

THE CONFERENCE BOARD



**Survey Results:
Protecting IP and Preventing
Corrupt Activities in the
Global Supply Chain**

August 19, 2012

Trusted Insights for Business Worldwide

Introduction

- 82 survey respondents:
 - ◆ IP: 58
 - ◆ AC: 27
- Roughly three quarters of the companies participating were:
 - ◆ Headquartered in the U.S.
 - ◆ Had \$5 billion+ in annual revenues
- Participants include 55 companies from the Fortune 500 and Fortune Global 500 lists.
- Roughly 60% of respondent companies generate half or more of their revenues outside their home country.



Topline Results

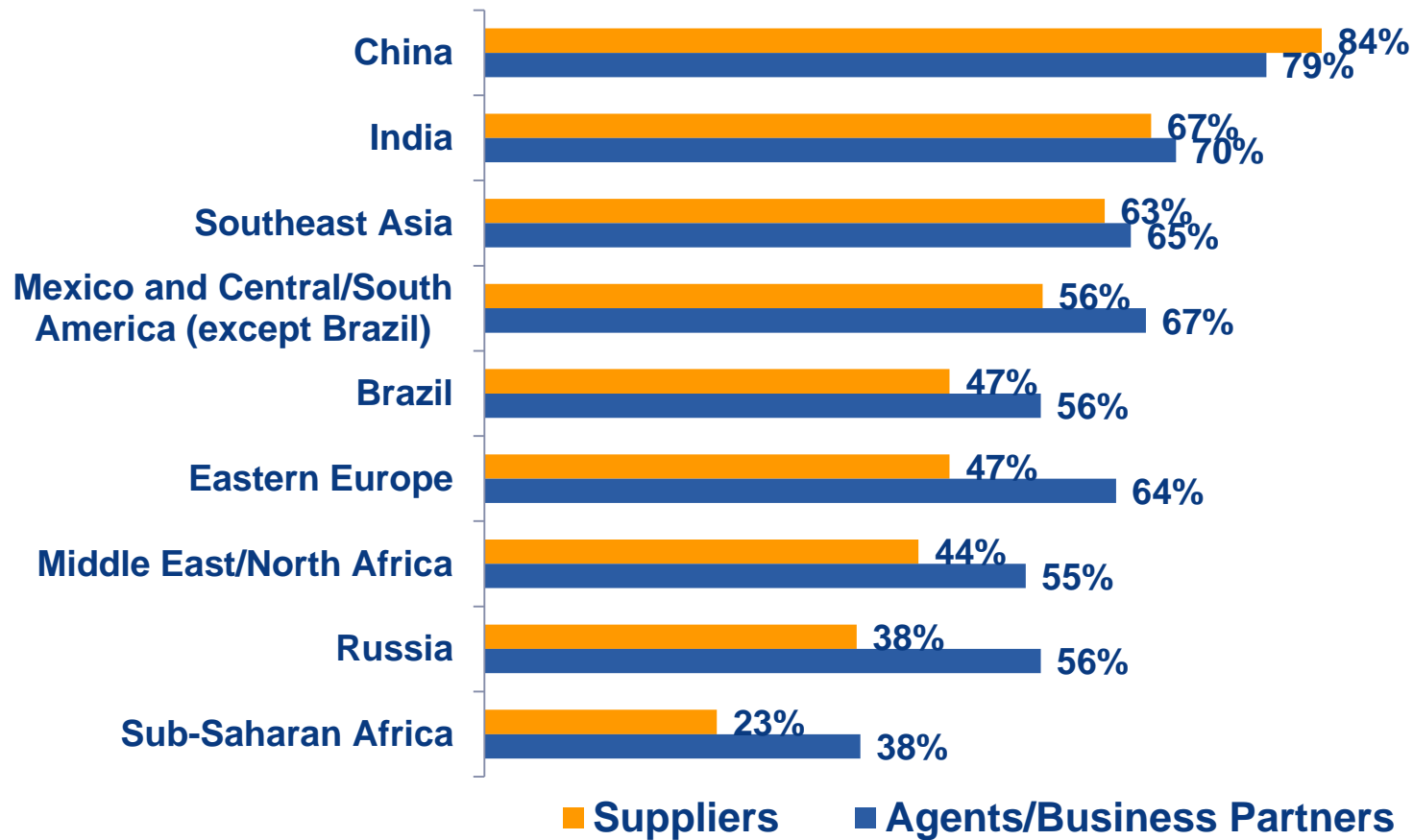
- Significant risk both upstream and downstream
 - ◆ AC: More risk downstream
- IP compliance seen as less effective than AC compliance
- Widespread use of specific methods
 - ◆ But few methods considered very effective
- Significant interest in independent certification program for IP
- Top IP challenges:
 - ◆ Ensuring appropriate behavior of Tier 2 third parties
 - ◆ Different cultural norms
 - ◆ Developing metrics
- Top AC challenges:
 - ◆ Ensuring appropriate behavior of Tier 2 third parties
 - ◆ Developing metrics
 - ◆ Conducting effective training of third-party employees



Overall Assessment



Location of Third Parties

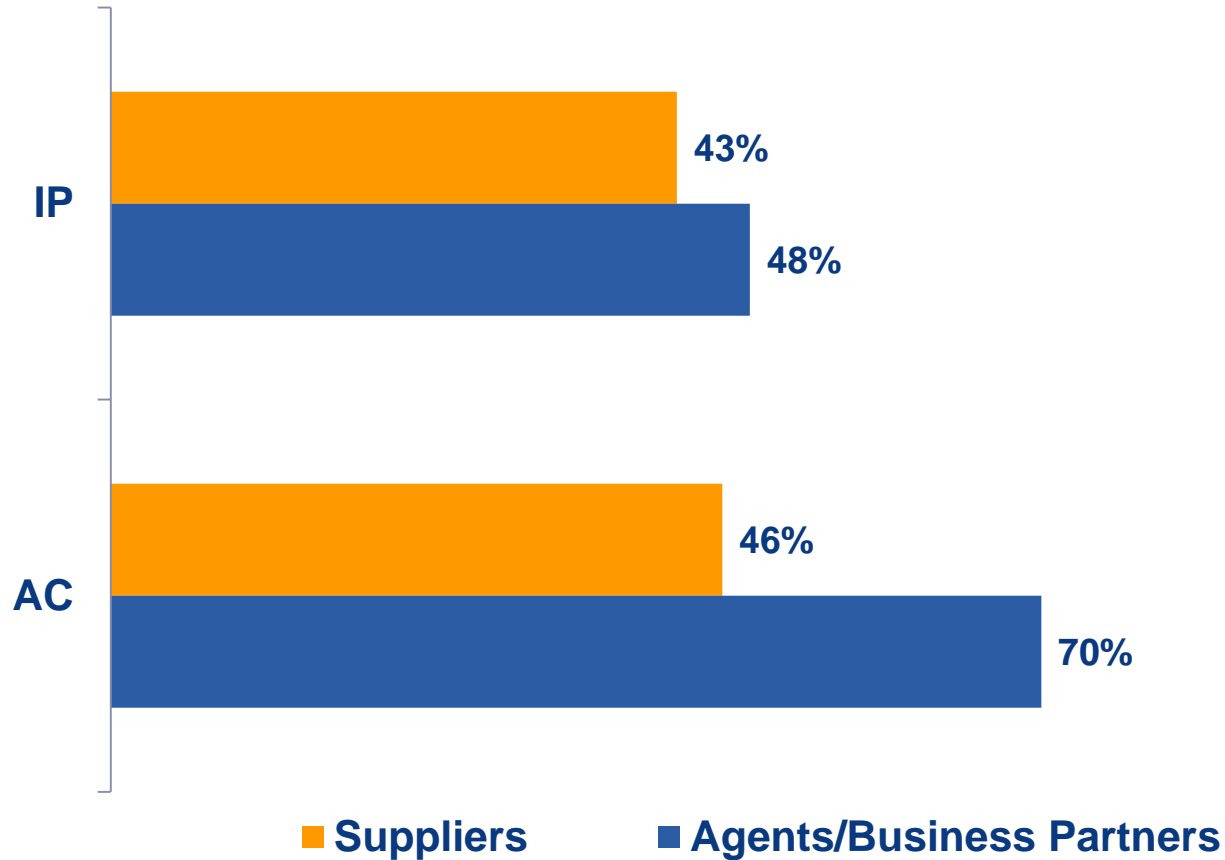


2. In which of the following emerging markets does your company engage suppliers and/or agents/business partners?



Level of Risk in Global Supply Chains

Percentage “Extensive Risk”
Rated 1 – 2 on a 5-Point Scale

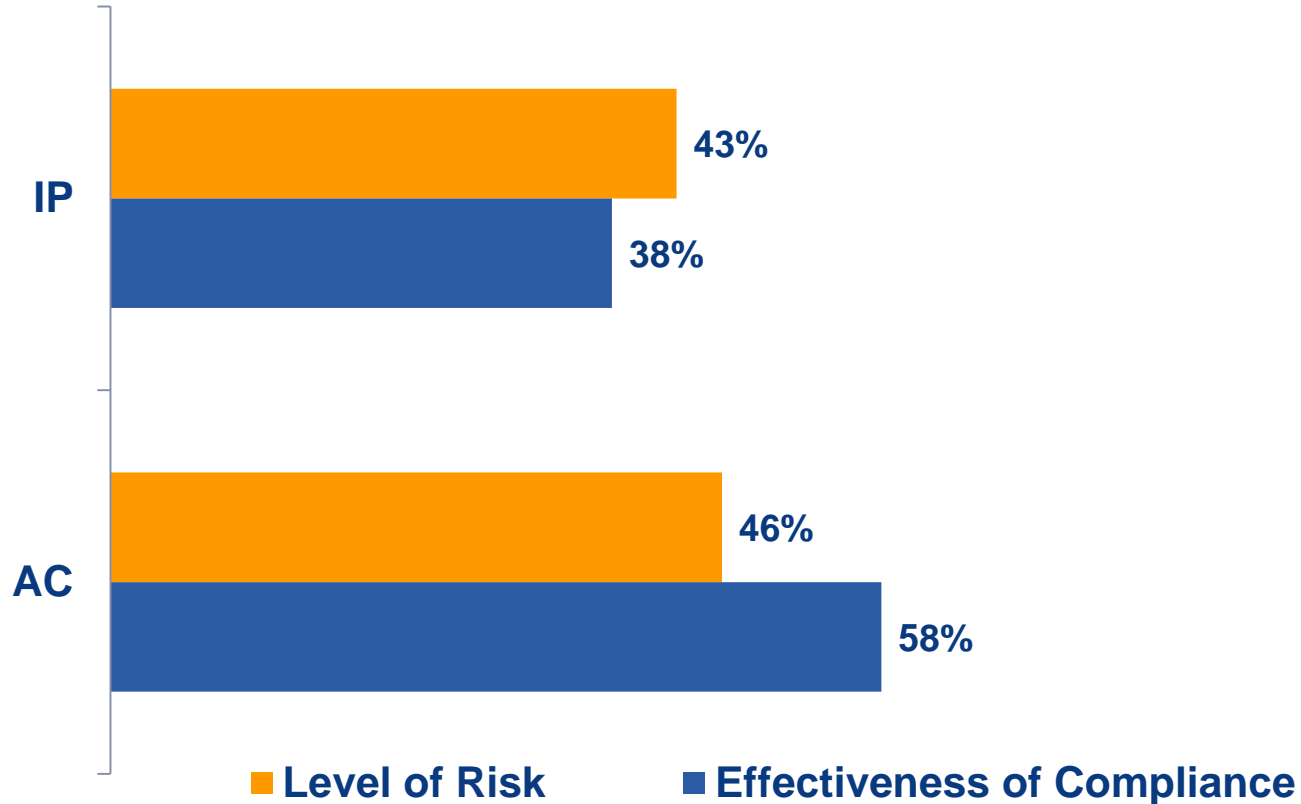


4/19. How much risk do you think there is in IP/AC when your company engages suppliers and agents/business partners in emerging markets?



Risk vs. Effectiveness of Compliance: Suppliers

Percentage “Extensive Risk” and “Very Effective”
Both Measures Rated 1 – 2 on a 5-Point Scale



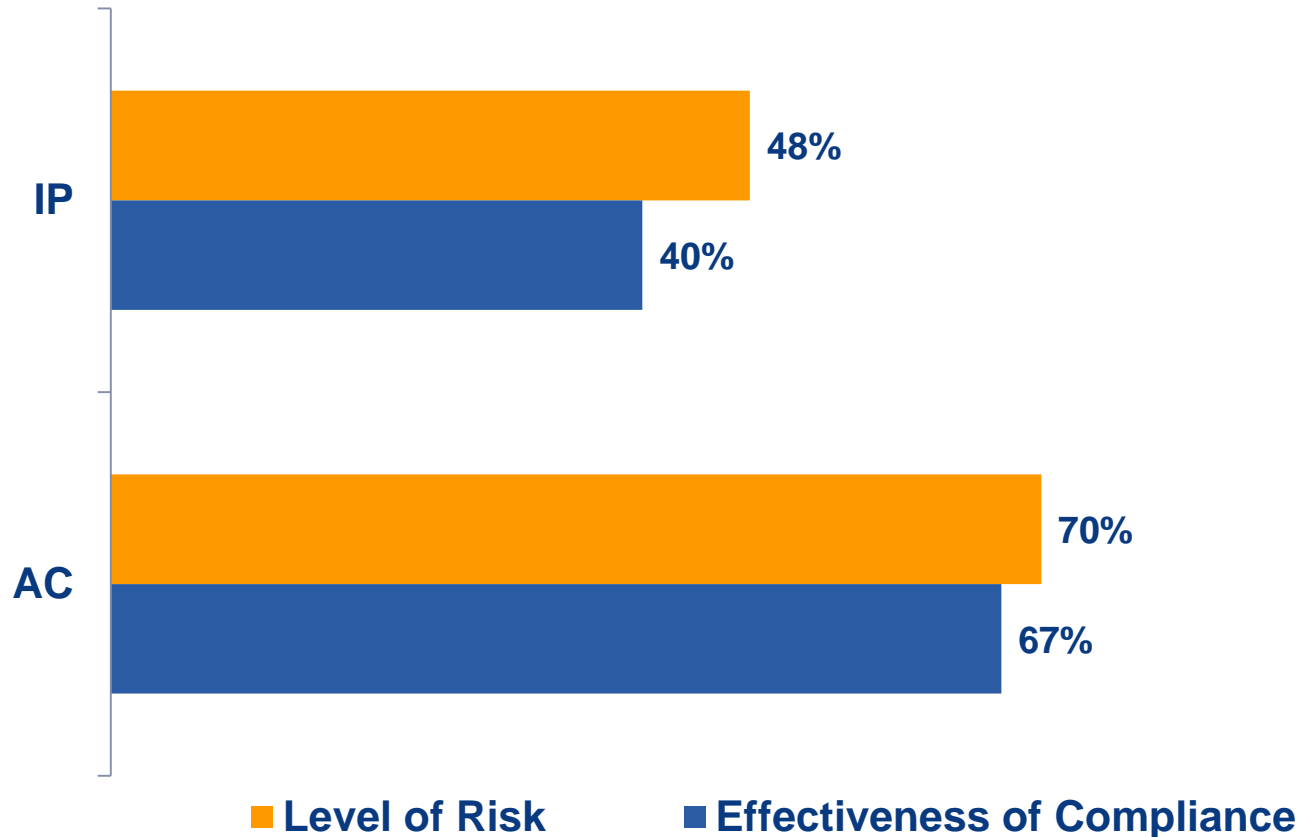
4/19. How much risk do you think there is in IP/AC when your company engages suppliers and agents/business partners in emerging markets?

6/20. How effective do you think your company is in its efforts to prevent violations of IP/AC by its suppliers and its agents/business partners in emerging markets?



Risk vs. Effectiveness of Compliance: Agents/Business Partners

Percentage “Extensive Risk” and “Very Effective”
Both Measures Rated 1 – 2 on a 5-Point Scale

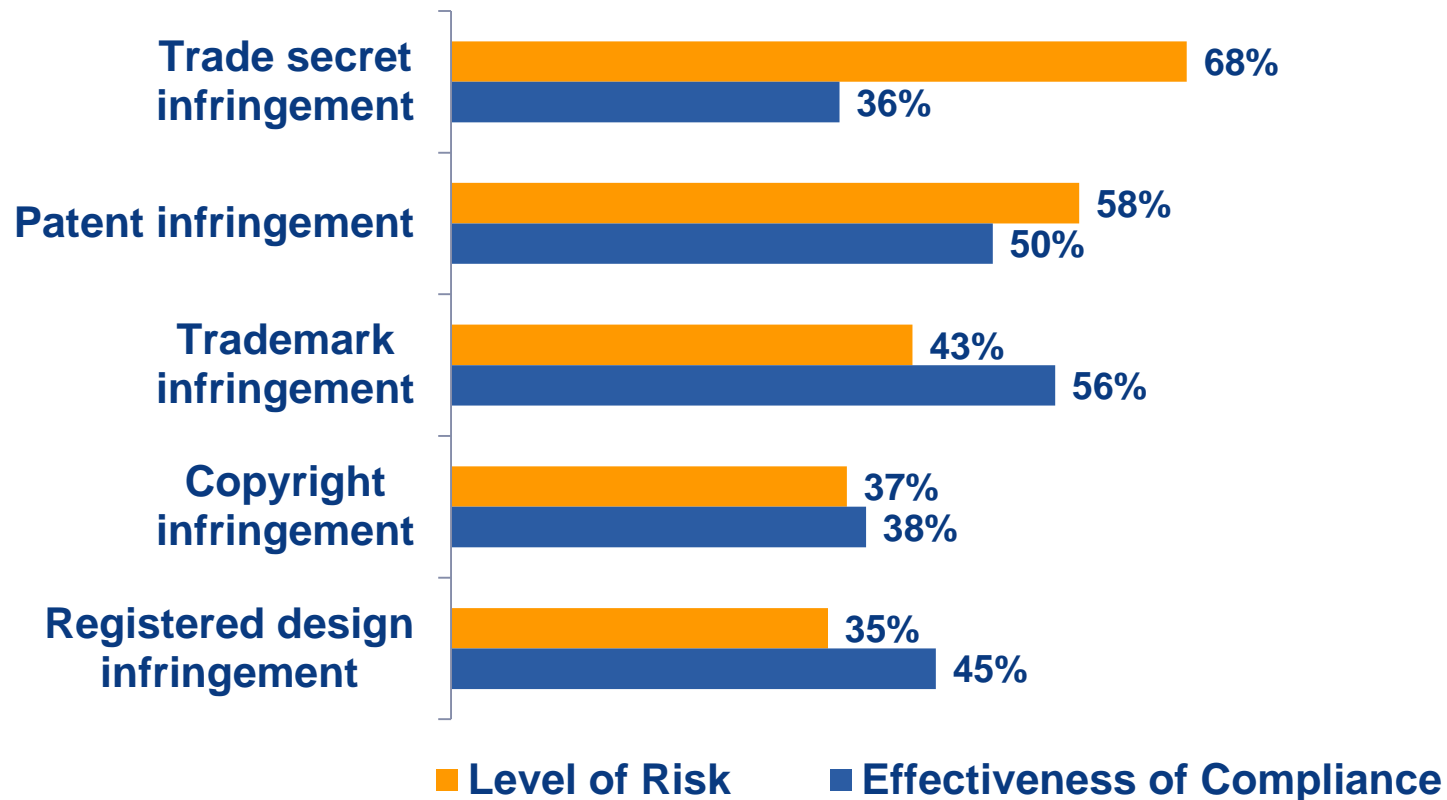


6/20. How effective do you think your company is in its efforts to prevent violations of IP/AC by its suppliers and its agents/business partners in emerging markets?



IP: Risk vs. Effectiveness of Compliance

Percentage of Respondents Who Answered Extensive Risk or Very Effective
Both Measures Rated 1 – 2 on a 5-Point Scale



5. How much risk do you think there is of each of the following types of violations of your company's intellectual property when it engages third parties in emerging markets? 7. How effective do you think your company is in its efforts to prevent each of the following types of infringement of its intellectual property when it engages third parties in emerging markets?



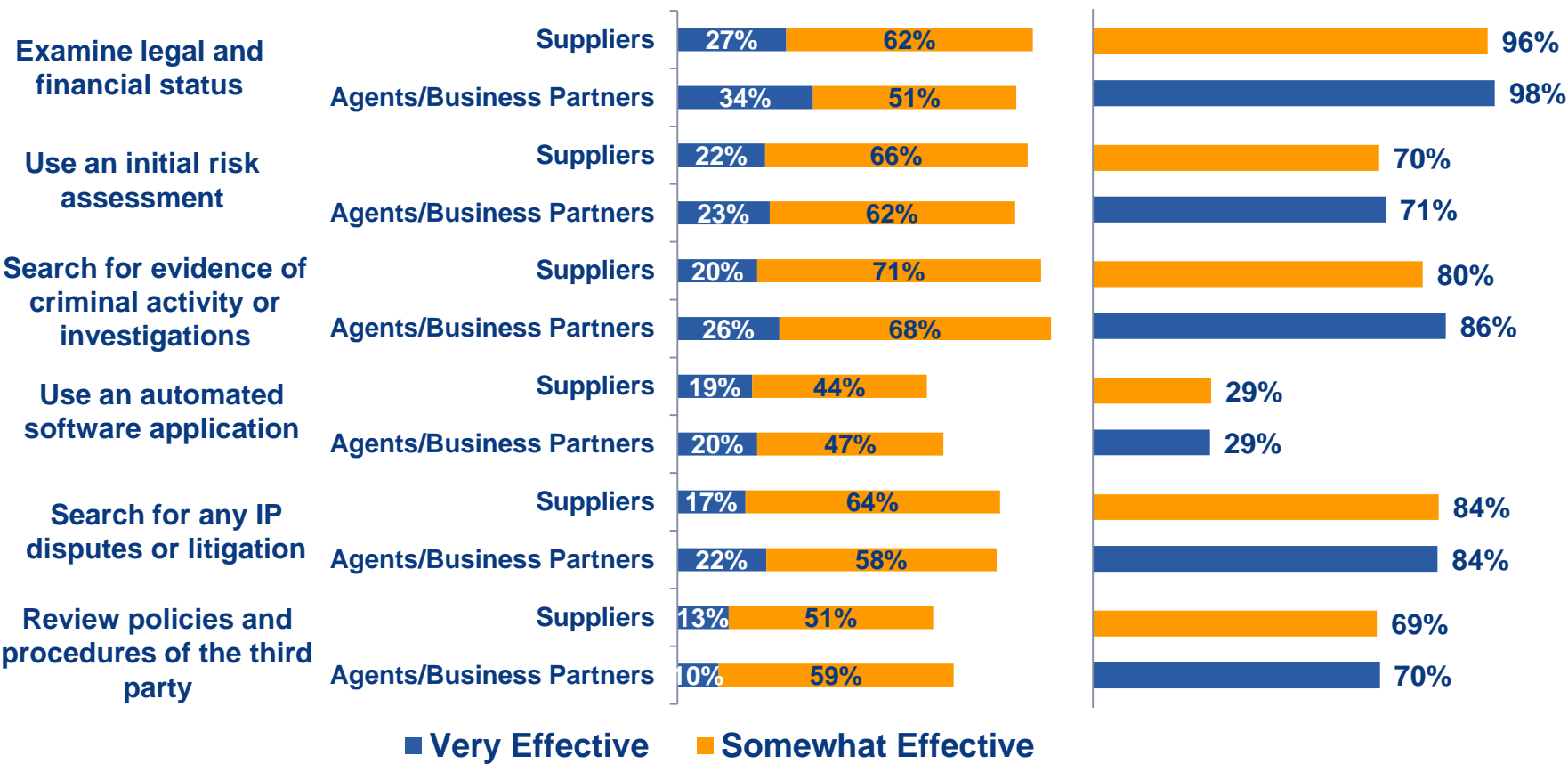
Due Diligence of New Third Parties



Due Diligence: IP

Effectiveness of Method 3-Point Scale Base = Companies that Use Method

Percentage Use Method

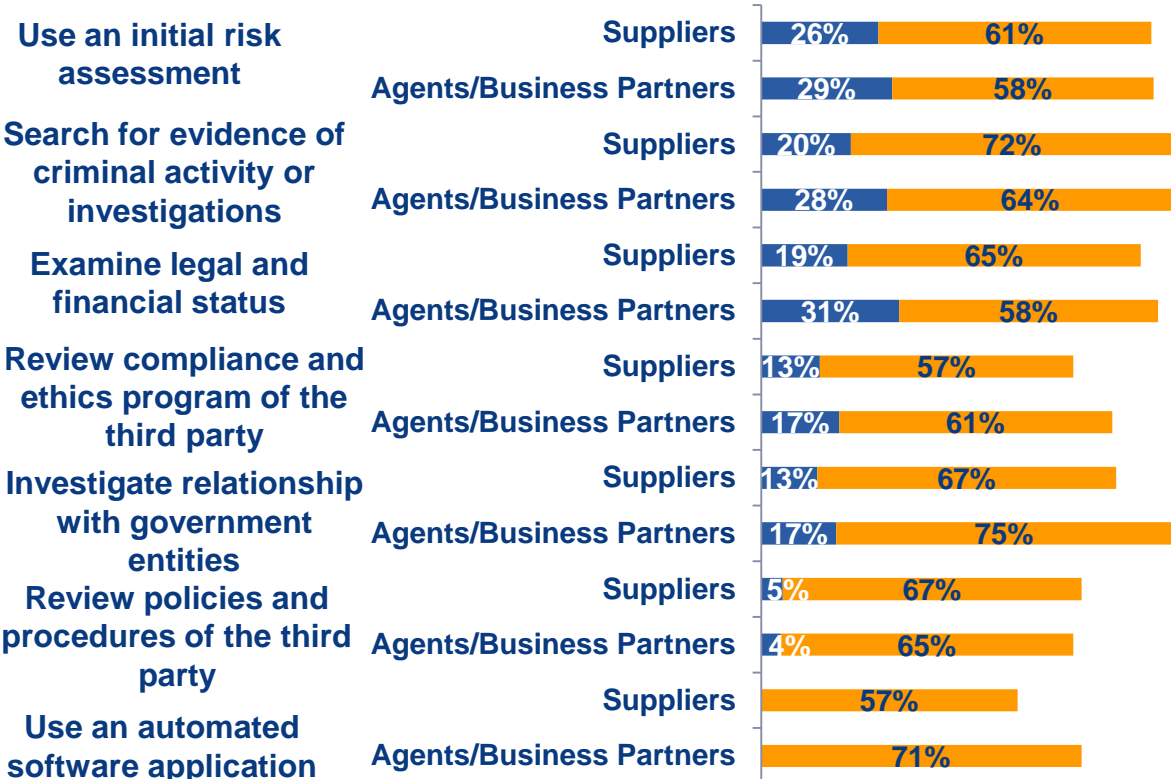


8. When your company conducts due diligence on potential suppliers and agents/business partners in emerging markets, how effective is each of the following to minimize the risk of IP violations/corruption?

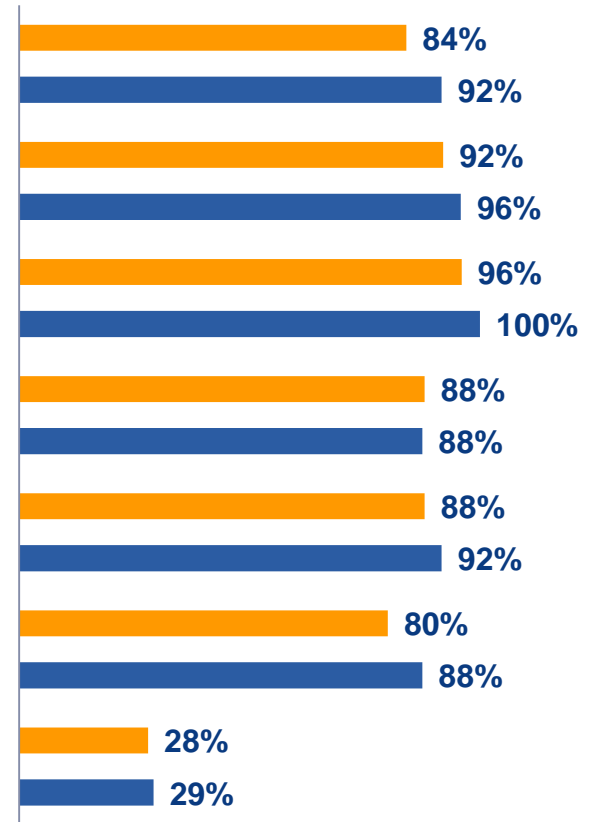


Due Diligence: AC

Effectiveness of Method 3-Point Scale Base = Companies that Use Method



Percentage Use Method



■ Very Effective ■ Somewhat Effective

21. When your company conducts due diligence on potential suppliers and agents/business partners in emerging markets, how effective is each of the following to minimize the risk of IP violations/corruption?



IP of Other Companies

“If a third party respects the intellectual property of other companies, then I have more confidence that they will respect the intellectual property of my company.”



■ Strongly agree ■ Somewhat agree ■ Neither agree nor disagree ■ Somewhat disagree

9. How much do you agree or disagree with the following statement? "If a third party respects the intellectual property of other companies, then I have more confidence that they will respect the intellectual property of my company."



IP Certification Program



■ Very Helpful

■ Somewhat helpful

■ Not Helpful

10. How helpful would it be for your company if there was a program managed by an independent business organization that rated the effectiveness of IP protection at third parties such as suppliers and agents/business partners?



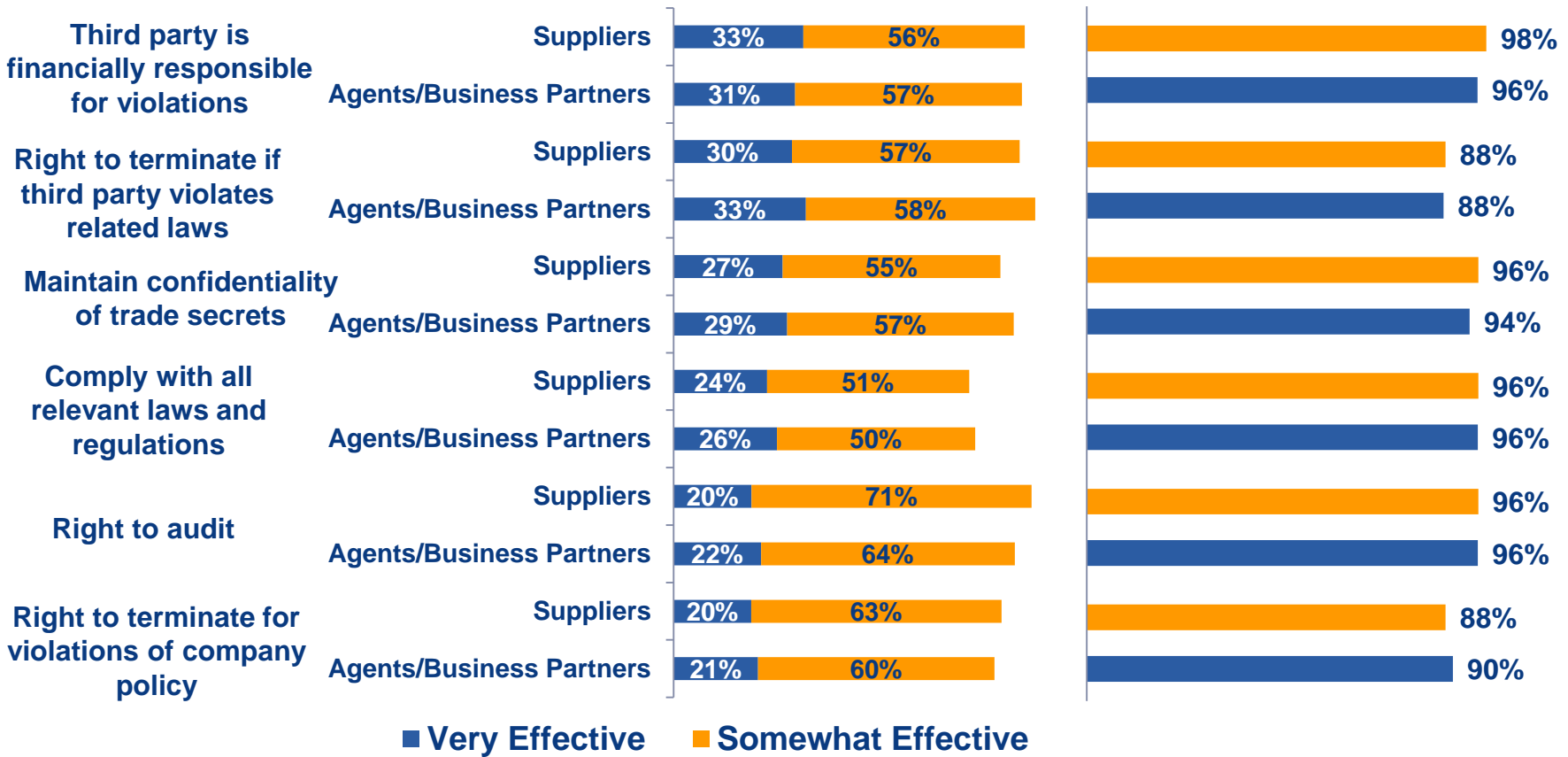
Contract Provisions



Contract Provisions: IP

Effectiveness of Method 3-Point Scale Base = Companies that Use Method

Percentage Use Method



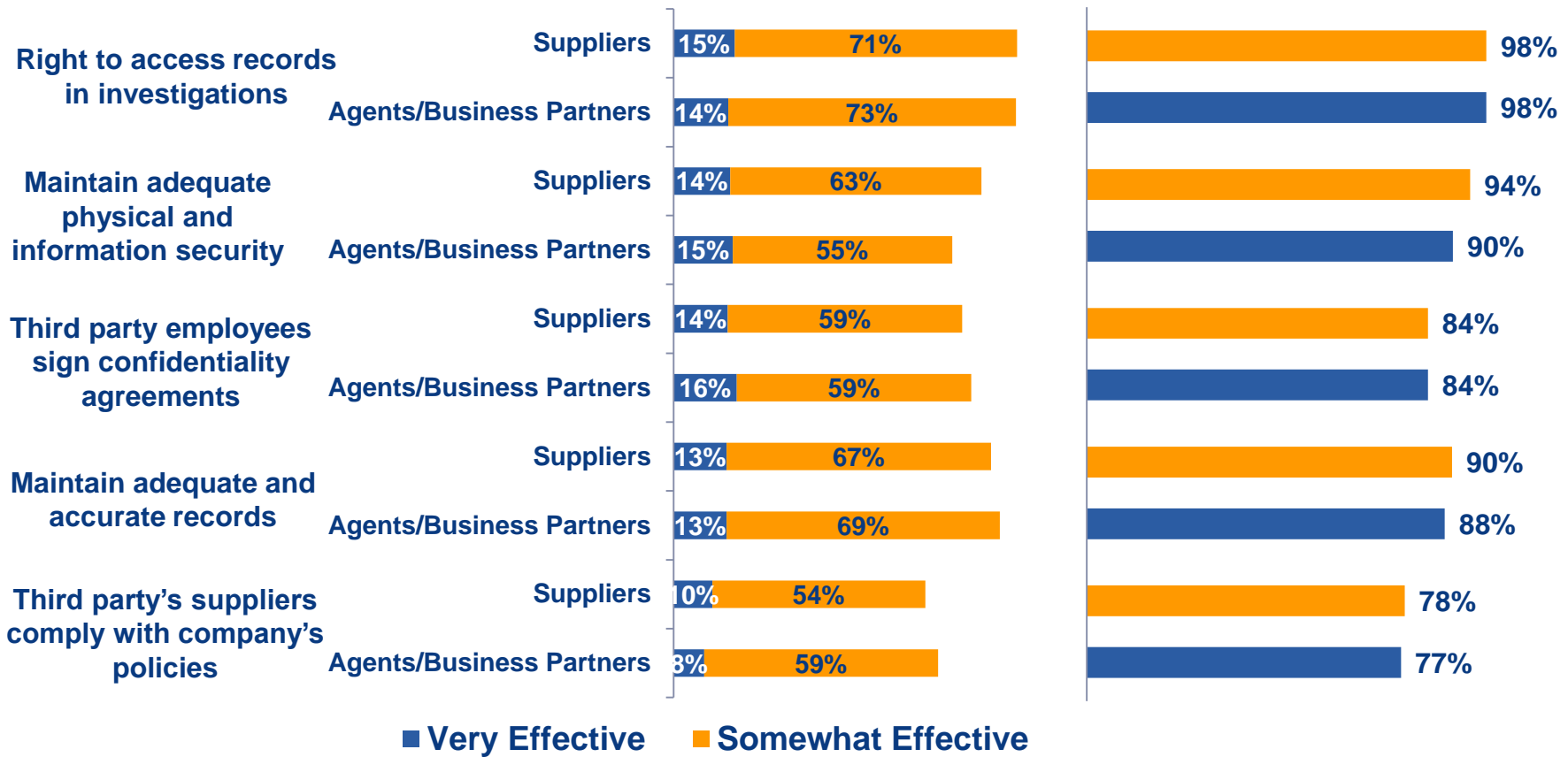
11. How effective is each of the following provisions in your company's contracts with suppliers and with agents/business partners in protecting your company's iIP/AC among its third parties in emerging markets?



Contract Provisions: IP (cont.)

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method



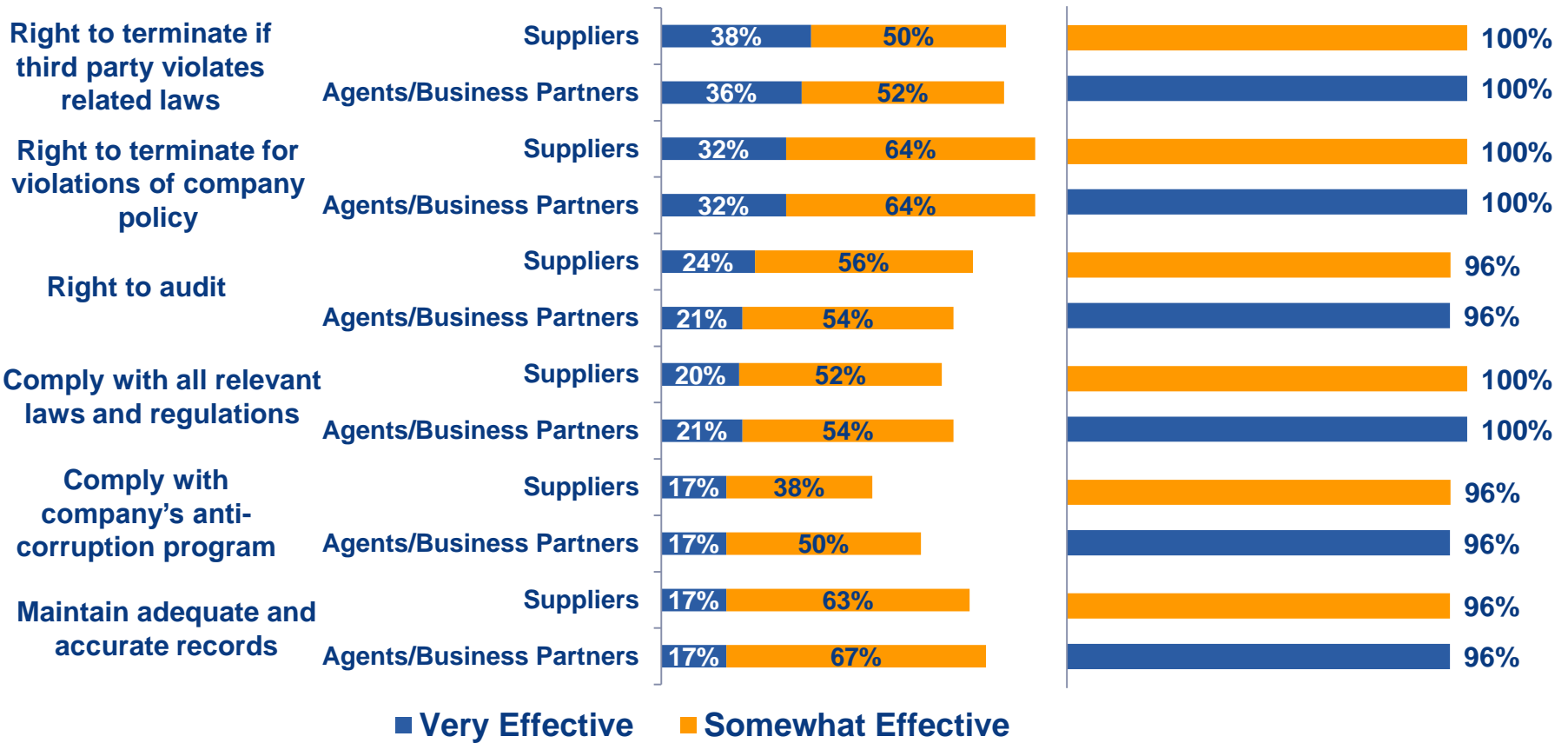
11. How effective is each of the following provisions in your company's contracts with suppliers and with agents/business partners in protecting your company's IIP/AC among its third parties in emerging markets?



Contract Provisions: AC

Effectiveness of Method 3-Point Scale Base = Companies that Use Method

Percentage Use Method



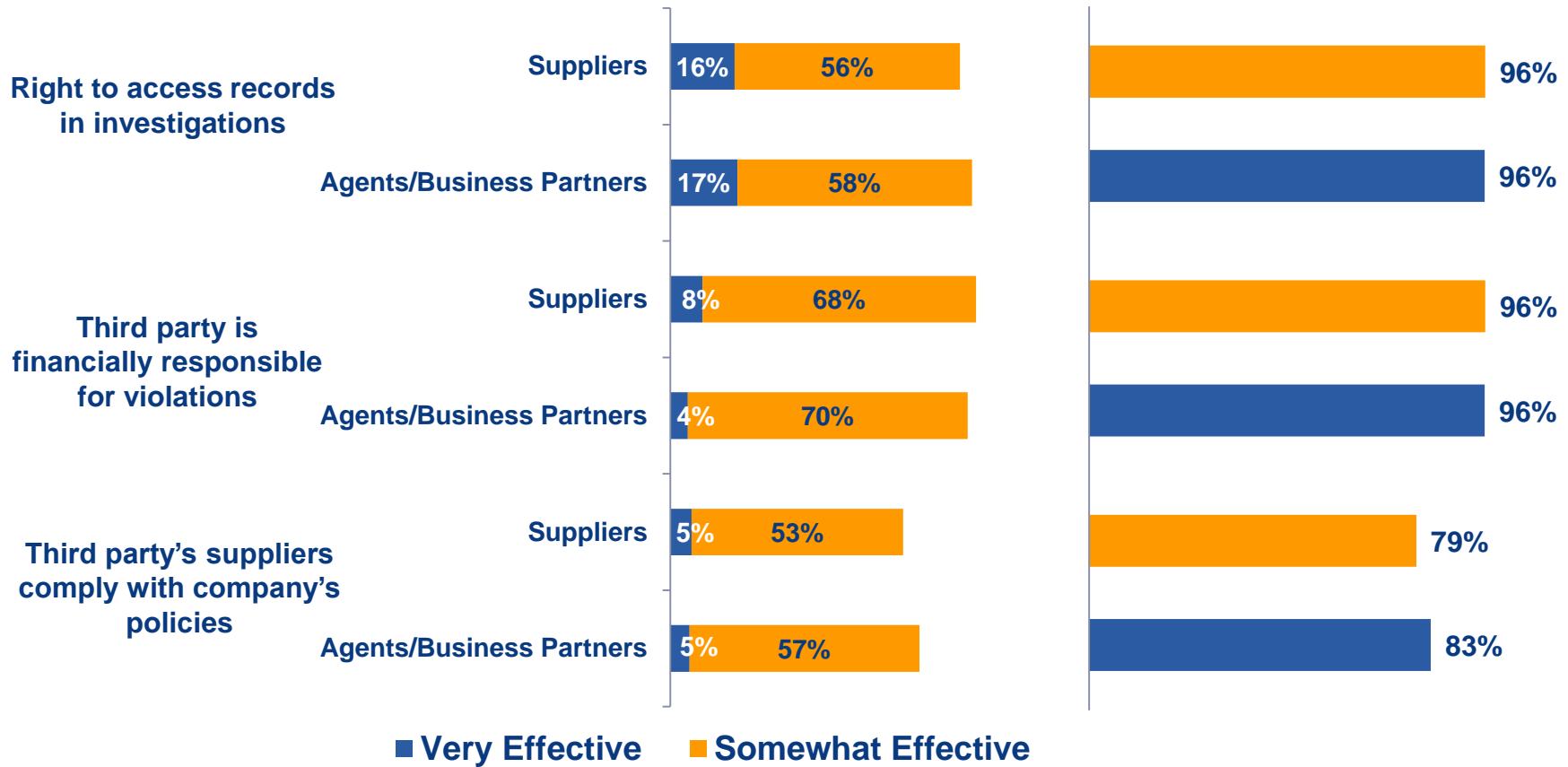
22. How effective is each of the following provisions in your company's contracts with suppliers and with agents/business partners in protecting your company's IIP/AC among its third parties in emerging markets?



Contract Provisions: AC (cont.)

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method



22. How effective is each of the following provisions in your company's contracts with suppliers and with agents/business partners in protecting your company's IIP/AC among its third parties in emerging markets?



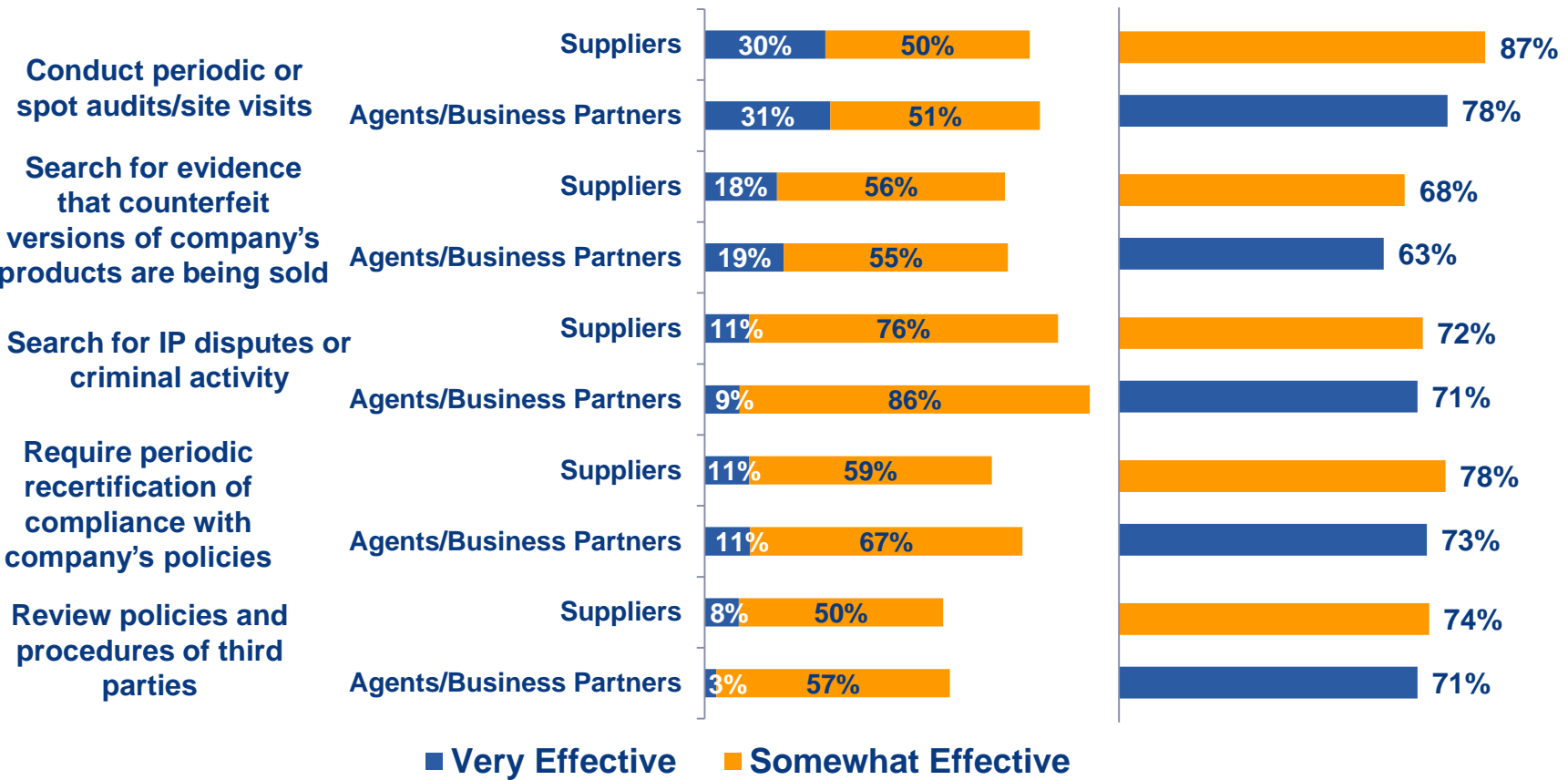
Auditing and Monitoring



Auditing/Monitoring Methods: IP

Effectiveness of Method 3-Point Scale Base = Companies that Use Method

Percentage Use Method



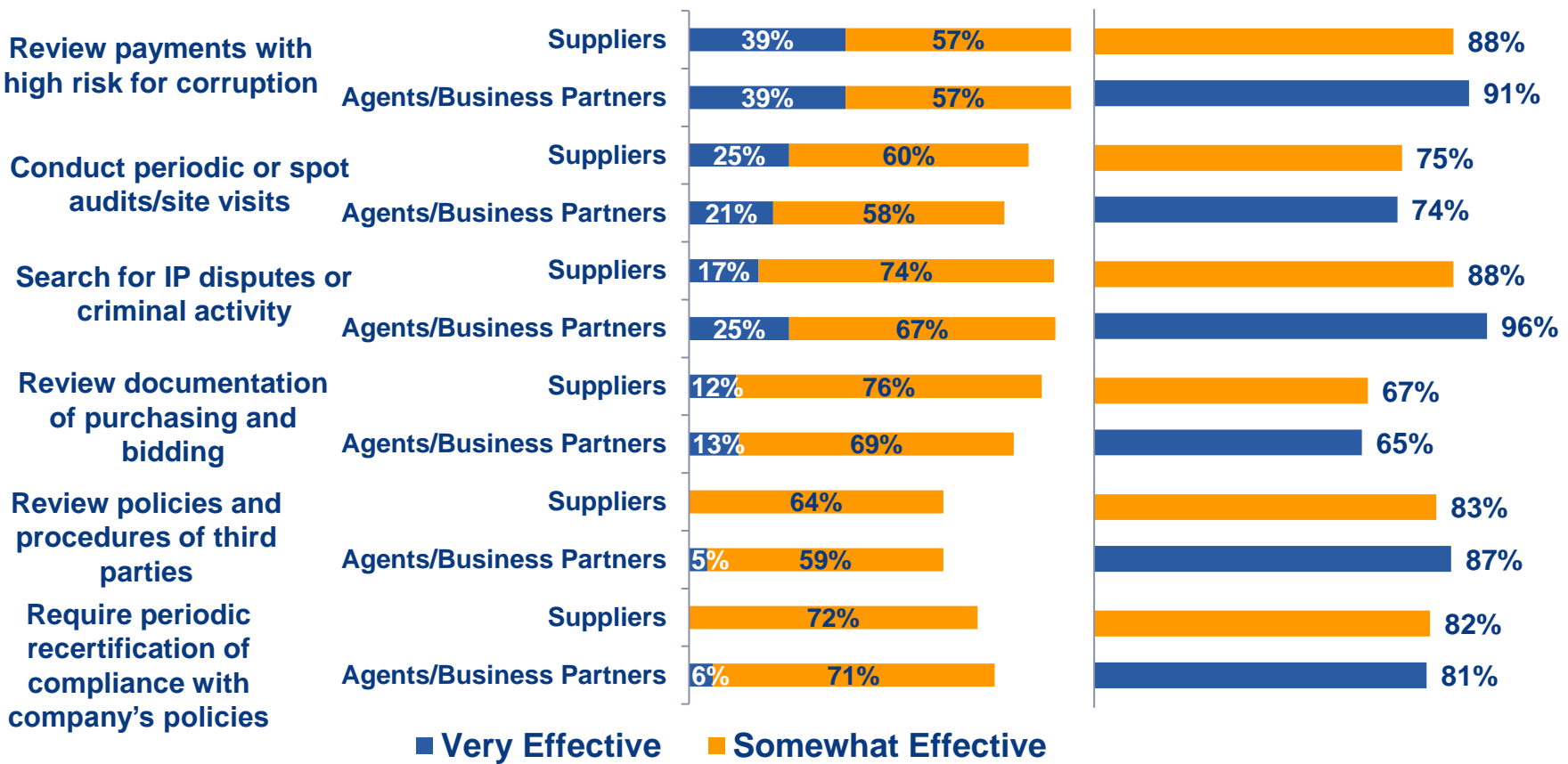
12. How effective is each of the following when your company monitors its suppliers and agents/business partners in emerging markets to assess whether they may have violated your company's IP/AC?



Auditing/Monitoring Methods: AC

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method



23. How effective is each of the following when your company monitors its suppliers and agents/business partners in emerging markets to assess whether they may have violated your company's IP/AC?



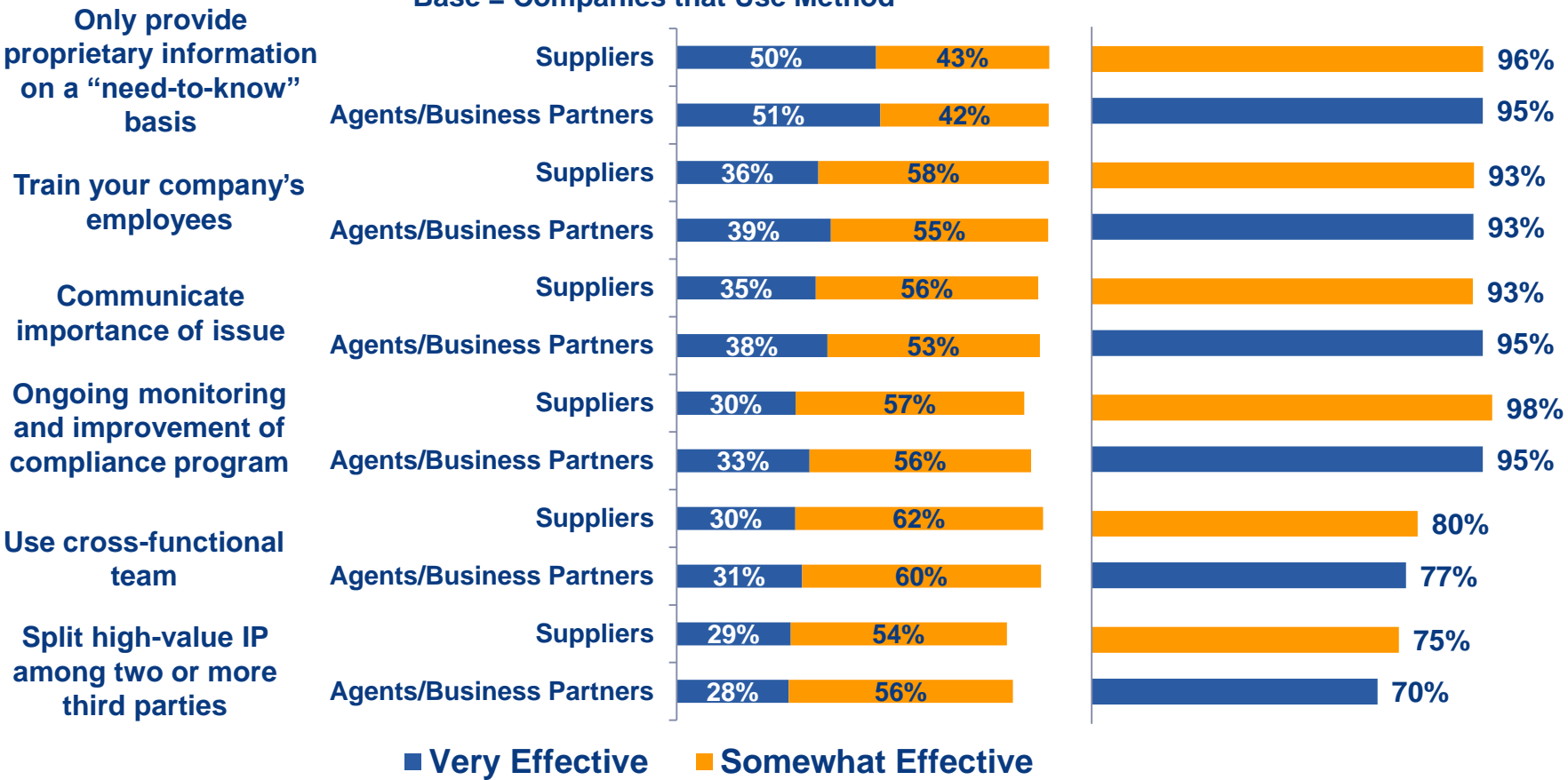
Policies and Procedures



Policies and Procedures : IP

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method



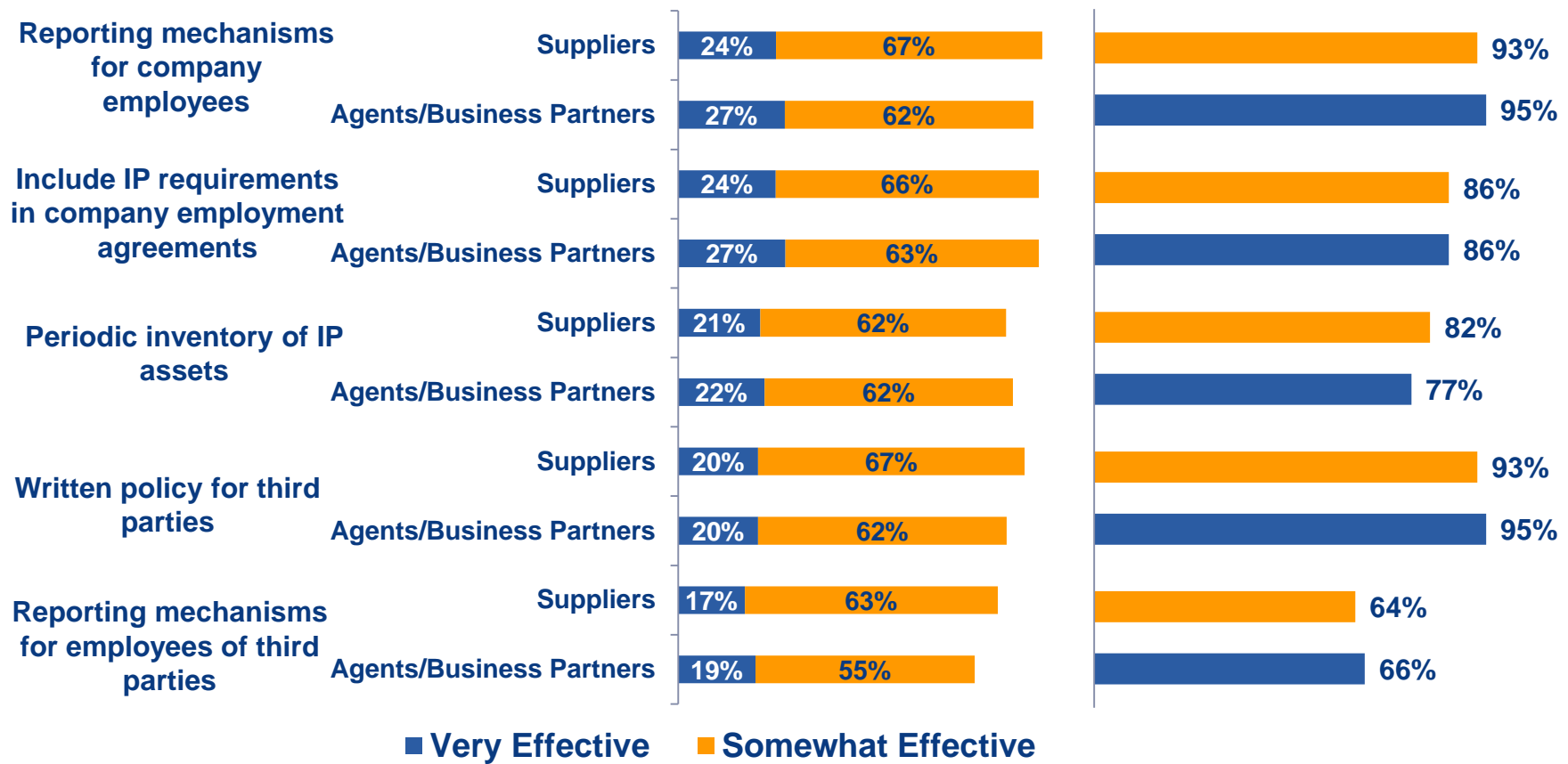
13. How effective is each of the following activities or processes in helping to protect your company's IP/AC when working with suppliers and agents/business partners in emerging markets?



Policies and Procedures : IP (cont.)

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method



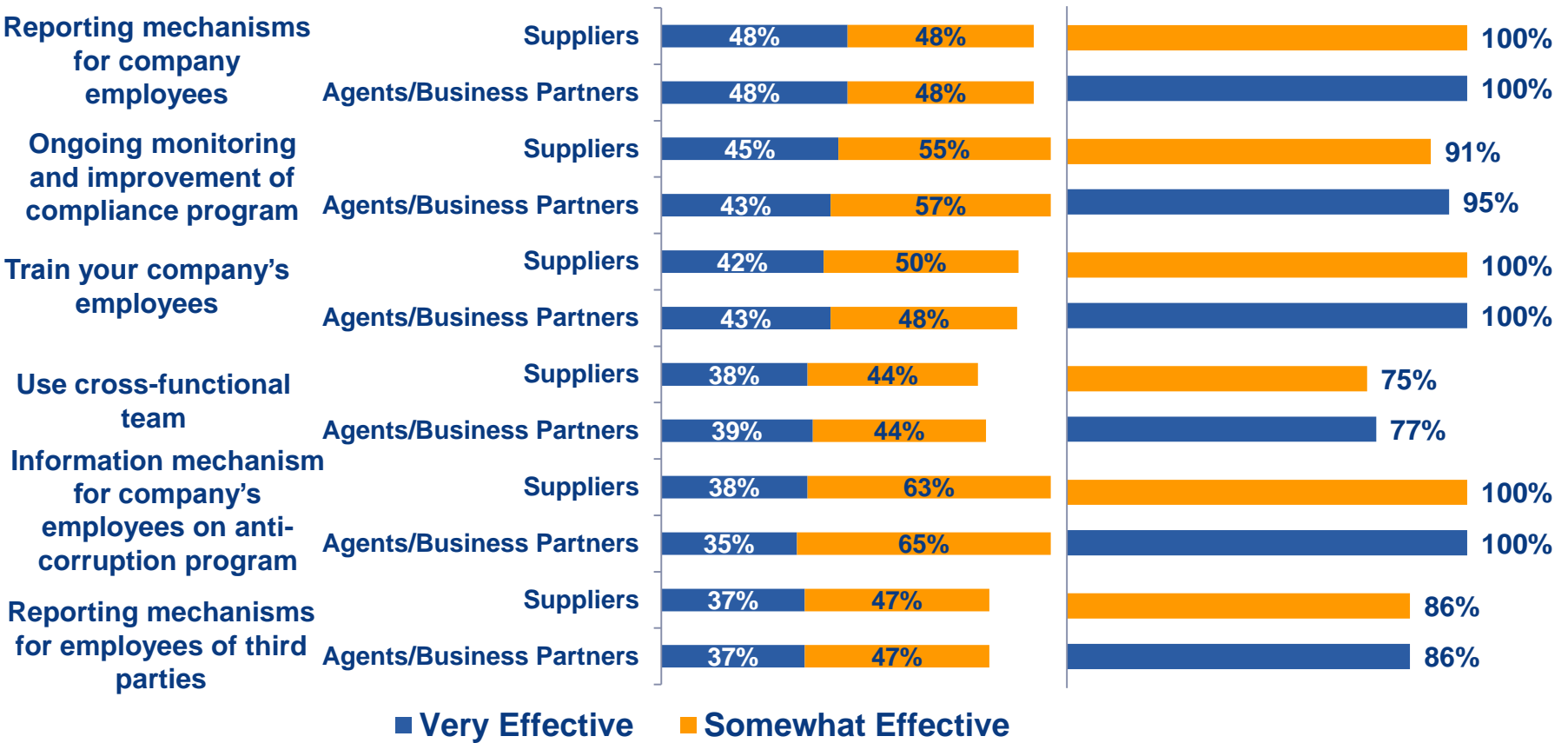
13. How effective is each of the following activities or processes in helping to protect your company's IP/AC when working with suppliers and agents/business partners in emerging markets?



Policies and Procedures : AC

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method



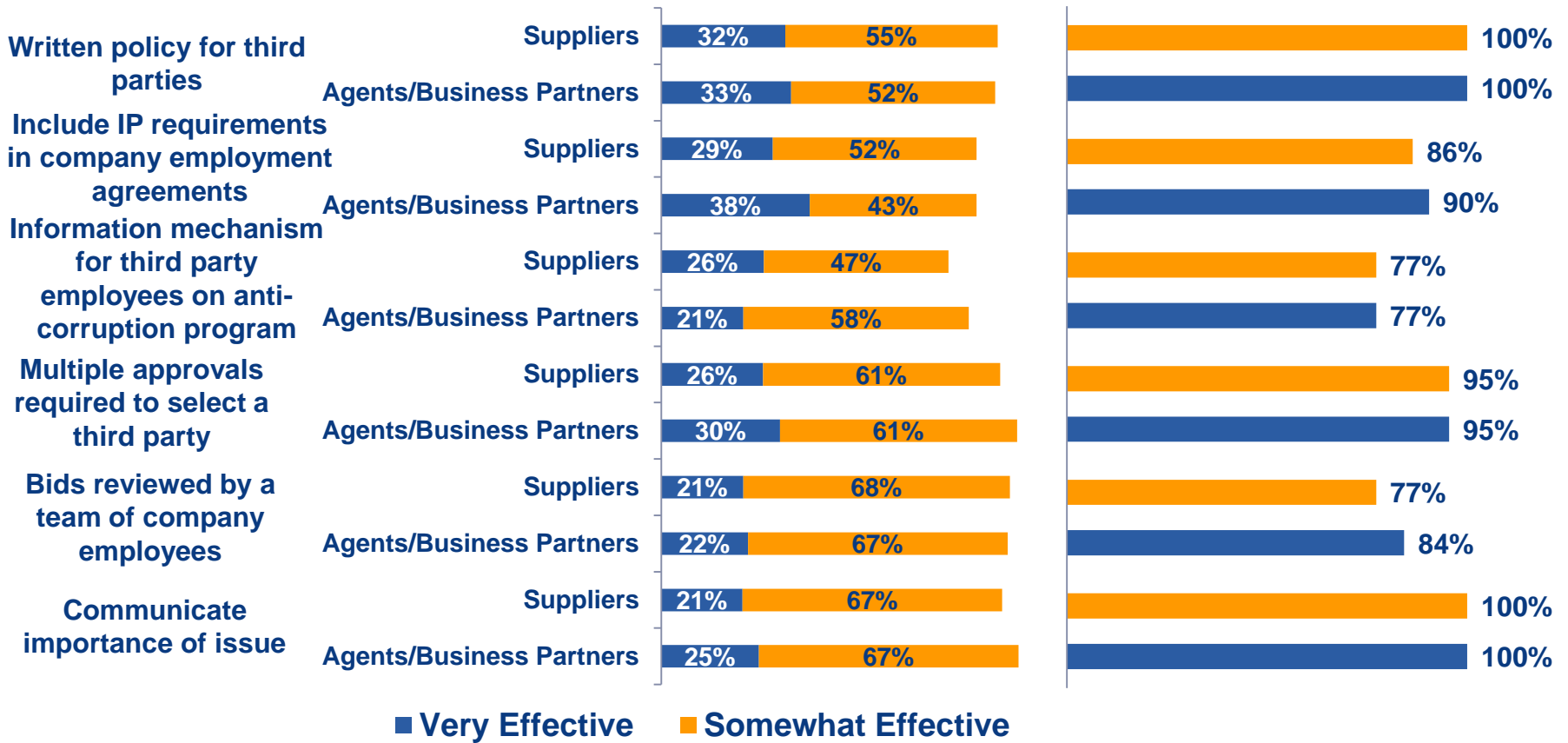
24. How effective is each of the following activities or processes in helping to protect your company's IP/AC when working with suppliers and agents/business partners in emerging markets?



Policies and Procedures : AC (cont.)

Effectiveness of Method
3-Point Scale
Base = Companies that Use Method

Percentage Use Method

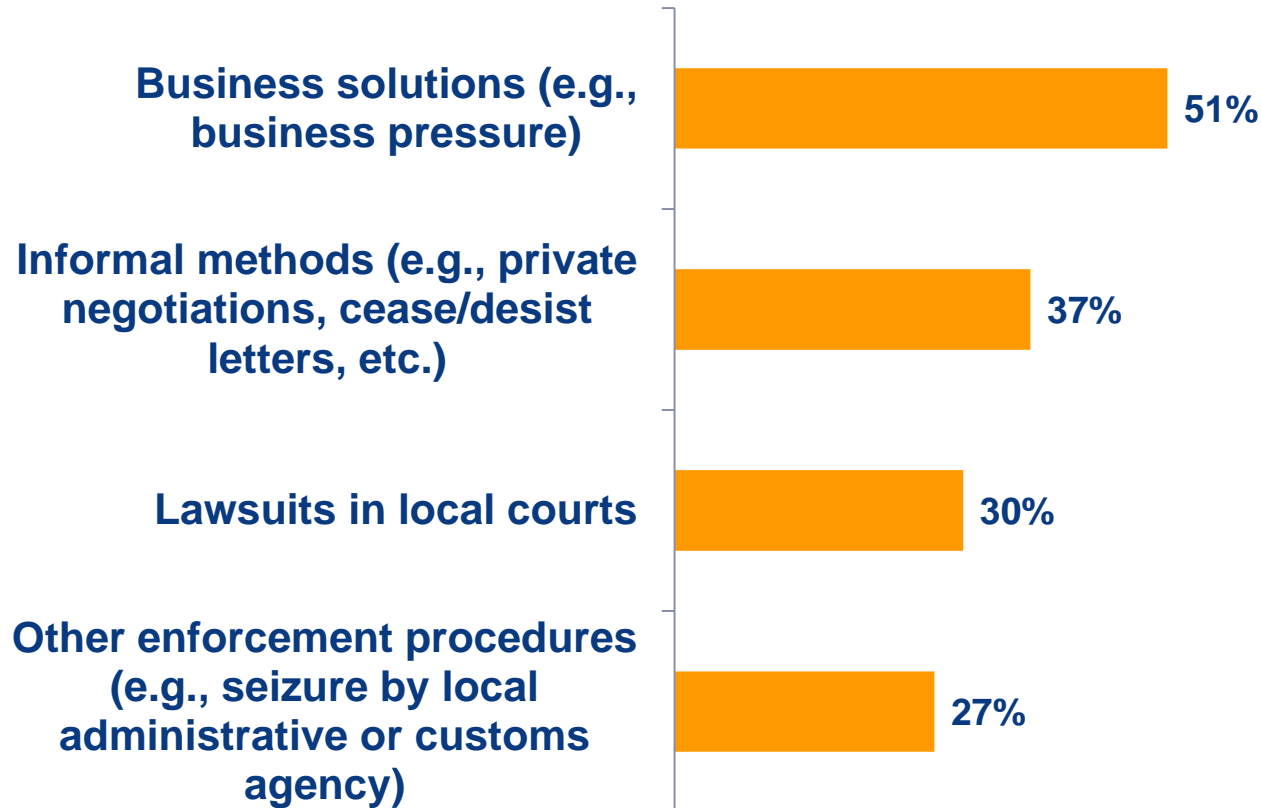


24. How effective is each of the following activities or processes in helping to protect your company's IP/AC when working with suppliers and agents/business partners in emerging markets?



Effectiveness of Actions to Address IP Violations in Emerging Markets

Percentage “Very Effective”
Top Rating on a 3-Point Scale



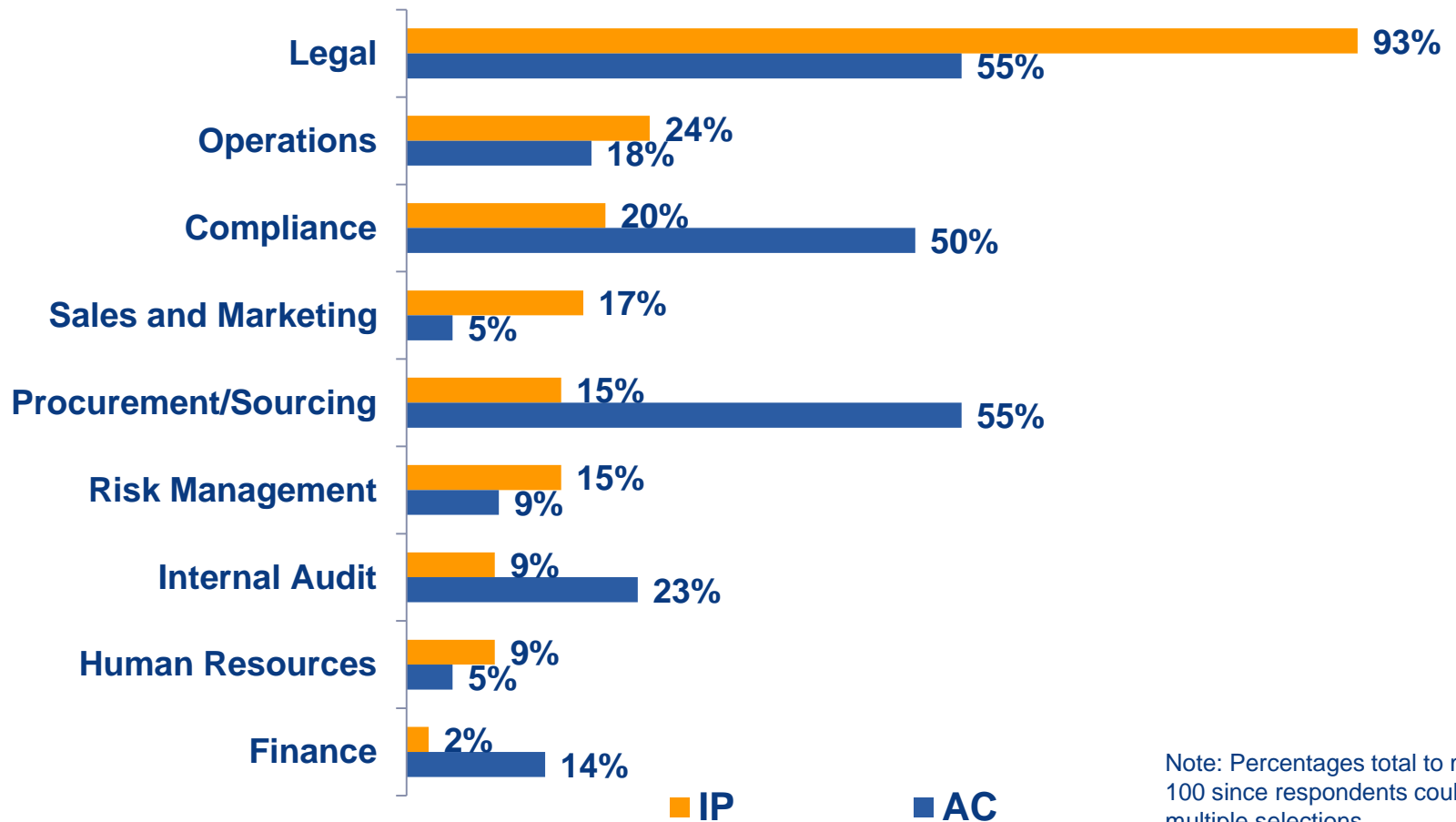
14. How effective have each of the following actions been for your company when it has addressed intellectual property violations that have occurred in emerging markets?



Governance



Primary Responsibility for IP and AC



Note: Percentages total to more than 100 since respondents could make multiple selections.

15/25. Which function has the primary responsibility for your company's efforts for preventing infringements of IP/AC



Level of Involvement in IP and AC

Percentage “Very Involved”

Top Rating on a 3-Point Scale

Base = Companies that Do Not Place Primary Responsibility in Each Function



16/26. How involved is each of the following groups in your company's efforts to prevent IP?AC among third parties in the supply chain?

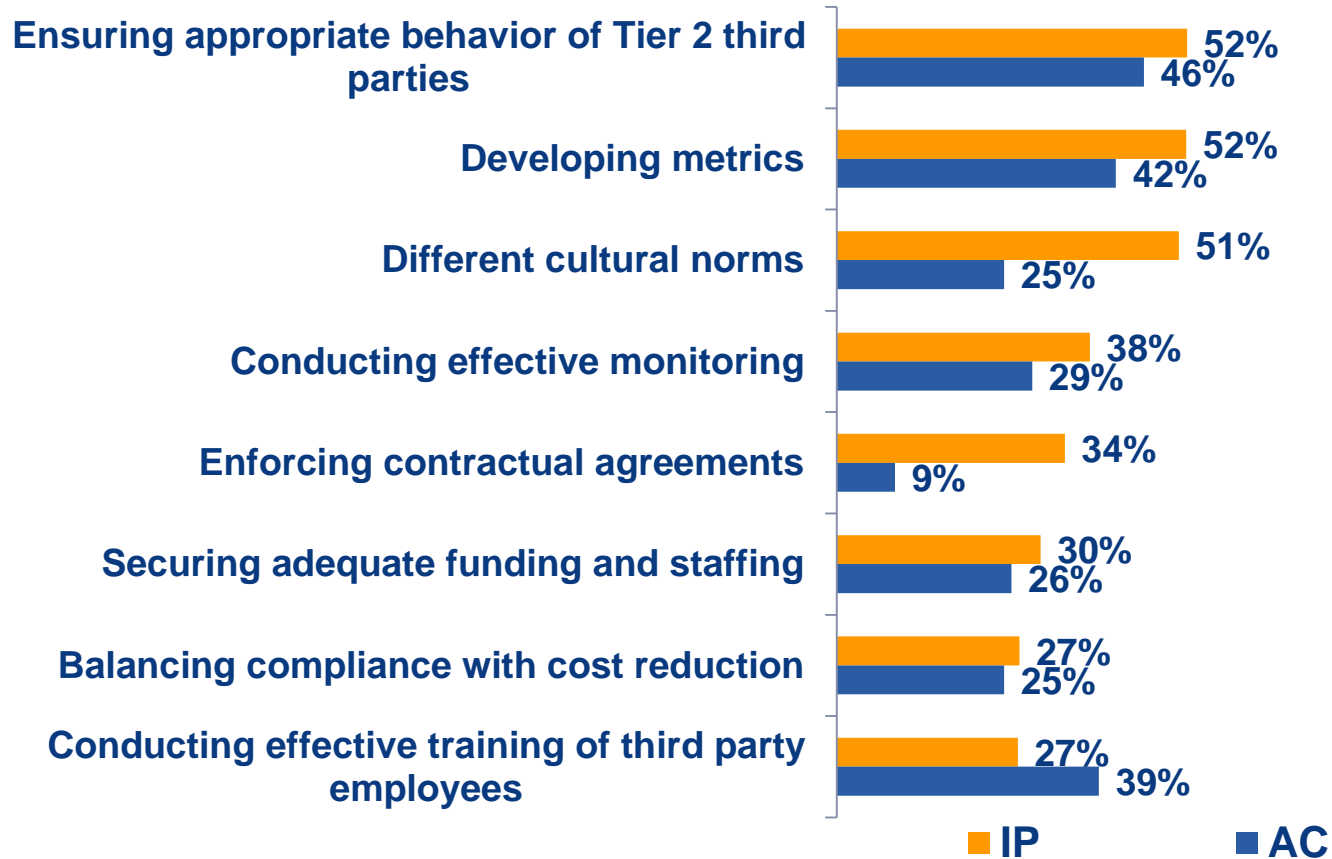


Challenges



Challenges

Percentage “Very Challenging” Top Rating on a 3-Point Scale

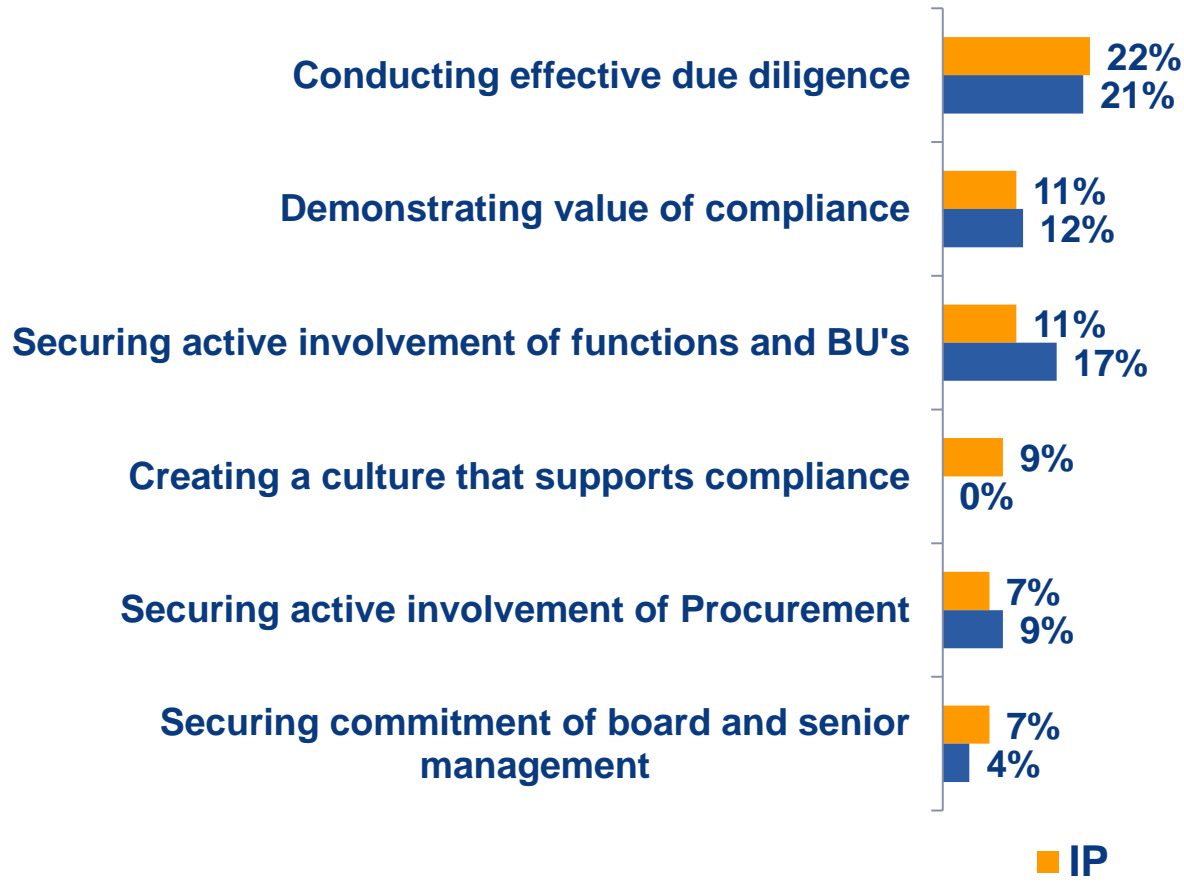


17/27. How challenging is each of the following in your company's efforts to protect IP/AC when working with third parties in emerging markets?



Challenges (cont.)

Percentage “Very Challenging”
Top Rating on a 3-Point Scale



17/27. How challenging is each of the following in your company's efforts to protect IP/AC when working with third parties in emerging markets?

