to pivot as ESG regulations change.** This is particularly important as new ESG regulations are enacted, such as the EU's CSRD. First, implement a comprehensive risk assessment methodology that can incorporate new ESG areas and respond to changing international standards. Use risk assessment output to develop measures in the form of KPIs and KBIs against which to measure progress. This includes embedding KPIs and KBIs to track progress and enable accountability for the company's ESG activities and performance.

5. **Create an effective communication plan that educates, drives consensus and builds trust.** Organizations can leverage existing communication channels to promote ESG content, gather information and get people involved. They should start by ensuring employees have the necessary knowledge. For example, only 19% of employees profess to understand ESG regulations and their impact on the organization, according to our survey. Increasing the ESG IQ of employees inspires them to take an active role in reaching ESG goals. Moreover, enhancing transparency in a company's ESG agenda builds employee trust.

Being aspirational about ESG goals remains important. Aligning words with actions while meeting evolving ESG regulations and reporting requirements goes hand in hand with an ESG integrity-first approach.

Data integrity is a significant risk area within ESG reporting and complying with regulatory requirements.

Top areas of focus for your organization with regard to ESG integrity over the next two years



Base: Global (4556).

Which of the below functions in your organization have responsibility for ESG compliance?

Base: Global (4130).

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