Hotline Playbook

ETHICO

2022

Welcome to the Hotline Playbook by Ethico. We're on a mission to make the world a better workplace by giving leaders who care actionable insight, tools, and services to mitigate risks, engage employees, and build strong cultures. So, we thought we'd talk to some of our customers and hear what it takes to not just build a good Hotline or Helpline, but what they did to build a great one. We've captured their thoughts and insights in this Playbook, along with a few we've learned along the way.

Our goal is that this Hotline Playbook serves as a reference for compliance leaders to help improve their programs and raise awareness with their company management and employee stakeholders. The Ethics and Compliance Program is critical in supporting a healthy culture, and your Hotline is a critical element.

TABLE OF CONTENTS

"It is challenging and rewarding to see Ethico help guide companies through ethics and compliance issues like sexual harassment where such behavior is not only deplorable but puts an organization at risk," said Co-CEO and Chief Servant Nick Gallo, "More importantly services like our Hotline give a voice and outlet for those who have had really terrible, scarring experiences at the hands of someone else with 'power'. My brother Gio and I have a strong sense of justice because of the way we were raised and where our family came from. It is really satisfying to make a difference and be part of an industry that fights for what's right."

WHY IS THE COMPANY HOTLINE IMPORTANT?

A common argument against ethics hotlines is that they're ineffective. Detractors say that employees won't use the hotlines, as they may fear retaliation from their employers or coworkers. However, there is growing research to show that this simply isn't true – in fact, ethics hotlines are an effective way to curb wrongdoing in your organization.

According to a report from the National Business Ethics Survey of the U.S. Workforce, 60% of individuals who reported misconduct to an ethics hotline reported someone who worked in management. This data tells us something rather troubling: employees feel that they can't report unethical behavior because their bosses are the culprits.

A third-party hotline eliminates the fear of continued harassment or retaliation. Workers can comfortably report issues they see at the office without worrying about how the accused will respond to their claims. This gives your employees the freedom to be totally honest and help you create a more ethical environment. Everyone wants to feel that their workspace is a safe place – but unfortunately, issues of bullying, discrimination, fraud, and more are woefully common in today's offices. The statistics are dire:

- 21% of Americans have experienced sexual harassment in the workplace
- 64% of workers have experienced verbal abuse in the healthcare industry alone
- 90% of older workers claimed that age discrimination on the job is common

When you have an ethics hotline in place (and openly discuss it with your employees), your workers will understand that your company is dedicated to doing what's right.

THE HOTLINE PROCESS

The effectiveness of your Hotline depends on the comfort of the reporting party, the ease of the Hotline process, and their belief that action will be taken. These twelve steps describe an industry best practice for both the Hotline and Investigation processes, as reviewed and validated by Ethico customers. How the Investigation process works is important to the perception of the company Hotline too – Investigations must be timely and fair.

HOTLINE

1. Call comes into your Hotline
2. Agent answers your line
3. Information collected
4. Write report, verify info
5. Set expectations & end call
6. Quality check & submit

INVESTIGATION

7. Process incoming reports
8. Start investigation
9. Conduct interviews & gather data
10. Conclude investigation, substantiate or not
11. Take action, remediation, capture root cause
12. Reporting to Leadership

7 HOTLINE BEST PRACTICES FROM ETHICO'S CUSTOMERS

1. **Use Directives**
Hotline directives are used to make sure employees and other reporting parties are calling the right number. Some callers will have the wrong number and need to be directed to the right place for their request. For example, a question about their paycheck or badge access. However, only have a few directives, as if the reporting party is in the right place, don't frustrate them further. The reporting party may be in a highly emotional state and doesn't need to be confused.

2. **Customize Your Questions**
It is often useful to customize the questions the Hotline call center agent asks. Each company is different and is subject to different risks or regulations. For example, healthcare companies may need to closely monitor for Medicare fraud. However, again, don't create too many custom questions as callers may feel like they're getting the "run around." A good rule of thumb for both directives and custom questions is to have no more than three to five.

3. **Severity and Routing**
The right severity classifications and routing are required for timely responses to issues submitted through your Hotline. It's important to not miss any critical issue, but at the same time, not drown individual compliance teams with lots of noise. Spend the time to carefully consider your severity and routing, work with your vendor to do so, and then measure and iterate as needed.

4. **Capture Reports Centrally**
There's nothing more frustrating for a compliance team than digging around multiple systems to find the answer they're looking for. Compliance teams are already lean, often underfunded, and are busy managing their program and conducting investigations. Instead, do what you can to rationalize systems, automate workflows, and capture data centrally to bring sanity and productivity to your program and team.

5. **Determine Root Cause and Track Outcomes**
Tracking the outcomes of both substantiated and unsubstantiated reports matters. For a substantiated report was the offending employee coached, disciplined, or terminated? Was the report unsubstantiated because the employee was cleared or because there wasn't enough evidence to support the allegation? Also, capture the root cause and label carefully. Over time these root causes will show trends and highlight toxic elements that undermine your culture.

6. **Measure Compliance Team Consistency**
Employees and other reporting parties must believe that their issues are treated fairly. Every person is different and that applies to the investigators on the compliance team too. Training, a standard process, templates, and reporting help compliance teams provide that consistent experience for all reporting parties. Consistency ensures your Code of Conduct and other policies are applied as fairly as possible for your employees.

7. **Work With a Vendor that Works With You**
Every company is different, and will have different teams, processes, requirements for directives, custom questions, severities, and routing. It is imperative for the success of your Hotline that your vendor will adjust and quickly understand and implement what will work best for your organization, risk, and culture.

The Enhanced Hotline with Ethico

The enhancements Ethico brings to any Hotline are significant. With all calls always answered by a live agent, abandonment rates drop dramatically, and your employees feel taken care of. All of Ethico's agents are skilled at adaptive interviews. Adaptive interviews mean the agent adjusts their approach and tone dynamically to communicate empathetically with the reporting party, while extracting the critical information required. Also, Ethico performs an extra step before sending reports to our clients. Reports are processed by a separate quality team and a Quality Check (QC) performed. QCs ensure actionable information has been captured, is easily consumable for investigators, and that the correct severity level is assigned.

"The way we designed the Ethico's hotline allows us to manage any level of call volume from our clients," said Co-CEO Giovanni Gallo. "Our Hotline was used to provide a coordinated, dynamic response to a #MeToo incident at a major university and to assist a national long term care provider in helping families locate and confirm the safety of their loved ones during wildfires."

The Enhanced Hotline with Ethico

At 70% in 2020 Hotline remains the most dominant intake avenue. To understand the effectiveness of your Hotline there are six metrics which are important to track.

No.	Metric	Ethico	Industry Median
1	Reporting Rate (per 100)	**4.1**	1.3
2	Case Closure Rate	**25 Days**	39 Days
3	Substantiation Rate	**57%**	41%
4	Abandonment Rate	**<1%**	15-19%
5	Issue Anonymity	**32%**	58%
6	Issue Sequence	**16%**	33%

- Your reporting rate measures cultural health. Per the Ethics and Compliance Institute (ECI), 84% of workers report misconduct in organizations with the most effective compliance programs, compared to 33% at organizations with weak programs. With almost 50% of employees witnessing “reportable” misconduct each year (ECI) and less than half of them even attempting to report it (Gartner), the industry median of a mere <1.4 reports per 100 employees means there are missed reports.

- The lower the case closure time, the better; best practice is case closure times of less than 30 days. Organizations that can both maintain consistently low case closure times and communicate results back to reporters quickly reinforce their organization’s culture.

- Higher substantiation rates indicate that the right information is captured during the initial intake (hotline, in-office, or online), and that reporters understand the purpose.

- Factors like call-queues, call trees, and long wait-times all add risk by contributing to a high abandonment rate. According to Harris Interactive, 75% of callers say it takes too long to reach a live agent. If your intake is subject to a 15-20% abandonment rate, you could be losing up to 25% of reports

- Issue Anonymity is a critical data point to evaluate, as it demonstrates aggregate workforce trust in both the organization and the reporting process. Higher anonymous rates indicate lower trust, while lower rates indicate a lower fear of retaliation and a higher level of employee engagements. Organizations should monitor and analyze their Issue Anonymity closely for indication of high or low employee trust. Up to 39% of employees say they are not confident that their concerns will be addressed fairly, and up to 79% have experienced retaliation after reporting.

- Follow-up calls are crucial for case managers to communicate back to the caller, receive reports about repeat issues, and gather additional report information to resolve the caller’s concern, question, or request. Issue sequence describes the percentage of follow-up calls versus the total calls made to the Hotline. Issue sequence is an important metric to follow, as a lower follow-up rate generally indicates that cases are closed quickly and ample initial information is gathered during initial intake.

What's Next for RegTech in Compliance?

At Ethico we pay close attention to new technology and the trends occurring in our customers and their workforces. Here are four areas we believe are important for compliance programs right now and into the future.

1. Meet Your Workforce Where They Are

A Hotline that serves a diverse workforce needs to be diverse. Make sure you can meet your employees where they are, whether that's phone, web, email, in-person, or an intelligent intake app. Where your employees are comfortable will be where they're most likely to submit a report.

2. Intelligent Intake

Yes, AI has come to compliance, but don't worry, we're not going to be replaced by robots. Machine Learning (ML) is a form of AI and can be used to capture more actionable information through elicitation. Deployed properly ML can determine the best questions to ask, how to ask them, and in what order.

3. Compliance and HR Working Together

Critical to an effective Hotline is a) getting a Hotline report to the right person and b) ensuring that person has the information and capability to respond quickly. A single corporate Hotline supports the easiest experience for employees but can complicate routing and consistent responses. The right routing, communication, and reporting tech ensure nimble and caring responses from the right department.

4. Integrated Risk Management (IRM)

The fewer the systems the better. Fewer systems and data repositories reduce cost and increase productivity. More importantly one data repository dramatically increases visibility to accurate data. A richer dataset means better correlations, more accurate root cause analysis, and more informed and confident action.

Ethico Values

Ethico empowers leaders who care, this is how we become the best company in our market. Our values and brand promise are what guide us along this path. Our 'secret sauce' is that we care. Here is what that promise means to us and how we partner with our customers:

C: Client-First: means we put your needs first and focus on the long-term. Sometimes we will forego what is best for our bottom-line in the short-term for what is best for the partnership over the long term.

A: Accountability: means we are accountable for our actions and responsible for our impact. This means consistently delivering on our commitments and owning mistakes when they occur with transparent, candid communication.

R: Responsiveness: refers to both the micro and the macro: The micro is around being quick to respond to questions and to provide information or results to our partners, because you need actionable info to do your job and the longer it takes for clarity, the longer risks exist in your system. The macro refers to responding to the changing risk and regulatory landscape as your organization grows and both requirements and best practices change.

E: Excellence: Leading with quality solutions that are both sustainable and thoughtful. Doing the right things right.

S: Servanthood: Selfless elevation of the needs of others.

We're proud to support the voice of more than 6,000,000 employees across the customers we serve with our Hotline and our other compliance software and services. We look forward to further collaboration and together making the world a better workplace.

ETHICO

Making The World A **Better Workplace**

ethico.com

sales@ethico.com

800.859.8840