Is this the moment of truth for corporate integrity?

Global Integrity Report 2020

Forensic & Integrity Services
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Foreword

The COVID-19 global pandemic has shocked the world, impacting life for families, communities and organizations on every continent. Amid the turmoil, businesses and governments are faced with new and significant decisions that pose difficult ethical dilemmas that will affect their future viability and success.

From retailers deciding how best to protect their employees and customers while providing essential supplies to communities, to corporate boards assessing whether to continue paying dividends to income-dependent shareholders while claiming government relief, doing the right thing has never been harder.

The level of scrutiny on business from wider society has intensified. Decisions taken by businesses and governments in crisis mode at the height of the pandemic will be judged over the coming months and years. Acting with integrity is more important now than ever before.

Our research reveals timely insights from business leaders on the myriad of ethical challenges facing organizations, both in the lead-up to and at the height of the COVID-19 crisis.

Between January and February 2020, we interviewed almost 3,000 employees, from the board to the shop floor, of organizations in 33 countries and territories worldwide.

In April 2020, we interviewed a further 600 respondents, with the same profile across six key countries that were most impacted by COVID-19.

The vast majority of respondents surveyed in April 2020 believe that COVID-19 poses a risk to ethical business conduct at their organization. Indeed, significant numbers of employees remain willing to act unethically for personal financial gain, and the global pandemic is only exacerbating this by increasing the incentives and opening new avenues for them to do so.

Our research also shows a concerning disparity as to the perceptions of ethical behavior at different levels of seniority within organizations. The majority of junior employees interviewed say that they don't always trust the integrity of their leaders, while the majority of board members believe they play by the rules.

The good news is that almost all respondents see the value in acting with integrity. Respondents say that they're looking beyond short-term financial impacts of avoiding fines and penalties, to long-term values such as strengthening reputations, attracting new customers and retaining top talent.

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> COVID-19 is a test for business integrity. Those who pass will differentiate themselves as seldom before. Those who fail are likely to be held accountable after this crisis has passed for any abuse of trust by unforgiving governments, enforcement agencies, shareholders, consumers and the public at large.

This report follows from our previous Global Fraud Survey series and highlights three key critical actions for organizations to prioritize in their integrity agendas to help navigate the ethical challenges accelerated by the crisis: personal conduct, third-party management and data integrity.

Andrew Gordon
Global Leader
Forensic & Integrity Services

1 Action 1
Embed corporate integrity to protect against unethical conduct.
Page 8

2 Action 2
Foster trusting partnerships with third parties based on integrity.
Page 12

3 Action 3
Safeguard data while ethically leveraging its value.
Page 15

Key findings

90%
believe that COVID-19 poses a risk to ethical business conduct at their organization

Demonstrating integrity

Doing the right thing is about more than avoiding financial penalties.

50%
Strengthening reputations

41%
Attracting new customers

40%
Helping retain talent

COVID-19

Aside from worsening market conditions, respondents believe the top COVID-19 risks to ethical conduct are:

33%
Disruption to traditional working patterns, e.g. increase in remote working

28%
Disruption to supply chains

24%
Reduction in employee benefits and compensation

22%
Reduction in staff levels

Personal conduct

Junior employees* don't always trust the integrity of their leaders.

53%
of junior employees are not entirely confident that management abides by the relevant laws, codes of conduct and industry regulations.

58%
of board members are very confident that they play by the rules.

Third-party conduct

Senior leaders are prepared to ignore third-party misconduct.

13%
of all respondents would be prepared to ignore unethical conduct by third parties in order to boost their career or pay.

20%
The figure rises to 20% among board members.

Data integrity

Organizations are overconfident on data protection.

86%
of those surveyed said they are fairly or very confident that their organization is doing everything needed to protect the privacy of customer data.

59%
don't train employees on applicable data privacy regulations, such as the General Data Protection Regulation (GDPR).

*For the purposes of this report, junior employees are defined as those who categorized themselves as 'other employee.'

Introduction

Moment of truth: corporate integrity in turbulent times

True character is often revealed in times of crisis. The speed and scale of the COVID-19 pandemic could not have been foreseen, and businesses are facing a combination of threats that are more challenging than anything experienced in modern times. How business responds may prove to be the litmus test for corporate integrity.

Even before the global pandemic took hold, businesses faced significant pressures. Trade wars, sanctions and export controls, fraud, and political upheaval all weighed heavily on organizations. As published by *The Economist*, the economic fallout of COVID-19 is likely to create a perfect storm for misconduct, exposing a decade's worth of corporate fraud schemes, while giving rise to new ones.[1]

In addition, society's views have changed dramatically since the 2007-08 global financial crisis, putting organizations under more pressure than ever to do good for people and the planet, through environmental, social and governance (ESG) initiatives. This societal change extends to greater scrutiny of both organizations and the conduct of their people. The rise of social media has provided a platform to discuss integrity

issues in a much more open way – and consumers are taking notice, actively avoiding organizations that fall short of their standards.

The pandemic has magnified the level of scrutiny and organizations are being held to account in real time for their actions. The goalposts for what is and isn't ethically acceptable shift from day to day.

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[1]"Who's lost their trunks: The economic crisis will expose a decade's worth of corporate fraud," *The Economist*, 18 April 2020.

How are organizations treating their staff? Are they doing right by their customers and suppliers? Have they thought carefully about entitlement and how they will use funds secured from government?

The *Financial Times* published and maintained a list of business "saints and sinners" since the start of the COVID-19, shining the spotlight on those behaving with integrity and those falling short of societal expectations.[2] Allegations of this kind can result in reputations being shattered in an instant, with organizations or individuals who are perceived to have behaved poorly being forced into embarrassing U-turns.

In a post-COVID-19 world, organizations will need to work hard to frame their businesses and deal with existing threats, as well as new ones.

For example, as organizations rebuild their supply chains, they must pay careful attention to the business and compliance implications of changing suppliers, logistics routes and sourcing. Sanction infractions in the heat of the pandemic could come back to create regulatory, financial, operational and reputational consequences, providing yet more disruption to business.

But amid these major challenges, there is something organizations can do to protect themselves: put an "integrity agenda" at the heart of their response to the crisis and the subsequent rebuild. Our new research reveals that organizations that do this will have a much greater chance of bridging the gap between intentions and actual behavior, enabling them to protect and create long-term value.

About the research

Between January and February 2020, our researchers — the global market research agency Ipsos MORI — conducted 2,948 surveys in the local language with board members, senior managers, managers and employees in a sample of the largest organizations and public bodies in 33 countries and territories worldwide.

A further 600 surveys in total were conducted in April 2020 using the same respondent profile across China, Germany, India, Italy, the UK and the US during the COVID-19 pandemic.

[2] Eileen Rodriguez and Kristen Talman, "Business 'saints and sinners' in the coronavirus crisis" *Financial Times*, 29 March 2020.

The case for business integrity

Developing an integrity agenda doesn't just protect organizations by avoiding fines and penalties. It can also help them thrive financially and deliver long-term value for their stakeholders. For example, Ethisphere research found that the world's most ethical organizations outperformed the U.S Large Cap Index by 13.5% over a five-year period.[3]

Almost all (95%) respondents believe it is important to demonstrate that they operate with integrity, and 98% agree that this brings benefits to their organization.

In our experience, purpose-led organizations that put integrity at the heart of everything they do are more resilient and will be better placed to navigate the business challenges accelerated by the COVID-19 pandemic.

Organizations that foster strong partnerships with key stakeholders (such as their suppliers, employees, investors, communities that they serve, regulators and governments) based on trust have more robust and agile operations that can adapt quickly as events unfold.

We are already seeing early signs of this as more than 70% of ESG[4] funds across all asset classes performed better than their counterparts during the first four months of 2020.

The most important benefits of operating with integrity

50%	41%	40%	37%	35%	31%	31%
Having a strong corporate reputation	Attracting new customers/clients	Retaining talented employees	Retaining customers/ clients	Improving financial performance	Attracting talented employees	Minimizing risks of regulatory/legal action

Question: Of the following possible benefits of operating with integrity, which three would be the most important to an organization like yours?
Base: Global Integrity Report 2020 (2,948)

Characteristics of integrity

When it comes to operating with integrity, nearly half (47%) of respondents believe that the most important characteristic of integrity is complying with rules, laws and regulations. This was the most popular definition, above acting responsibly to colleagues, customers and suppliers (43%), behaving with high ethical standards (40%), and doing the right thing even when nobody is watching (38%).

> **At EY, we believe corporate integrity means doing what you say you will do, with unerring commitment. It's about doing the right thing because it is the right thing to do and not just because a code of conduct prescribes it. For example, integrity breeds trust, it guides organizations to manage data well, and it protects against the temptation to pursue short-term gains at the expense of ethical behavior.**

In this report, we examine three critical areas of the integrity agenda: personal ethical business conduct, third-party management and data protection. The impact of the COVID-19 pandemic has important ramifications for all three areas as employees, supply chains and data security systems are subject to new stresses and strains.

An effective integrity agenda can protect businesses from emerging threats and help them survive — and thrive.

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[3]"By the numbers," Ethisphere magazine ("The World's Most Ethical Organizations" edition), Spring 2020.
[4]"ESG Investing Shines in Market Turmoil, With Help From Big Tech," *The Wall Street Journal*, 13 May 2020.

Is COVID-19 the moment of truth for corporate integrity?

We agree with respondents that COVID-19 has magnified the existing risk in critical areas of business and, as a result, society will be putting corporate behavior under the microscope as never before. Based on our research, we believe that there are three actions that are critical for organizations to address in order to preserve integrity while navigating the crisis and beyond.

The first is to embed corporate integrity to protect against unethical conduct. Acting with integrity is more than a mission statement and written policies. It's a personal quality that everyone in an organization should develop, from the CEO and the board right down to junior employees, business partners and other stakeholders. Each of these parties is an ambassador for your organization, and their behavior reflects the true values of a business.

The second action is to foster trusting partnerships with third parties based on integrity. As organizations expand, they are increasingly reliant on third parties to act on their behalf across a variety of markets. In our experience, organizations that have trusting partnerships with third parties have higher resilience in supply chains and more loyal customers than those that operate purely transactional relationships.

Our final action is to safeguard data to access its value by embedding ethical data management.

Advances in new technologies have optimized operations and helped organizations access new insights from the ever-increasing amounts of data they hold. However, adoption of these tools requires adequate assessment of the risks and proper implementation (including training) to ensure that new technologies do not bring about ethical or legal ramifications for your organization.

These three key actions are driven by the results of our research

Embed corporate integrity to protect against unethical conduct

30%

In the survey, almost a third (30%) of respondents answered that they would be prepared to behave unethically in order to improve their own career progression or remuneration package. Our report shows that this kind of behavior remains prevalent and may even become more widespread as a result of the pandemic as employees fear for their jobs and salaries. Respondents believe a reduction in employee compensation (24%) and increased risk of redundancies (22%) are amongst the highest risks to ethical business conduct as a result of COVID-19.

Foster trusting partnerships with third parties based on integrity

34%

Only 34% of respondents are very confident that their third parties demonstrate integrity in the work they do. As businesses do what's necessary to meet short-term business needs, new high-risk third parties may be engaged that do not share the same culture of integrity. Our research supports this, with 28% of respondents saying disruption to supply chains is one of the highest risks to ethical business conduct as a result of the pandemic.

Safeguard data while ethically leveraging its value

59%

Fifty-nine percent of organizations don't train employees on applicable data privacy regulations, such as the GDPR. COVID-19 has accelerated the risks to data security as the rapid shift to employees working remotely provides ample opportunities for cybercriminals to target unwitting employees who are not prepared to handle sensitive data securely. Thirty-three percent of respondents believe disruption to traditional working patterns as a result of COVID-19 increases the risk of unethical conduct.

Embed corporate integrity to protect against unethical conduct

1

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You're looking for three things, generally, in a person. Intelligence, energy and integrity. And if they don't have the last one, don't even bother with the first two.[5]
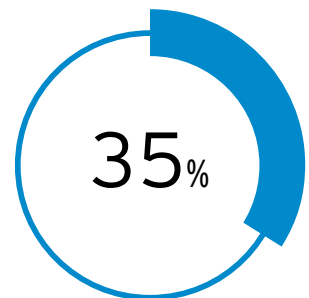
Warren Buffett

Integrity is more important today than it has ever been. As organizations respond to COVID-19 — changing suppliers and shifting priorities — and anticipate the future, it's essential that compliance standards are upheld. If they're not, organizations are exposing themselves to major risks.

In times of crisis, personal conduct can be the first standard to slip. For example, at the height of the COVID-19 pandemic, employees may have been tempted to offer bribes or grease payments to get products shipped amid a lockdown.

Organizations are not machines. They are complex systems made up of humans with individual instincts and behaviors that are influenced by their environment.

It's crucial to understand the people who make up your organization and the environment in which they operate to protect against unethical conduct.

Thirty-five percent of respondents believe that unethical behavior in their organization is often tolerated when the people involved are senior or high performers. This figure increases to 41% for the senior manager respondents.

35%

Believe that unethical behavior in their organization is often tolerated when the people involved are senior or high performers

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[5]"Warren Buffett: The Three Things I Look For in a Person," *The Motley Fool*, 2 February 2014.

Furthermore, 46% of respondents believe that there are managers in their organization who would sacrifice integrity for short-term financial gain. This figure increases to 51% for the senior manager cohort.

Our research finds that the more senior an employee, the more likely they would be to act unethically. Senior employees are more likely to justify unethical behavior such as ignoring unethical conduct in their team, misleading external parties such as auditors or regulators or offering/accepting a bribe in order to boost their own career progression or remuneration. This is concerning as leaders set the tone at the top and define standards of behavior for their organizations.

Those employees who believe they demonstrate the highest levels of integrity have more confidence in their past conduct. Therefore, with over half (51%) of all respondents concerned if information about their work decisions came under public scrutiny, COVID-19 and the ensuing economic crisis will undoubtedly uncover their unethical behavior and actions. This leaves organizations exposed to the threat of reputational damage, especially considering how large our digital footprint is – decisions, statements and social media posts, for example, are all preserved electronically.

Well over half (59%) of respondents say that it is challenging for organizations to maintain their standards of integrity in periods of rapid change or difficult market conditions. This figure rises to 63% for those in emerging markets.

Such findings paint an ominous picture, even pre-COVID-19. A fifth (20%) of respondents in our follow-up survey in April 2020 believe that ethical business conduct will decrease following COVID-19.

Now that organizations are under extreme pressure to survive, ethical standards may slip even further. In times of trouble, a deep commitment to measuring and monitoring personal and corporate integrity is more important than ever.

Senior management is more likely to act unethically

	Ignore unethical conduct in your team	Mislead external parties such as auditors or regulators	Offer or accept a bribe
All respondents	12%	10%	8%
Board member	14%	14%	12%
Senior management	15%	15%	12%
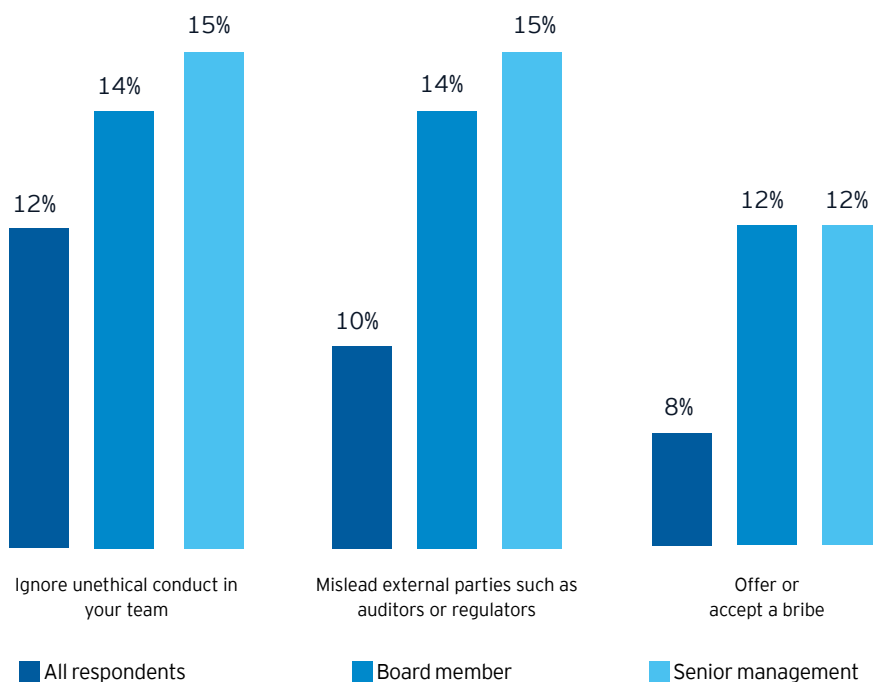
Question: Which, if any, of the following would you be prepared to do to improve your own career progression or remuneration package (your pay or any bonuses you might receive)?
*Base: Global Integrity Report 2020 (2,948), board director/member (333), senior management (988)*

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Understanding the people who make up your organization and the environment in which they operate is critical to protect against unethical conduct.

Stefan Heissner
EY EMEIA Forensic & Integrity Services Leader

Five things you need to know about your employees' view of organizational culture

Our research shows a striking mismatch between the way management and junior employees perceive the actions of leadership and the values of their organization. Of course, just because junior employees believe something is happening, it doesn't mean it is. But perception is powerful, and the key is to understand why.

1

58% **70%**
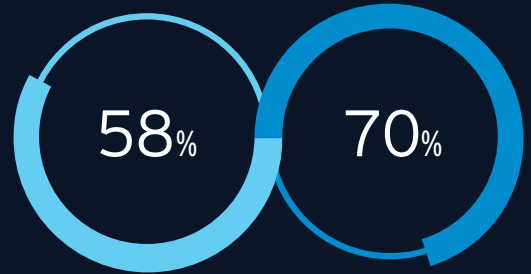
Junior employees fear personal consequences for reporting wrongdoing

Only 58% of junior employees agree that employees in their organization can report wrongdoing at work without fear of negative consequences for themselves. In contrast, 70% of board members agree. Management must build the trust of their workforce through clear communication of values and transparent compliance with the rules, and provide secure ways in which employees can voice their concerns.

Question: To what extent do you agree or disagree: employees in this organization can report wrongdoing at work without fear of negative consequences for themselves?
Base: Global Integrity Report 2020 (2,948)

2

37% **67%**
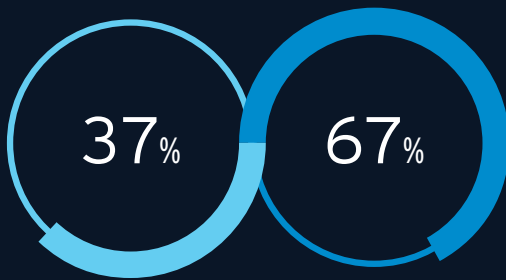
Management doesn't talk enough about integrity

Two-thirds (67%) of the board think management frequently talks about the importance of behaving with integrity, but only 37% of junior employees think the same. Management must talk about integrity to the wider organization, engaging employees on the issue.

Question: In the last two years, how often have you heard management communicate about the importance of behaving with integrity?
*Base: Global Integrity Report 2020 (2,948)*

3

58% **71%**
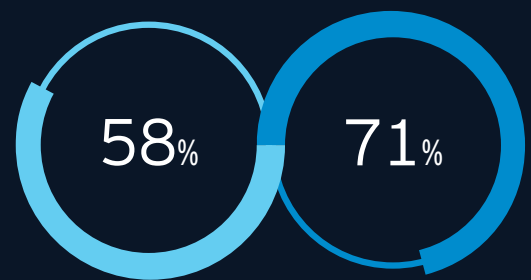
Junior employees doubt standards of integrity are improving

Fifty-eight percent of junior employees believe the standard of integrity at their organization has stayed the same or has become worse, but 71% of the board think standards have improved. Organizations must work hard to make tangible improvements to their integrity standards that can be felt internally across the organization.

Question: In general, would you say standards of integrity have gotten better or worse in your organization in the last two years, or have they stayed the same?
*Base: Global Integrity Report 2020 (2,948)*

4

32% **34**%
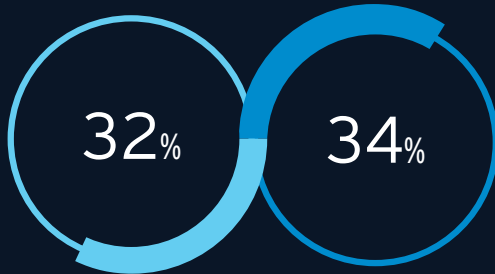
Managers are believed to let high performers get away with unethical behavior

A third (32%) of junior employees believe unethical behavior is tolerated if the culprits are senior or high performers. In fact, a similar proportion (34%) of the board agrees. Misconduct should not be tolerated at any level.

Question: To what extent do you agree or disagree: unethical behavior in this organization is often tolerated when the people involved are senior or high performers?
Base: Global Integrity Report 2020 (2,948)

5

60% **55**%
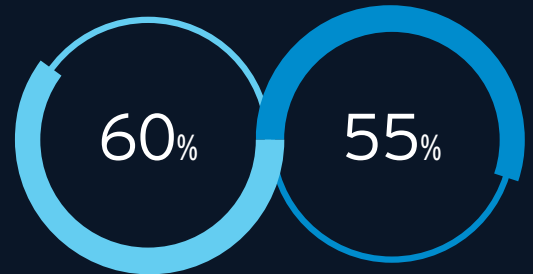
Junior employees do not believe management operates with integrity

Sixty percent of junior employees are not very confident that their managers demonstrate professional integrity. Meanwhile, the majority (55%) of board members are very confident they do. Management must always demonstrate integrity and lead by example.

Question: How confident are you that managers in this organization demonstrate integrity in the work they do?
Base: Global Integrity Report 2020 (2,948)

Practical ways that integrity can protect against personal misconduct

▶ Assess your current compliance framework – is it fit for purpose as the risk landscape evolves, does it influence individuals' behavior and is it adequately resourced?

▶ Probe the attitudes of your people about the risks and pressures to do the wrong thing and strengthen channels for employees to confidentially report cases of misconduct without fear of retaliation.

▶ Take personal responsibility for your own professional actions, whether scrutinized or not. Senior employees should lead by example to create a culture of integrity.

▶ Conduct root cause analyses of misbehavior rather than treating symptoms, and understand the dynamics of the social environment shaping unethical behavior.

▶ Develop policies and procedures that influence individual behavior at all levels and reinforce with tailored training and communications.

▶ Use data to obtain measurable insights on actual behaviors in your organization.

Action 2

Foster trusting partnerships with third parties based on integrity

2

It is essential that organizations can fully trust the third parties they work with. This trust needs to be built through a careful program of risk-based screening that is carried out on a consistent and robust basis.

COVID-19 has caused significant disruption to supply networks, with 94% of Fortune 1000 organizations reporting changes to their supply chain since the start of the crisis[6] as they diversify from existing supply chains to new partners, countries, sources and vendors.

Our research shows that the disruption to supply chains resulting from the pandemic is seen as one of the largest threats to business integrity, with 28% of respondents saying it's one of the highest risks to ethical conduct in their business. As organizations respond under pressure to ensure business continuity, they may be exposing themselves to unknown levels of risk by engaging with new third parties that have different ethical values.

Even before the global pandemic, organizations faced integrity-related challenges around their third-party practices, with issues such as beneficial ownership, modern slavery and sanctions.

As organizations start to regenerate, emerging from the pandemic into a harsher economic climate, they may be more inclined to turn a blind eye to unethical actions relating to their third parties. Whether this may involve cutting corners on processes and procedures, or knowingly colluding in unethical or illegal behavior to help the organization survive, the price of this can be high.

Many jurisdictions state that organizations have liability for the actions of third parties. In fact, 90% of US Foreign Corrupt Practices Act (FCPA) violations include acts by third parties.[7]

Although ethical third-party management is always crucial for organizations, our data shows that organizations are failing in this regard. Only a third (34%) of companies are very confident that their third parties – including suppliers, vendors, partners or consultants – abide by relevant laws, codes of conduct and industry regulations. This is concerning and suggests an apparent lack of thoroughness in vetting and management.

What is especially concerning is that respondents cite ignoring third-party misconduct as the top unethical behavior they would commit for personal gain.

34%

of organizations are very confident that their third parties – including suppliers, vendors, partners or consultants – abide by relevant laws, codes of conduct and industry regulations.

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[6]Erik Sherman, "94% of the Fortune 1000 are seeing coronavirus supply chain disruptions: Report," *Fortune*, 21 February 2020.
[7]"Foreign Corrupt Practices Act Clearinghouse" *Stanford Law School* http://fcpa.stanford.edu/chart-intermediary.html

> **"** There are practical ways an active monitoring program can help protect against third-party misconduct, in particular when supply chains are being reset.

Emmanuel Vignal
EY Asia-Pacific Forensic & Integrity Services Leader

Across all respondents, just over 1 in 10 (13%) would ignore unethical conduct by third parties, but this figure doubles to 1 in 5 among board members. Such results will negatively affect shareholder confidence in the board members and reinforce the need for change.

Ignoring third-party misconduct is a huge risk for organizations. For example, technology giants have come under fire for the working conditions imposed by their overseas suppliers.

When managing third parties, a deep commitment to a personal and corporate integrity agenda is more important than ever.

Organizations can protect themselves from risk by holding third parties to account on their levels of integrity. This can be achieved by taking a proportionate risk-based approach to engaging and managing third parties.

Integrity and M&A

It's not just supply chains that can bring about third-party risk to organizations – they can face significant risk when acquiring, partnering with or investing in other organizations.

Our research shows that 95% of respondents believe integrity-related risks are among the most significant when undergoing a transaction. Our survey shows the top risk for engaging in an M&A transaction is cybersecurity (20%). When acquiring another organization, or partnering with one, organizations must be certain that the third party follows stringent security and privacy practices. If they don't, their organization could be open to risk.

Other major risk factors organizations face when engaging in M&A are accounting manipulation (17%) and hidden high-risk relationships (17%).

Since the scandal related to Dubai-based private equity firm Abraaj Capital Ltd. was exposed in 2018 and its subsequent collapse, it has been referred to by the industry as the "wake-up call" for investors to strengthen their due diligence procedures, which may help uncover conflicts of interest where complex relationships exist.

As investors start to look again to the emerging markets for greater returns, it is important to remember that integrity plays a significant role in M&A due diligence – 1 in 5 (19%) organizations say that the integrity of the management at the acquired organization is among the biggest risks associated with buying, investing in or partnering with an organization.

In acknowledging the impact that unethical behavior may have, some organizations are including so-called "#MeToo clauses" in certain M&A transactions, where the target organization states that its record on personal conduct is clean.

Key risks when undertaking M&A transactions

|	
Cybersecurity	**20%**
Integrity of the management at the acquired organization	**19%**
Accounting manipulation/misstatements	**17%**
Hidden high-risk relationships	**17%**

Question: Of the following risks, which three do you think are the most significant when acquiring, partnering with or investing in other organizations? (%)
Base: Global Integrity Report 2020 (963).

Organizations must assess the integrity of all parties in M&A activity, but our data suggests this is not happening enough.

Less than a third (31%) of organizations carry out due diligence on reputation and integrity, and only a quarter (25%) implement bribery and corruption reviews.

As investors emerge from the pandemic, assessing the potential opportunities before them, greater caution and care must be taken to ensure that their integrity is not compromised by the misconduct of their associated third parties.

The majority of organizations aren't assessing integrity as part of M&A transactions

31%

Due diligence on reputation and integrity

25%
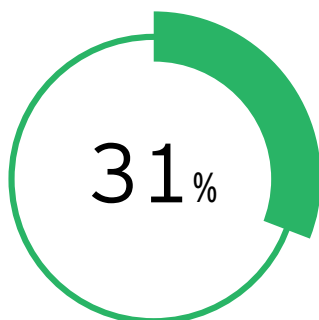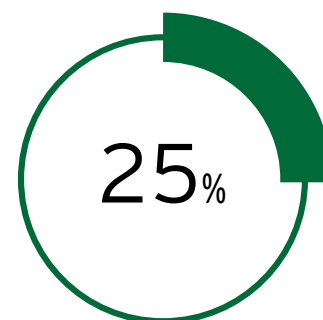
Implementing bribery and corruption reviews

Question: Which, if any, of the following does your organization do when buying another organization? (%)
Base: Global Integrity Report 2020 (2,948)

Practical ways integrity can protect against third-party misconduct:

▸ **Perform proportionate risk-based screening on new third parties** – trust with third parties is built through a consistent and robust level of screening that is proportionate to the level of risk. This should identify and assess possible legal, reputational or financial risks.

▸ **Risk-rank your third parties** – according to your organization's risk appetite and integrity agenda. Determine the level of risk your organization is willing to take.

▸ **Take appropriate actions to mitigate any red flags** – risks identified during due diligence must be addressed before engaging a third party, for example, by adding specific contract clauses. Be prepared to walk away if the risk cannot be adequately mitigated.

▸ **Update your understanding of your existing third parties** – it's not enough to perform screening only once when onboarding new third parties. Ongoing due diligence should be performed on your existing third parties according to their risk ranking, so that any new or emerging risks are considered.

▸ **Perform holistic M&A integrity due diligence** – this should preferably be done pre-acquisition. Ensure compliance is part of the post-deal integration process.

▸ **Integrate digital technology and automation** – to improve efficiency and decision-making throughout the onboarding, screening and monitoring of third parties.

Action 1 2 **3**

Safeguard data while ethically leveraging its value

3

A fifth of respondents suffered a major cybersecurity breach in the preceding year. Cybercriminals do not discriminate based on geography — our results were similar across developed (19%) and emerging markets (23%) – and with 21% of all respondents confirming that they have suffered a major data loss event, organizations must ensure data is safeguarded effectively.

An exponential increase in the volume of data that organizations hold over the last decade has driven the emergence of new business models that utilize data analytics, artificial intelligence (AI) and automation. COVID-19 has accelerated this trend as companies have had to adapt to changing consumer behaviors overnight and fast-track digital transformations of their operations to meet the increasing demands of data-driven services and products.

While advanced technologies such as AI can provide valuable insights for corporate decision-making and monitoring business integrity, they also pose significant risks. For instance, AI algorithms may be able to monitor job performance by sifting through an employee's social media posts or emails, but this type of use can violate privacy regulations and raise ethical concerns. Failure to adequately protect data creates vulnerabilities that can run afoul of both corporate values and rapidly evolving regulatory compliance obligations.

Thirty-five percent of respondents believe that current data protection laws are a barrier to success in business, while 74% say they expect enforcement of these laws to increase in the future.

In a rapidly evolving economy with growing regulatory requirements and scrutiny, organizations will need to be more cautious in how they collect, maintain and use data to ensure compliance without compromising critical business operations. It is also imperative that organizations are conscious of potential workarounds or operational shortcuts that employees may implement to overcome perceived unnecessary barriers.

All organizations are facing increasingly sophisticated attacks from cybercriminals who seek to steal data to expose data security failings, profit from the sale of data or encrypt it for ransom. A data breach can paralyze operations or even put smaller companies out of business. Over the last decade, firms that failed to safeguard their customers' information have eroded public trust and suffered huge damages resulting from regulatory fines, litigation, reputational loss and shrinking revenues.
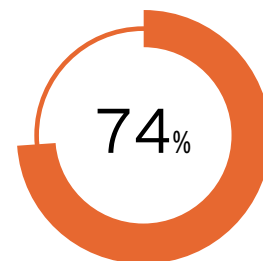
Organizations face challenges navigating data privacy and protection regulations

35%

74%
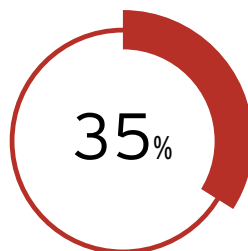
Believe current data protection laws are a barrier to success in business

Question: To what extent do you agree or disagree: current data protection and privacy legislation is a barrier to success in business?
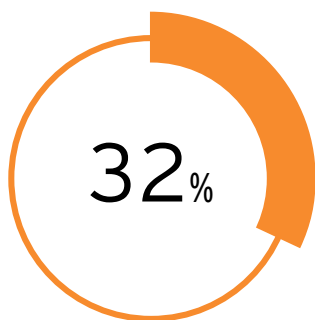*Base: Global Integrity Report 2020 (2,948)*

Expect enforcement of data protection laws will increase in the future

Question: To what extent do you agree or disagree: we expect that the level of activity by authorities around the enforcement of data protection and privacy legislation will increase in future?
Base: Global Integrity Report 2020 (2,948)

Organizations remain concerned with the ever-present threat of cyberattacks

32%

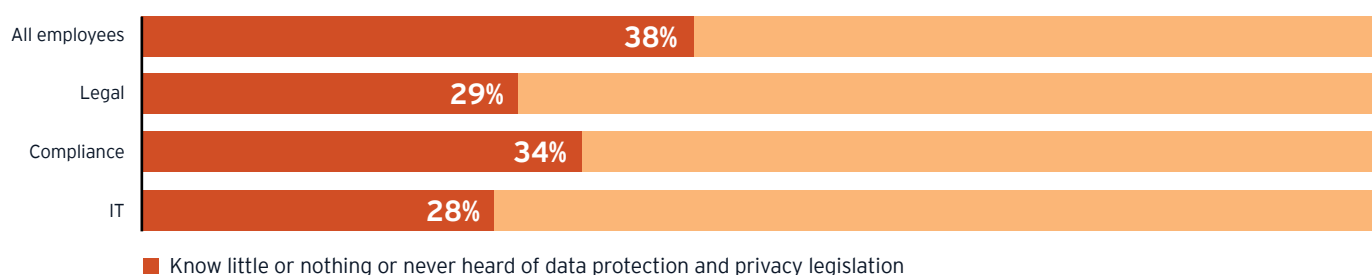Believe cyberattacks are the greatest risk to their organization

Question: Which, if any, of the following do you think pose the greatest risk to the long-term success of your organization? *Base: Global Integrity Report 2020 (2,948)*

Cybercriminals trying to exploit the fears and uncertainties around the virus have stepped up phishing and ransomware attacks, increasing the risks for organizations already struggling to operate during a pandemic. The rapid shift to employees working remotely has made cybersecurity an even bigger challenge – one that organizations had little time to prepare for. Already we have seen such attacks on various sectors, including health care organizations.

Front-line individuals must be equipped with the right knowledge and training to safeguard data

It's critical to develop and implement a cyber breach incident response plan, alongside training employees, considering that most ransomware attacks occur when an employee clicks on a fraudulent email link or attachment. However, our survey shows that 62% do not have such plans in place, and less than half (49%) are adequately trained. A comprehensive response plan that is enacted quickly after an incident has been shown to significantly reduce the impact and financial costs of a breach.

Many employees lack knowledge of data protection responsibilities

All employees	**38%**
Legal	**29%**
Compliance	**34%**
IT	**28%**

■ Know little or nothing or never heard of data protection and privacy legislation

Question: Overall, how much would you say you know about data protection and privacy legislation (such as the GDPR or specific local legislation)? *Base: Global Integrity Report 2020 (2,948)*

Concerningly, most respondents say their organizations fail to follow many recommended practices for safeguarding data. Fifty-nine percent do not train employees on their data privacy responsibilities. This training deficit is reflected in the lack of knowledge about data integrity, even among the many employees working in legal, compliance and IT functions.

Users are the gatekeepers to data and own the credentials that cybercriminals target. This lack of knowledge could give rise to internal data breaches, where unwitting employees fall victim to social engineering attacks or circumvent data protection policies by downloading sensitive company data onto their personal devices while working from home.

Many survey respondents also report a lack of knowledge about their companies' own data security procedures.

Almost three in ten (28%) said that they know little to nothing about their organization's policies and procedures for keeping its premises, equipment and networks secure.

The same percentage (28%) also admitted knowing little or nothing about policies and procedures for allowing employees to access data.

The failure to educate employees on protecting data is surprising, considering respondents named cyberattacks as the greatest risk to the long-term success of their organizations. The reality is organizations should be doing more to safeguard data – 2019 was a record year for breaches, with more than 15 billion sensitive records exposed.[8]

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[8]"2019 Year End Data Breach QuickView Report," Risk Based Security, February 2020.

Advanced technologies can both help and hinder business integrity

Organizations are increasingly adopting AI, analytics and automation technologies in their compliance programs. These tools can help an organization operate ethically by detecting and even predicting instances of fraud, corruption and theft within the enterprise and among third parties. Tools like machine learning can also be used to protect data more effectively – for example, by reducing the number of false positives in security alerts and automatically blocking malware.

But the use of advanced analytics technologies can also bring ethical and even legal ramifications. For example, revealing personally identifiable information (PII) when aggregating data elements that otherwise are clear of PII concerns.

Companies should carefully assess the ethical risks of adopting new technologies and take proportionate steps to mitigate them. This will position them well for compliance with any future regulations and sudden changes in working conditions.

" Organizations committed to integrity should examine new technologies thoughtfully, implement them carefully and educate employees for their ethical use.

Todd Marlin
EY Global Forensic & Integrity Services
Technology & Innovation Leader

Practical ways to help safeguard data with integrity:

▶ Promote a culture of data integrity that encompasses both the organization and its supply chain, strengthened with regular communications and training.

▶ Refresh training to take account of new working environments and regulations and roll out to workers across all functions, positions and seniority levels.

▶ Utilize advanced technology as part of an effective compliance program to monitor business activity and flag potential risk areas – for example, as part of a cyber breach response plan to detect and quantify data that may have been lost.

▶ Perform a risk assessment when introducing new advanced technologies that incorporates ethical scenarios where data integrity may be compromised.

Conclusion

Doing the right thing, because it's the right thing to do

There is no doubt that business is facing a once-in-a-generation challenge. Even before the global pandemic hit, organizations faced huge challenges – sanctions, political upheaval, society's changing views and trade wars, to name just a few. Now they face new and significant decisions that pose ethical dilemmas, which they must respond to at speed and under increased scrutiny.

It's essential that organizations put integrity at the heart of their operations. Organizations that do this are more resilient and will be better placed to navigate the pandemic and its aftermath.

Organizations demonstrating greater integrity will emerge stronger than their competitors, having retained their top talent and attracted new customers even during turbulent times.

Integrity is more than a mission statement and written policies. It's something that everyone should develop, from the CEO and the board right down to junior employees, business partners and third parties. In our experience, the best way of doing this is by addressing the four core elements of the integrity agenda: culture, governance, data insights and internal controls that align an individual's actions with an organization's objectives. This is not the time to trim or redeploy compliance teams but maintain momentum as your operating environment changes.

To close the gap between intent and reality, organizations should focus their efforts on improving the effectiveness of their compliance programs by assessing the corporate culture, controls and governance from an integrity perspective, leveraging new technologies to provide better data insights.

Ultimately, business integrity enables successful organizations to stay true to their missions, keep their promises, respect laws and ethical norms, foster public trust, and increase resilience in times of crisis. This in turn allows them to build capital – both financial and reputational.

For more information and our latest thinking visit **www.ey.com/forensics**

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Corporate integrity is not 'greenwashing' or being seen to be doing the right thing for the press. Integrity is behaving in a way that generates long-term value to support the communities that organizations serve.

Tony Jordan
EY Americas Forensic & Integrity Services Leader

EY | Assurance | Tax | Strategy and Transactions | Consulting

About EY Forensic & Integrity Services
Embedding integrity into an organization's strategic vision and
day-to-day operations is critical when managing complex issues of fraud,
regulatory compliance, investigations and business disputes. Our international
team of more than 4,000 forensic and technology professionals helps leaders
balance business objectives and risks, build data-centric ethics and compliance
programs, and ultimately develop
a culture of integrity. We consider your distinct circumstances
and needs to assemble the right multidisciplinary and culturally aligned team for
you and your legal advisors. We strive to bring you the benefits of our leading
technology, deep subject-matter knowledge and broad global sector experience.

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