A SPECIAL PUBLICATION BY **ETHISPHERE**® AND convercent™

COMPLIANCE STRATEGY
AND PERFORMANCE

2015 Benchmarks, Case Studies and Best Practices

Key Data & Benchmarks
from the 2015 Convercent and
Ethisphere Survey Results

Case Studies & Insights
from Leading Compliance
Officers of Global Companies

Comparative Insights & Data
from the 2015 World's Most
Ethical Companies recipients

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> *CECOs are beginning to get creative in the ways that they find relevant data. One of the most popular routes today is by partnering with HR to include ethics and compliance questions on the annual culture survey."*

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LETTER FROM CONVERCENT

Patrick Quinlan
CEO
Convercent

At the beginning of 2015, in partnership with Ethisphere, we set out to highlight emerging trends and best practices around building, defending and enhancing the business case for corporate compliance. This was driven in large part by our observation that role of the compliance executive is quickly evolving. With more resources, visibility and greater access to the CEO and Board, there's more reason than ever before for compliance executives to demonstrate and drive the value of compliance related to organizational performance—and greater opportunity to better align with strategic business objectives.

Over the course of one year, we collected a vast amount of data from multiple channels, including; 10 live roundtable discussions in various cities throughout the U.S., a survey of nearly 100 compliance executives and a slew of in-depth executive interviews.

There is good news: compliance is wielding more influence and getting more attention and resources within their companies than ever. The research showed room for improvement. Compliance executives can continue to elevate the function and more closely align with organizational strategy and performance, specifically around measurement and communication of their results.

We are excited to present this inaugural report to you, and hope you find it useful as you build upon your own efforts. Moreover, I hope you'll join us in 2016 as we continue this conversation—in-person at more than a dozen regional roundtables, and with another in-depth survey and benchmarking report. Visit http://compliancetechtalks.com for more information.

LETTER FROM ETHISPHERE

Stefan Linssen
Chief Content Officer
Ethisphere

One of the most interesting—and rewarding—aspects of working in the ethics and compliance field is how quickly it's changing, and how fast priorities are evolving. For instance, in 2015 my colleagues and I at Ethisphere had far more discussions with various compliance and ethics leaders on the "big picture" of compliance than we did just a few years ago. Today, the most forward-thinking ethics and compliance professionals are spending more time than ever trying to answer questions such as: "What's the most effective way to influence culture across a global company?" "How can I measure the ROI of ethics and compliance?" and "Is my program even working?"

Compliance leaders can ask these questions because over the past several years—and decades—they've worked tirelessly to understand the details of training, communications and other programs now considered standard practice. As all compliance professionals know these topics were discussed ad nauseam in industry publications, conferences, and other discussion places—and still are too often.

To start to help compliance leaders find the answers to today's big questions, Ethisphere has partnered with Convercent to publish this first annual Compliance Strategy and Performance report. You'll see on the following pages some benchmarks around programs and their individual elements; ideas for how compliance officers can continue to gain greater seniority and influence across large companies; and you'll hear from some compliance leaders themselves.

We hope you enjoy this report and find its contents useful. We will look forward to continue working with you throughout the year to help constantly develop and improve your programs.

> *"Only one third of companies reported that their compliance budgets had increased in 2015 as compared to 2014, however the good news is that less than one-fifth of companies said they experienced a budget decrease."*

INTRODUCTION

Throughout 2015, Convercent and Ethisphere partnered to connect compliance leadership from companies across the U.S., and with operations around the world, to discuss how these leaders champion and support compliance as a core component of business operations and strategy.

This involved a series of roundtable discussions in key markets across the country, in which more than 200 compliance leaders came together to share their thoughts with one another as to how global companies can use ethics and compliance as a business advantage.

In parallel to these roundtable discussions, Convercent and Ethisphere also administered a survey. Nearly 100 organizations shared insight into their compliance strategy and executive leadership. The issues included:

- The right frequency of formal interaction with the CEO and Board—including select board members;
- Key metrics which can be shared with others across the organization;

- The key drivers for compliance programs; and
- The requisite job experience for compliance team staff.

This report highlights key findings from the discussions that took place throughout the year with compliance leaders from top companies. The results from the survey were analyzed by experts at Convercent and Ethisphere. The findings are presented in three broad categories: the influence and strategy of the compliance function; the key metrics used to measure program results and effectiveness; and how and to whom those results are being reported.

In addition, throughout this report we have highlighted select findings from Ethisphere's 2015 World's Most Ethical Companies datasets as a means to showcase how the best companies are addressing key challenges and leveraging opportunities within their program.

We hope that the information presented here is helpful as you continue to build and enhance your organization's compliance programs.

> " *Data reconciliation remains a challenge given the sheer number of programs used by companies. Overcoming this challenge requires a greater deployment of technology to centralize and integrate these efforts."*

KEY FINDINGS

Many of the key findings we discovered throughout 2015 emphasize the quick evolution and development of the compliance profession, and the role that it increasingly plays in driving business performance. However, challenges that compliance officers have been experiencing for more than a decade continue to persist, such as access to pertinent data, relationships across the organization and demonstrating ROI.

Despite that, there are many positive trends that have developed in recent years. For example, we found compliance budgets are growing. Compliance executives report getting adequate face time with the CEO and Board. Additionally, compliance increasingly influences company strategy. The following are some of the key findings determined through this project:

- **Measuring Program Effectiveness is Front of Mind.** Senior compliance and ethics officers are spending a considerable amount of time figuring out how to determine the effectiveness of their programs—specifically whether or not the training and communications they use are resonating with their workforce.

- **Collaboration is a Necessity.** Significantly, new data to help compliance officers measure their programs is sparse and slow-coming, but most agree that helpful data can be found across their organizations in other functional areas. In order to access that data, compliance and ethics officers must collaborate with other company leaders such as HR, IT, legal, etc.

- **Measuring ROI Remains Elusive.** Compliance officers still lack a meaningful way to measure the ROI of their compliance budgets. The most prominent way to measure this today is by estimating the money saved from a fine or reputational damage from a violation. To more effectively elevate the stature, funding and influence compliance has in an organization, compliance teams need to establish a more direct correlation between compliance, company strategy and long-term business profitability.

INFLUENCE
& STRATEGY

Budgets, visibility and influence of the compliance function continue to grow, but often falls short of having input on company strategy. Although a majority of compliance executives still report to the General Counsel, executives that report to the CEO generally have greater access to, understanding of and influence on other business units' responsibilities and goals.

One of the most pressing points of debate today among compliance professionals is the level of involvement that the compliance function should have in overall company strategy. Is compliance simply a necessary cost as a risk mitigation function or does it have a deeper role to play in driving company performance? Of course today's leading compliance officers from some of the best companies understand the value of being a business partner and using their knowledge to inform business decisions, rather than being someone solely responsible to tell business leaders why an idea can't be done.

However, in order to get the insight from compliance teams, companies must put their chief compliance officers in a position to be able to share their informed input with other decision makers across the organization. We discovered there's still a considerable amount of work to be done in this area as less than a quarter of the respondent companies' Chief Ethics and Compliance Officers (CECO) report to the CEO. This isn't a significant deviation from the way high performing compliance functions are structured, as only 36 percent of CECOs at the World's Most Ethical Companies recipients report to the CEO.

We find the predominant reporting line is still through the General Counsel's office at most companies—with more than half sharing that chain of command.

We did consistently find, however, that the CECOs who had direct reporting lines to the CEO spend significantly more time understanding the various businesses within their company. This includes building bridges and developing personal relationships with the leaders of each business line and clearly communicating the importance and value-add of compliance to their own responsibilities.

The good news for CECOs is that those from the World's Most Ethical Companies recipients increasingly report directly to the CEO, as well as, having a "dotted line" to the Board or Audit Committee.

Additional good news for CECOs is that with the growing visibility that the role has in big companies, budgets are beginning to grow as well, giving compliance teams the opportunity to implement programs they have not been able to in the past, including: the ability to travel to a company's various locations for in-person training, implementing additional services from external parties and hiring more staff.

Figure 1: TO WHOM DO YOU REPORT?
2015 Ethisphere/Convercent Survey

- 54% - GC/CLO
- 16% - CEO
- 26% - Other
- 4% - CFO
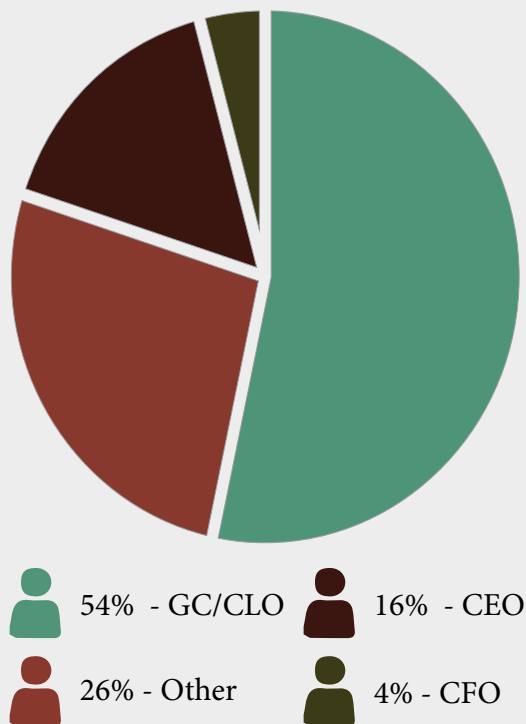
2015 WORLD'S MOST ETHICAL COMPANIES® ™

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Fig. 1 and Fig. 2 on this page compare the reporting structures of those who responded to the Convercent/Ethisphere survey (Fig. 1) and those that earned the 2015 World's Most Ethical Companies recognition (Fig. 2). The clear trend is for CECOs to report directly to the CEO, with dotted line reporting to the Board or Audit Committee. Outside of WME the most common reporting structure remains to the General Counsel.

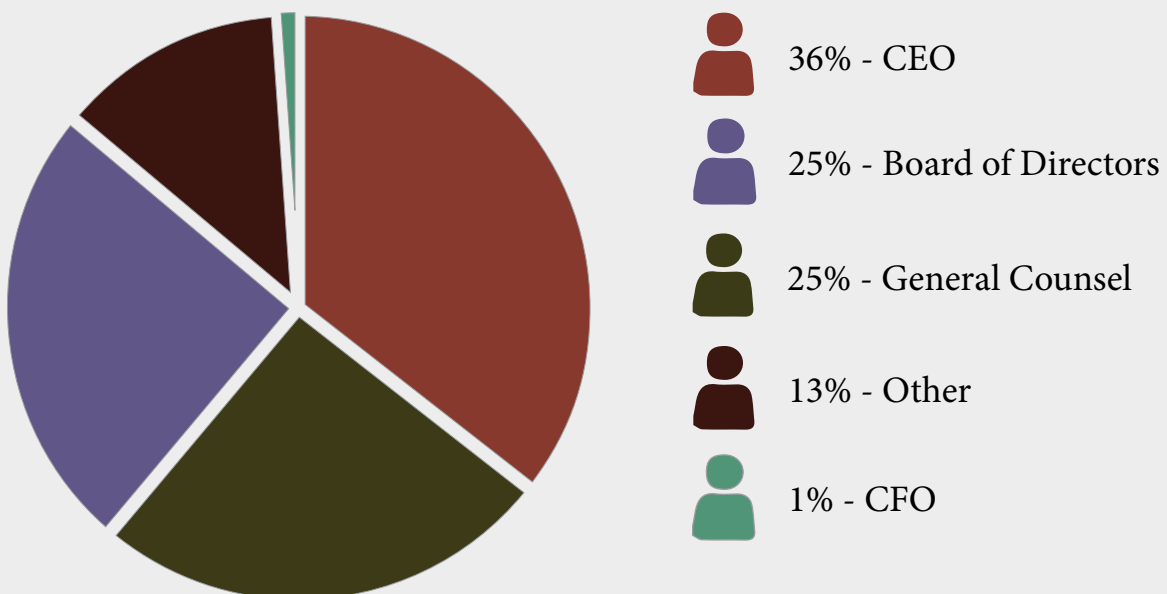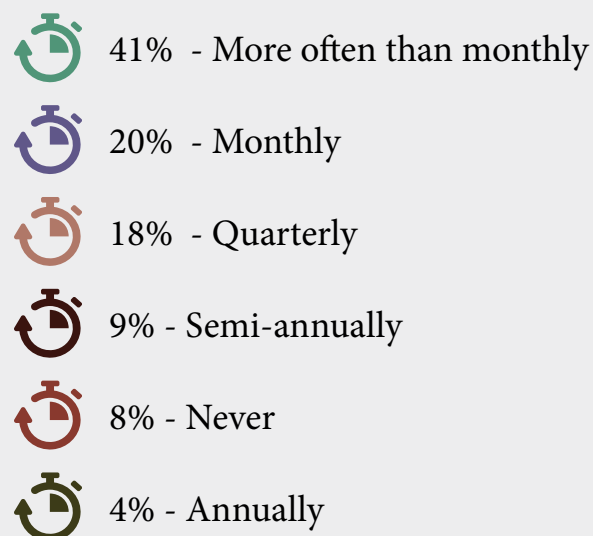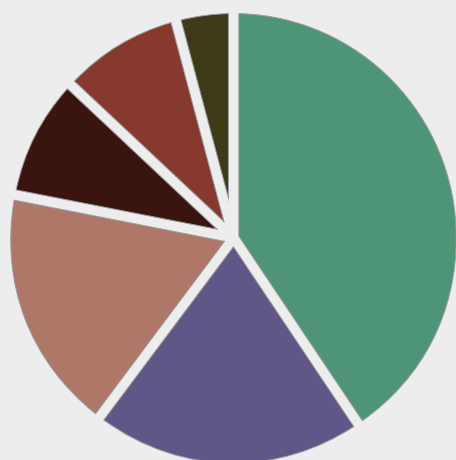## Figure 2: TO WHOM DO YOU REPORT?
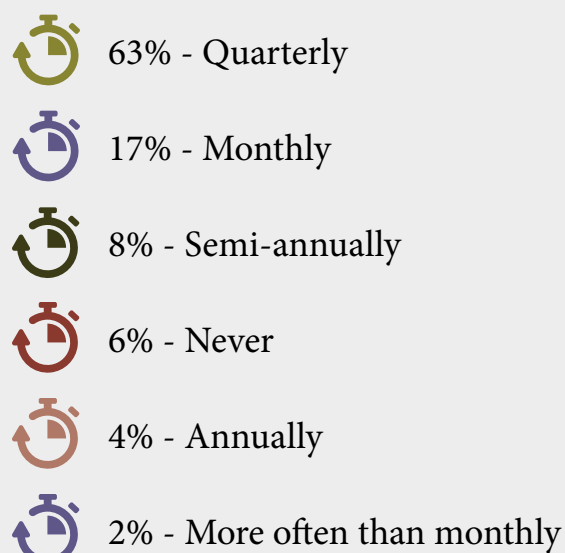### 2015 World's Most Ethical Companies

- 36% - CEO
- 25% - Board of Directors
- 25% - General Counsel
- 13% - Other
- 1% - CFO

Figure 3: HOW FREQUENTLY DOES YOUR CECO FORMALLY MEET WITH YOUR CEO?

41% - More often than monthly

20% - Monthly

18% - Quarterly

9% - Semi-annually

8% - Never

4% - Annually

Is This Enough Time to Satisfy Your Goals?

Yes: 83%········ ········No: 17%

Figure 4: HOW FREQUENTLY DOES YOUR CECO FORMALLY MEET WITH YOUR BOARD?

63% - Quarterly

17% - Monthly

8% - Semi-annually

6% - Never

4% - Annually

2% - More often than monthly
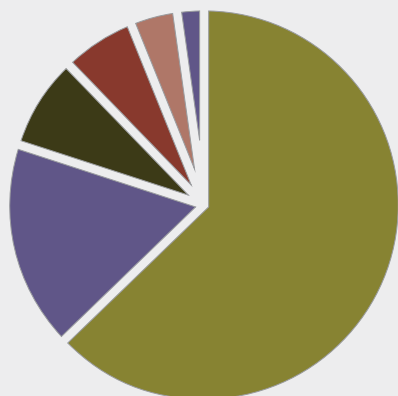
Is This Enough Time to Satisfy Your Goals?

Yes: 88%········ ········No: 12%

While still a relatively small percentage of companies have structured direct reporting lines between the CECO and the CEO, the majority of CECOs do have regular, formal meetings scheduled with the CEO and Board or Audit Committee. The majority of respondents to the survey also indicated that the formal time scheduled with both the CEO and Board is adequate for a CECO's purposes.

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WHAT TYPES OF INTERACTIONS DOES COMPLIANCE HAVE WITH OTHER FUNCTIONS?

— 33%

Invited/allowed to provide formal input on corporate business strategy

— 57%

Invited/allowed time on sales and marketing agendas

— 83%

Invited/allowed to add compliance and/or ethics questions to employee surveys

— 71%

Invited/allowed to attend HR training events

— 74%

Invited/allowed to design audits and receive audit results
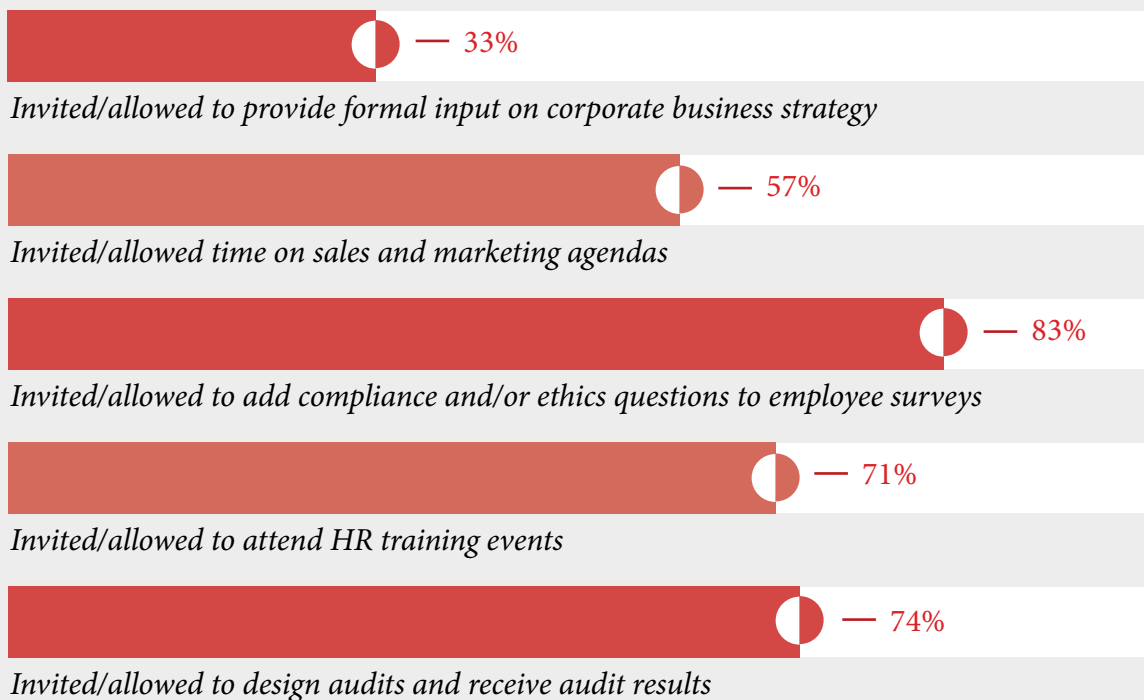
Figure 6:

HOW INVOLVED IS YOUR COMPLIANCE DEPARTMENT IN COMPANY STRATEGY?

41% - Sometimes involved

22% - Regularly involved

17% - Almost always involved

10% - Not involved

10% - Rarely involved
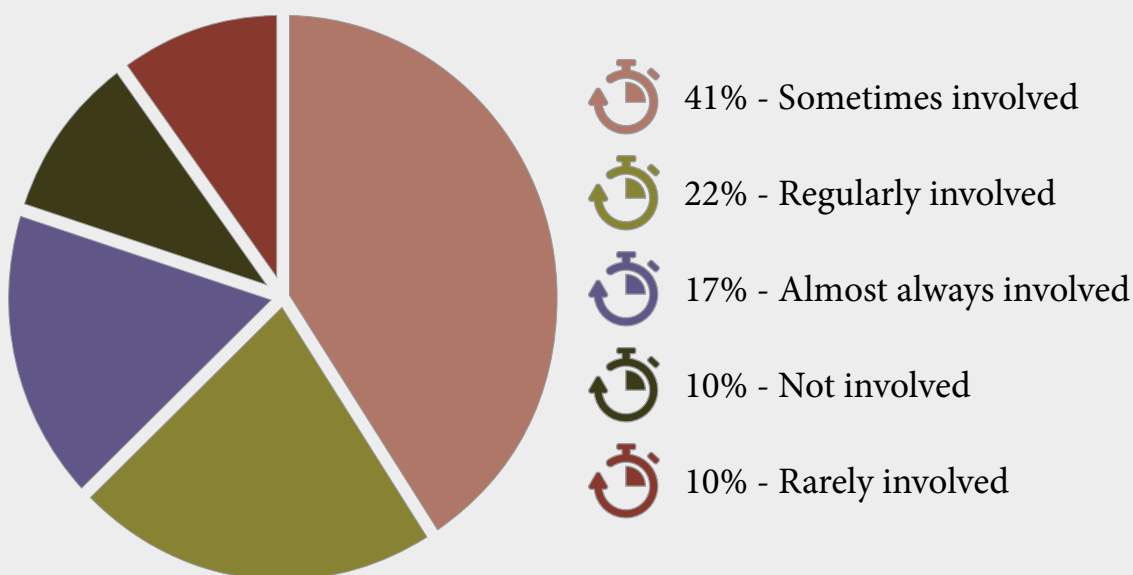
EXPERT INTERVIEW: ENGAGING LEADERSHIP

Seth Rice
Global Director of Ethics & Compliance
Kennametal

How do you work with other functions in your company to accomplish mutual goals?

Cross-functional—and global—collaboration is essential to the success of Kennametal's ethics and compliance programs. Compliance programs and training will quickly die on the vine without the buy-in and support of our business partners—everyone must be rowing in the same direction. The compliance team acts like a composer for a global orchestra to help keep everyone focused on common objectives and themes.

What level of involvement does your CEO and/or Board have in your company's compliance and ethics program?

The involvement of senior leadership (CEO and CFO) and the Board is critical to establish a clear tone at the top and to ensure compliance and ethics is part of the cultural fabric of the organization.

What kind of information do you share with your CEO/Board?

I provide a formal quarterly report to senior leadership and the Board on defined ethics and compliance metrics, strategic program initiatives, risk assessment efforts and significant investigations. Keeping them informed and engaged is critical to ensuring they are fully aligned with our ethics and compliance programs.

What advice can you share as to how compliance leaders can work with others to: 1) support the compliance function 2) buy into the compliance function?

Compliance can be a dense and daunting topic for busy leaders who have competing priorities. I focus on a few key and discrete compliance initiatives each quarter and engage deeply with leaders across the organization so they develop a sense of shared ownership and appreciation for the programs and initiatives we tackle together. Hitting business leaders with the kitchen sink of compliance concerns and projects will quickly turn them off.

Traditional compliance program elements (i.e., implementing training, developing appropriate policies, a strong code of conduct, communicating hotlines and non-retaliation, etc.) will continue to be the foundation of a good program, but will no longer be enough for a program to be best-in-class.

Instead, leading compliance professionals will only be effective if they have a strong understanding of the business, good relationships with peers and a knowledge of global trends.

Due to this, we increasingly see the backgrounds that compliance professionals look for when hiring diversify (see the chart to the right, in which only 65 percent look for compliance backgrounds when hiring).

Fortunately, executive leadership also increasingly understands the change, and are providing greater budgets for compliance professionals to operate with. We see compliance officers increasing travel budgets in order to deliver more on-site training, hire specialists and to develop/enlist new tools.

Figure 7:   HOW DOES YOUR 2015 COMPLIANCE BUDGET COMPARE WITH YOUR 2014 BUDGET?
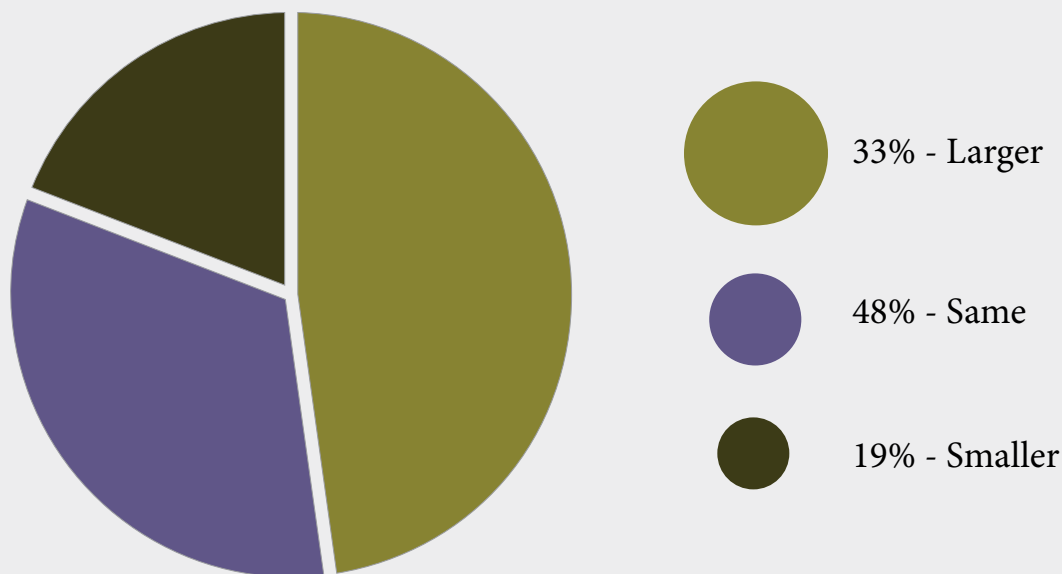
33% - Larger

48% - Same

19% - Smaller

Only one-third of companies reported that their compliance budgets had increased in 2015 as compared to 2014, however, the good news is that less than one-fifth of companies said they experienced a budget decrease. While we see more CECOs receiving larger budgets year over year, this area undoubtedly remains a challenge for the majority of companies in spite of increasingly complex legal requirements and rigorous enforcement activities.
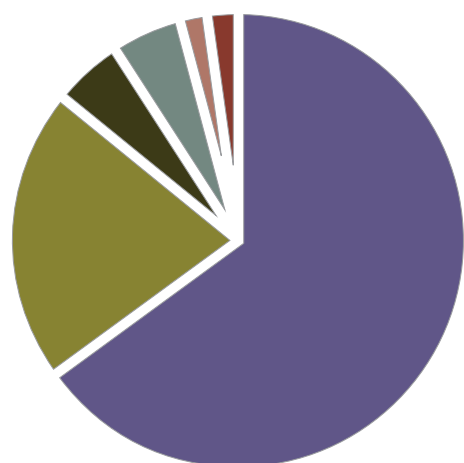
WHICH PROFESSIONAL BACKGROUNDS DO YOU LOOK FOR WHEN HIRING?

As budgets go up, CECOs need to hire more team members. When it comes to staffing up compliance teams, we wanted to know which professional backgrounds are most appealing when hiring new candidates. Not surprisingly, compliance experience is preferred by nearly two-thirds of CECOs, with legal background preferred by one-fifth. Given the relative nascence of the compliance function, it speaks to its growth in recent years that most executives will look for new hires with prior compliance experience—instead of deferring to legal background.

65% - Compliance
21% - Legal
5% - Risk
5% - Finance
2% - Audit
2% - Other

Figure 8: **WHAT'S THE MOST INFLUENTIAL DRIVER OF YOUR COMPLIANCE DEPT. PRIORITIES?**
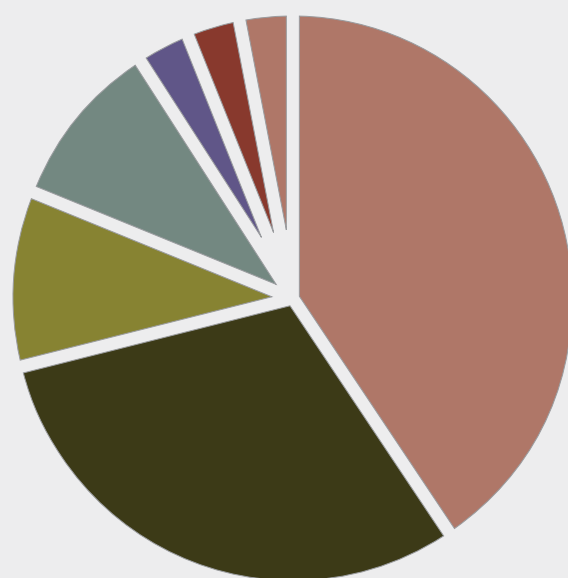
41% - Risk assessment/Risk profile
30% - Legal/regulatory landscape
10% - Business/strategic objectives
10% - Last year's outcomes
3% - Your legal department
3% - Your board
3% - CEO

As the responsibilities and authority of the CECO continue to evolve, so will the issues that drive the decision-making across the compliance department. For example, while the legal/regulatory landscape and risk profile of a company remain the most significant drivers of compliance departments today, we fully expect this trend to change towards issues that proactively drive ethics, culture and behavior, rather than purely highly reactive legal decision-making.

Figure 9: **WHAT AUTHORITY DOES A CHIEF ETHICS AND COMPLIANCE OFFICER HAVE?**

67%

Input in procurement decisions, including supplier sourcing and diligence

52%

Input in product or services decisions, such as development, launch and discontinuation

77%

Input in the process for strategic business/organizational development decisions

78%

Final approval authority for field compliance operations/initiatives

77%

Input on other hiring/firing decisions regarding positions of authority

92%

Primary hiring authority for all positions in the compliance and ethics function

97%

Primary budget responsibility for all compliance and ethics programs

98%

Ability to revise the Code of Ethics and Business Conduct

99%

Ability to author and/or recommend new business conduct policies

What exactly are the responsibilities of a CECO when it comes to providing input on strategic decisions? What authorities should a CECO have relative to that of a General Counsel or a VP of Human Resources? The role is still being defined in many respects and so as context, the above chart outlines the percent of CECOs from the 2015 World's Most Ethical Companies recipients who have authority over the following decision areas.

EXPERT INTERVIEW: PERCEPTION OF COMPLIANCE

▶ **Rick Roda**
Chief Compliance Officer
MSA Safety Incorporated

What kind of compliance information do you share with other leaders across your organization?

Historically, we have "shied away" from sharing investigation details. However, last year we started to publicize investigation statistics (for year-end 2014 and then again mid-year 2015), showing numbers of reports, how the reports made their way to us (helpline, email, direct contact, internal audit, etc.) and disciplinary action taken (e.g., employee terminations). We keep the information very generic so as not to improperly disclose confidential information or embarrass anyone.

This approach was well-received and our employees (particularly our managers) have asked us to keep providing it. Everything we communicate under our compliance program, including these investigation statistics, are distributed in 16 languages across the world, so that all employees can benefit from them. Last year we also piloted an approach to share web-based training statistics directly with regional business leaders, providing them regionalized data about training participation names, rates, etc. This was also well-received and will continue.

What advice can you offer our readers to help them get other functions involved or "bought-in" to the compliance function?

We have longstanding and active relationships with our HR, Accounting/Finance, and Internal Audit functions. For a compliance program to succeed at a small-to-mid cap, these partnerships are essential since the compliance staff is very small.

Strong partnerships with these functions enable a more sustained global reach. We also continue to work very hard to position the compliance role as a "functional area" of the organization no different than IT, HR, etc. A critical hurdle to overcome is the misperception that we are merely an investigative function. While in many instances we may very well play that role, it is more important to us that our managers and employees view us as a trusted advisor or consultant to call upon to proactively guide business decisions. If viewed as the internal investigative arm, a compliance function will continue to fight an up hill losing battle.

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KEY METRICS & DATA

Compliance teams cite challenges around data availability, access and centralization as key challenges in demonstrating ROI of compliance, which remains the most sought after, yet elusive, performance metric.

A significant challenge for compliance leaders today is finding new and relevant data that helps support both the effectiveness of the ethics and compliance program as well as calculate and defend the ROI of the program. While traditional sources of information remain useful and widely used—such as hotline report metrics—the vast majority of data sources used today have become stale and are largely just a small subset of the information needed to truly measure whether or not a compliance and ethics program is having an impact on the organization.

The majority of companies feel confident in the data that they have around hotline statistics, investigations, and training completion rates, but CECOs are eager to find new data sources. The most common responses we received when asking what kind of data and metrics CECOs would like include predictive analytics on employee behavior, tangible program ROI, concerns and reports made through non-official reporting channels (i.e., verbal reports to supervisors) and understanding the true effectiveness of compliance training.

CECOs are beginning to get creative in the ways that they find relevant data. One of the most popular up-and-coming routes of finding relevant data and metrics, for example, is by partnering with HR to collect ethics and compliance information from the annual culture survey, since many companies already deploy a company-wide annual or biennial survey.
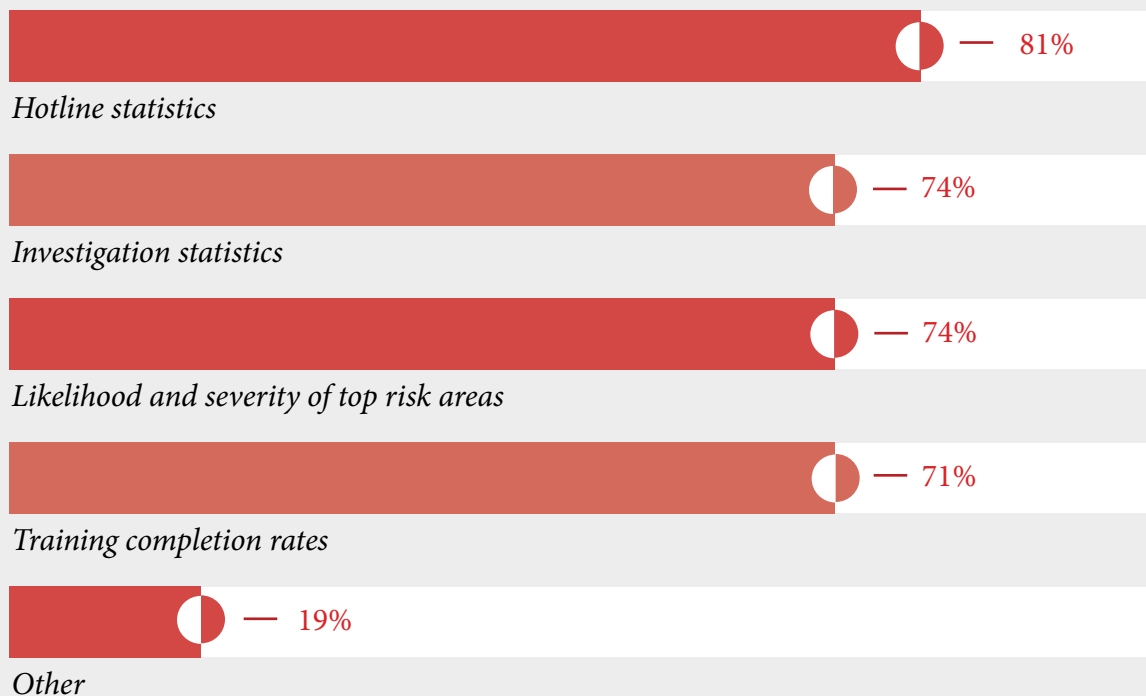
CECOs also find relevant data through the IT team—particularly noting that IT leaders have the best visibility into all the data stored company-wide, and can be a helpful resource in aggregating relevant data from other departments for measuring ethics and compliance program success.

Other departments that can be housing helpful data include the audit function, research and sales/marketing departments. CECOs told us that the key to accessing that data, as referenced in Part I, is building the proper relationships with the department heads in order to create clear channels of two way communication. However, even with strong personal relationships, CECOs are frustrated by the need for and challenges around aggregating the various data as it usually lives on different technology platforms.

Finally, the most elusive metric to CECOs today—but nevertheless the one metric in highest demand—is the ability to measure the ROI of compliance. While many studies and research projects have used potential risk mitigation as a data point to support compliance programs, CECOs are still looking for a true causation showing the link between compliance programs and company performance.

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WHAT METRICS DO YOU CURRENTLY USE TO MEASURE COMPLIANCE PROGRAM EFFECTIVENESS?

Hotline statistics — 81%

Investigation statistics — 74%

Likelihood and severity of top risk areas — 74%

Training completion rates — 71%

Other — 19%

There remain inconsistencies across companies as to which data can be used to measure compliance program effectiveness, often depending on issues such as sophistication of IT programs.

Nearly three-quarters or more of compliance teams are assessing their effectiveness based on the tried and true metrics around hotlines, investigations, risk areas and training initiatives. As the function matures, and capabilities and expectations evolve, compliance teams may look to deeper and more analytical metrics around areas like behavior, intent and culture that allow them to anticipate, diagnose and proactively address macro organizational trends and issues.

Figure 10, above, highlights that many traditional metrics are used today by compliance leaders. Beyond these metrics, companies are also using data from audits and monitoring; company policy violation trends; how well compliance measures are implemented; culture survey results; engagement with compliance communications; and more.

EXPERT INTERVIEW:
USING COMPLIANCE METRICS

Philip Winterburn
Chief Product Officer
Convergent

Why do you think program reporting is such a challenge for CCOs?

It boils down to not having access to the data you need, nor the tools to extract insights from the data.

How does this affect compliance performance?

Based on the 80/20 principle, compliance teams should spend 20 percent of their time on administrative work, and 80 percent adding value. When a team works in silos, that ratio is usually flipped. The more time you spend on data entry, aggregation, reconciliation and reporting, the less time you have to extract insights from that data. If you don't know how your program is working, you'll be hard-pressed to defend or improve it. It also limits compliance function advancement if it can't provide the breadth or depth of analysis as its peers—current or aspirational—in the executive suite.

Most CCOs are reporting on hotline stats, investigations, training results and the like. Why do you think that is, and is it enough?

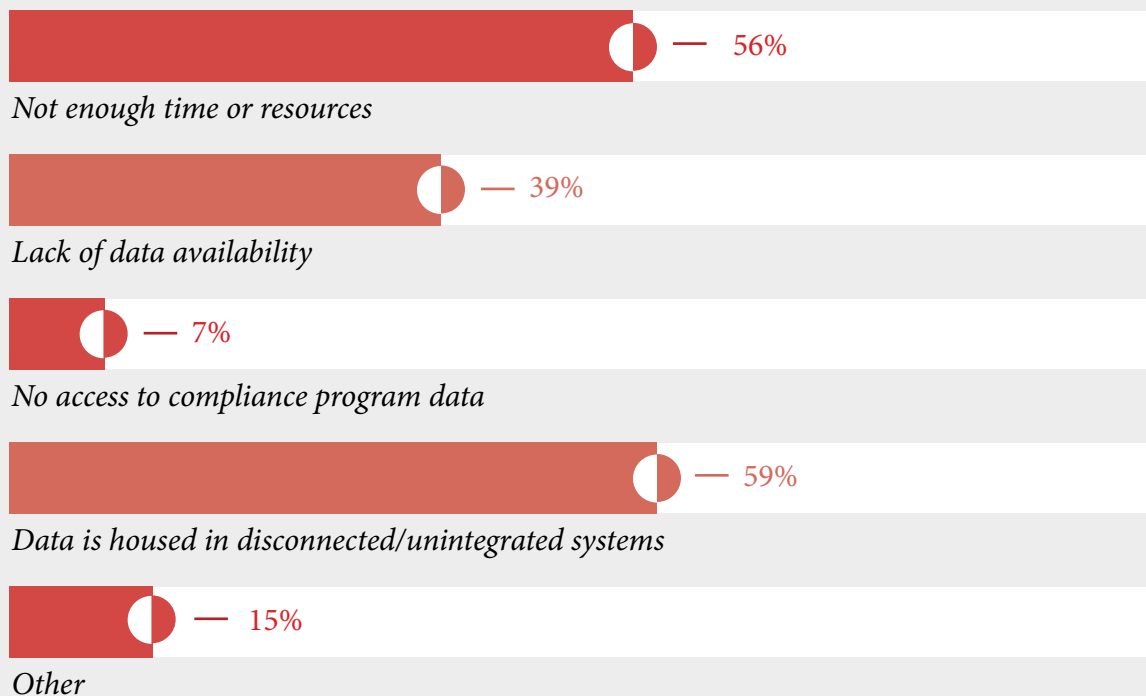These metrics are driven in large part by the expectations set out by the Federal Sentencing

Guidelines and related standards, but I'd argue that in their most basic form, these metrics follow the Guidelines in letter, not spirit. It's tempting and all too easy to cling to metrics close at hand rather than digging deeper for analysis that represents truths about program effectiveness.

Compliance teams cannot and should not waste their time with data that won't help them make better decisions. To truly optimize effectiveness and facilitate continuous improvement, context and deeper analytics are needed to improve data value and utility.

Practically speaking, what does that mean for compliance teams?

We still see a majority of compliance teams getting other department data in static files—via email, spreadsheets, etc. Real effort is needed to integrate compliance systems and data, then to augment it with HR records, financial transactions and more. Only then can you can derive real, dynamic insights into the compliance vulnerabilities in your organization.

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WHAT CHALLENGES DO YOU HAVE IN AGGREGATING OR ANALYZING COMPLIANCE PROGRAM DATA?

56%

Not enough time or resources

39%

Lack of data availability

7%

No access to compliance program data

59%

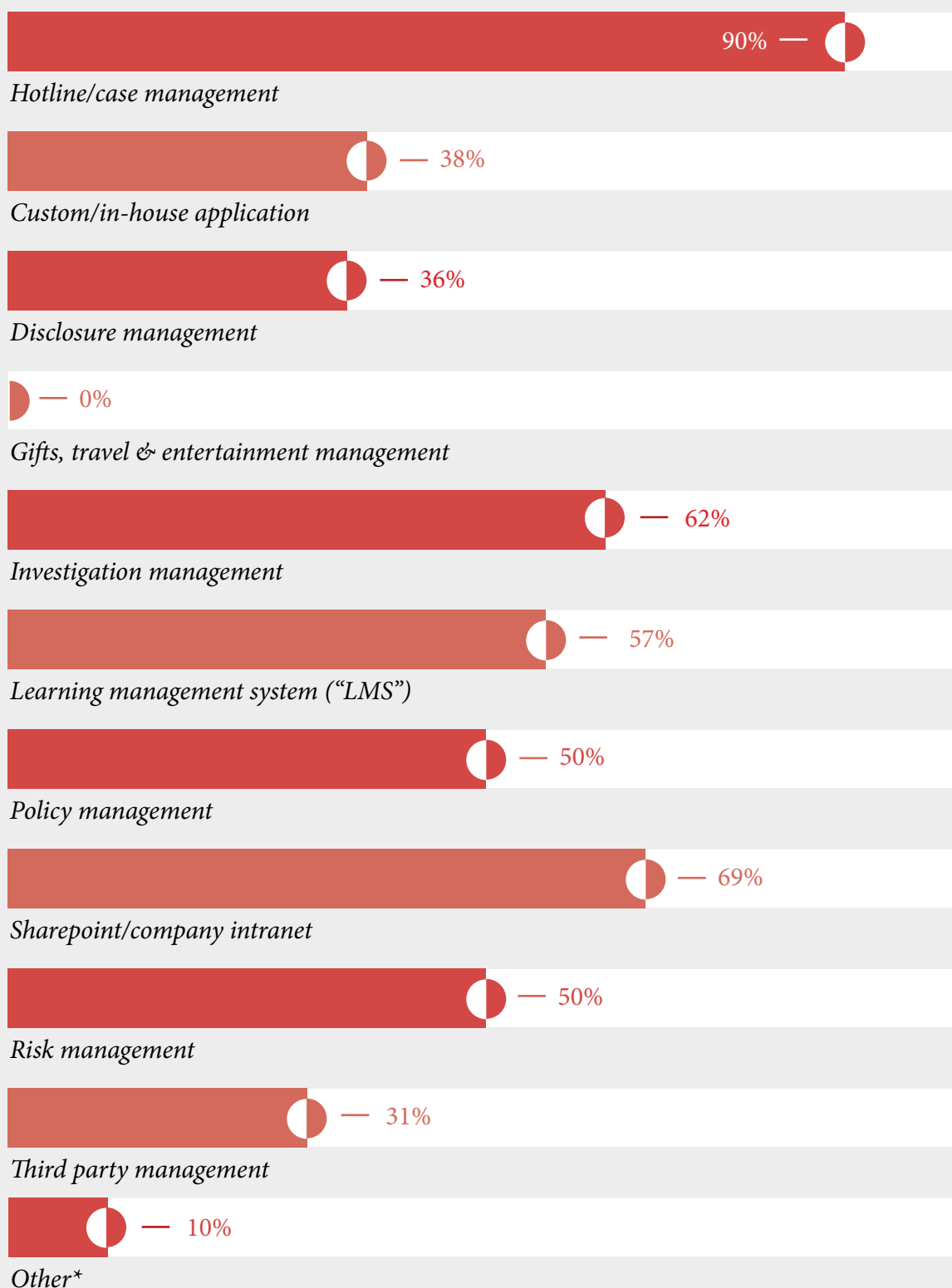*Data is housed in disconnected/unintegrated systems*

15%

Other

Data collection and aggregation remains one of the top concerns and challenges for CECOs today. The issue for most compliance teams isn't the availability of the data they need, but rather a central repository for critical program data, which 59 percent of compliance officers reported to be the top challenge (see Figure 11), along with too little time or too few resources to analyze the data at 56 percent. Both issues suggest a lack of integration or underutilization of compliance technology.

After a majority of respondents cited data and system disparity as the primary challenge in aggregating or analyzing program data, they

went on to share exactly which specific tools they used to deploy, track and report on their efforts. Fifty percent or more of teams use hotline/case management, Sharepoint or a company intranet, investigation management, a learning management system, risk management, policy management and/or risk management systems. Other tools companies are using not listed on Figure 12 include GRC applications, enterprise risk management systems and records management software.

Given the sheer number of different systems being used to deploy such compliance program mainstays, it's unsurprising that data reconciliation remains a challenge. Overcoming this challenge, and the manual work required to analyze the data once it's reconciled, requires a greater deployment of technology to centralize and integrate these efforts.

Figure 12: **WHAT DIFFERENT SYSTEMS/TOOLS DO YOU USE TO MANAGE YOUR PROGRAM?**

90% — *Hotline/case management*

38% — *Custom/in-house application*

36% — *Disclosure management*

0% — *Gifts, travel & entertainment management*

62% — *Investigation management*

57% — *Learning management system ("LMS")*

50% — *Policy management*

69% — *Sharepoint/company intranet*

50% — *Risk management*

31% — *Third party management*

10% — *Other**

*Other Responses: Third party system; Research & Health Affairs; ERM; and GRC application/software

Figure 13: **WHAT DATA FROM OTHER BUSINESS UNITS DO YOU LEVERAGE FOR COMPLIANCE ANALYSIS?**

Human resources — 86%

Finance/accounting — 38%

Enterprise risk — 60%

Legal — 62%

Other — 19%
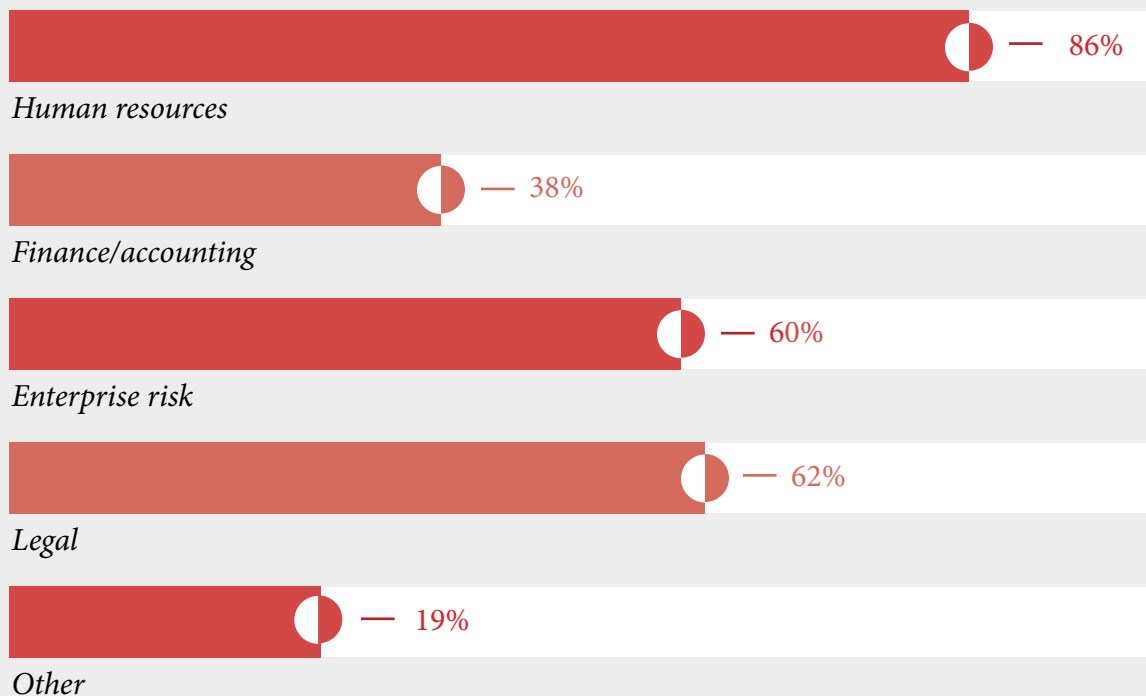
While there remains a need for more and better data around measuring compliance program effectiveness, nearly all CECOs we spoke with acknowledge that there is meaningful data housed around their organizations they wish they had access to. Eighty six percent of CECOs indicate that HR is the department they work with the most frequently, followed by legal and enterprise risk departments—62 percent and 60 percent, respectively.
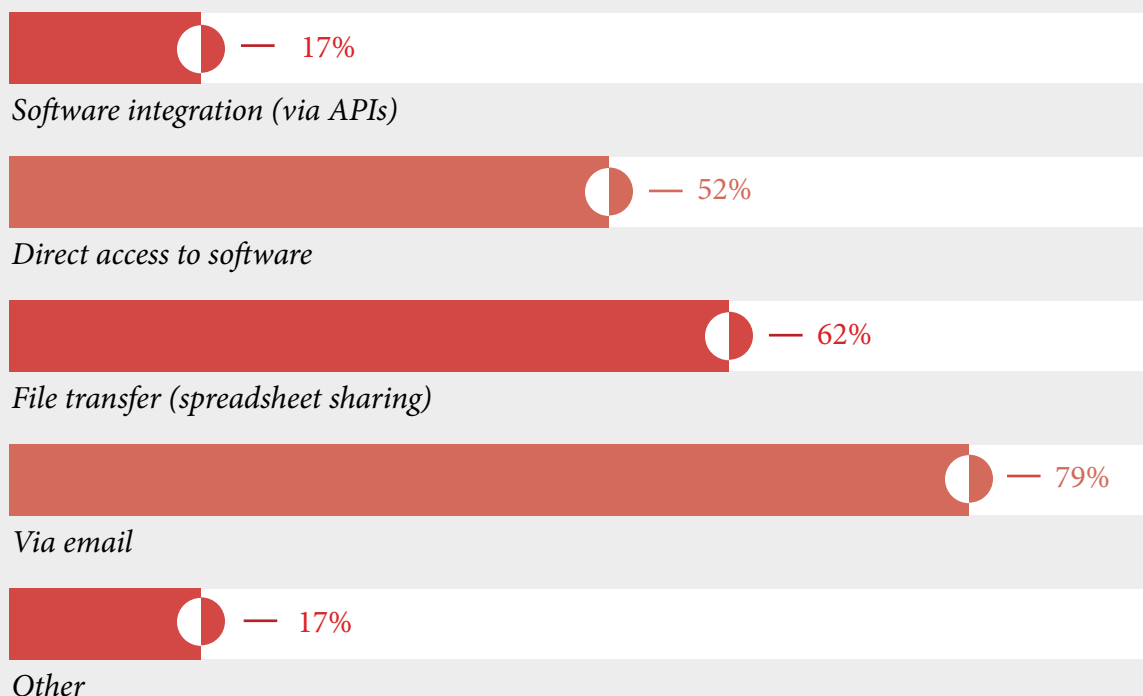
Compliance officers are becoming creative in who they reach out to within their own organization as many are working with and aggregating data from groups such as external audit, corporate secretaries, marketing, IT and

environmental health and safety. Some CECOs are even collecting data from government sources, including from external law enforcement agencies and other regulatory agencies.

Despite the creativity from some, data access and sharing still isn't consistent in organizations, with the most commonly cited methods being file transfer and via email—62 percent and 79 percent, respectively. Direct software access and/or integration is leveraged by fewer compliance teams, in spite of the fact it would require less manual work to retrieve and reconcile data, ensure consistent data delivery and reduce risk of oversight or gaps.

Figure 14: HOW DO YOU GAIN ACCESS TO DATA FROM OTHER DIVISIONS?

17%

Software integration (via APIs)

52%

Direct access to software

62%

File transfer (spreadsheet sharing)

79%

Via email

17%

Other

HOW DO YOU MEASURE THE ROI OF COMPLIANCE?

Even though ROI measurement and demonstration is one of CECOs' largest challenges, many are making a good faith attempt at it nonetheless. Some of the more commonly cited calculations from this year's survey responses include:

- Culture survey results
- Number of investigations
- Annual program assessment
- Government settlements and violations
- Cost avoidance

- Perceived value
- Total spend
- Responsiveness to issues
- Reduction of costs from technology
- Hotline information

PROGRAM
REPORTING

Though most organizations deliver some type of report at least once a year, the frequency, content and format of that report, along with the audience that receives it, is inconsistent from company-to-company.

While nearly every company we spoke with and surveyed delivered some variation of compliance reporting on at least an annual basis, we found inconsistencies in the frequency of reporting, the information included in the report and the format in which the report is presented. It seems nearly every CECO has his or her own idea of how to report on key compliance metrics, seemingly influenced by the politics of the Board and the leadership of his or her company.

For example, while we found that half of all companies surveyed deliver a compliance program report on a quarterly basis, the rest ranged in frequency from monthly (18 percent) to less often than every two years (5 percent). In addition, the recipients of the compliance report vary quite a bit from company-to-company, ranging from Audit Committees (56 percent) to General Counsel (54 percent) and the CEO (61 percent).

We did find one fairly consistent element in reporting, however, and that is how the reports are compiled: Excel. Eighty one percent of our survey respondents indicated they use Excel to gather their report information as compared to specialized GRC software—though there is some overlap as 41 percent of respondents indicated they use GRC software.

Throughout our discussions with CECOs in 2015, we found that there was a lack of consistency in the type of information and length of each report. Some companies submitted a few PowerPoint slides to the Board during their meetings, while others would email lengthy documents in advance with the request and expectation that the full Board read them in their entirety.

In order to help provide benchmarking and context for CECOs trying to determine the appropriate information to include in their compliance report, we have included on the following pages examples of what the 2015 World's Most Ethical Companies recipients include in their reports, which includes everything from legal and regulatory updates (97 percent) to details on investigations and results (95 percent) and Code of Conduct updates or revisions (95 percent).

Finally, we discovered a wide variance in the outlets or mechanisms that companies use in reporting to various stakeholders. As expected the most common outlet remains Board communications (67 percent), but other outlets include cross functional meetings, hard copy postings of the report, compliance forums and the fairly new practice of open reporting.

Figure 15: HOW FREQUENTLY DO YOU DELIVER A FORMAL REPORT?

- 50% - Quarterly
- 25% - Annually
- 18% - Monthly
- 5% - Less than two years
- 2% - Semi-annually
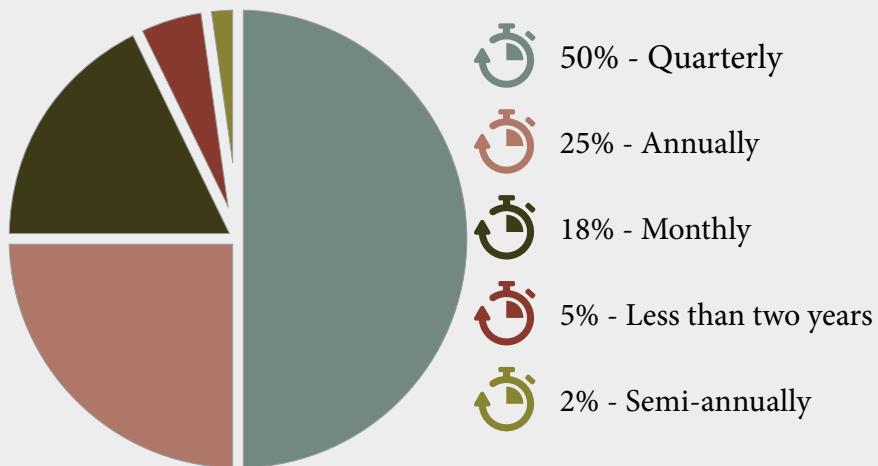
2015 WORLD'S MOST ETHICAL COMPANIES®
WWW.ETHISPHERE.COM

Fig. 16 to the right showcases which info 2015 World's Most Ethical Companies report to their Boards. The consistency across categories highlights these as best practices others should adopt.

Figure 17: WHO RECEIVES THE COMPLIANCE PROGRAM REPORT?

- 29% — *Full board*
- 56% — *Audit committee*
- 39% — *Ethics and compliance committee*
- 61% — *CEO*
- 54% — *General counsel*
- 32% — *Other*
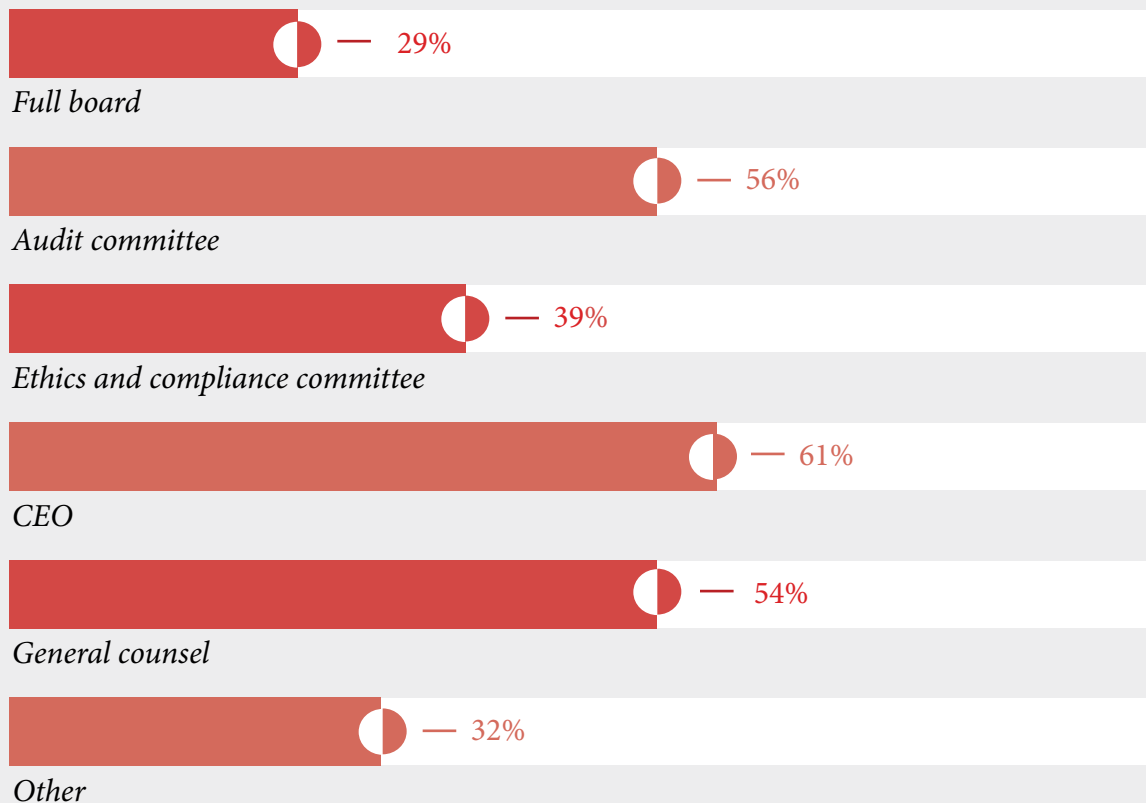
Figure 16: **WHICH INFORMATION DOES YOUR COMPANY REPORT TO THE BOARD OR GOVERNING AUTHORITY?**

98% — *Overall compliance and ethics program performance*

98% — *Overview of key initiatives*

97% — *Hotline and misconduct reporting statistics*

92% — *Details on misconduct investigations and resolutions*

95% — *Compliance and ethics training initiatives and results*

95% — *Compliance and ethics communication initiatives*

95% — *Compliance and ethics program audit, assessment and/or benchmarking findings*

93% — *Compliance and ethics risk assessment findings*

90% — *Compliance and ethics risk mitigation strategy and tactics*

86% — *Culture of ethics assessment or survey findings*

97% — *Significant regulatory and legal updates*

89% — *Compliance and ethics trends, industry trends and best practices updates*

95% — *Code of Conduct updates or revisions*

21% — *Other*

Figure 18: **WHAT MECHANISMS OR OUTLETS DO YOU USE TO REPORT COMPLIANCE PROGRAM STATISTICS?**

Board communications — 67%

Investor communications — 0%

Discussed in executive committee meetings — 52%

Cross functional meetings — 50%

Open reporting/Website — 15%

Other — 15%
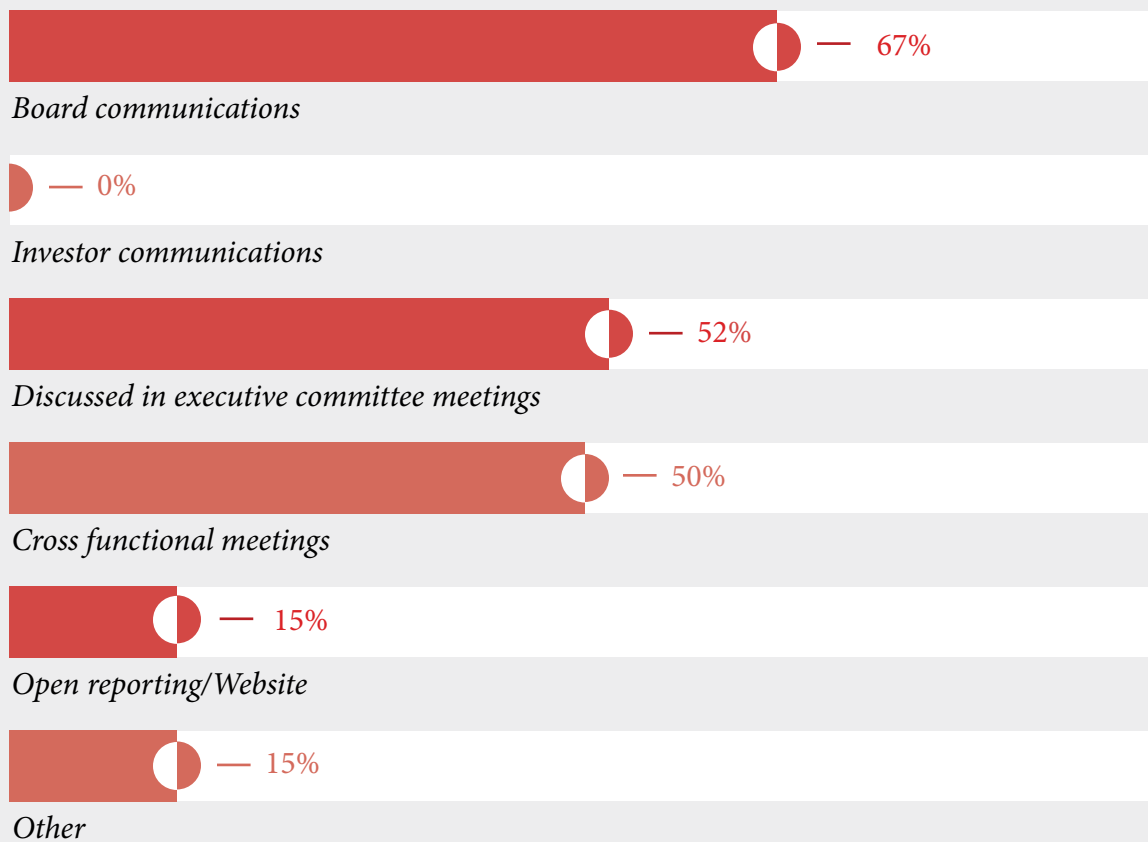
Figure 19: **WHAT TOOL(S) DO YOU USE FOR COMPLIANCE PROGRAM REPORTING?**

GRC Software — 43%

Excel or other spreadsheet tool — 81%
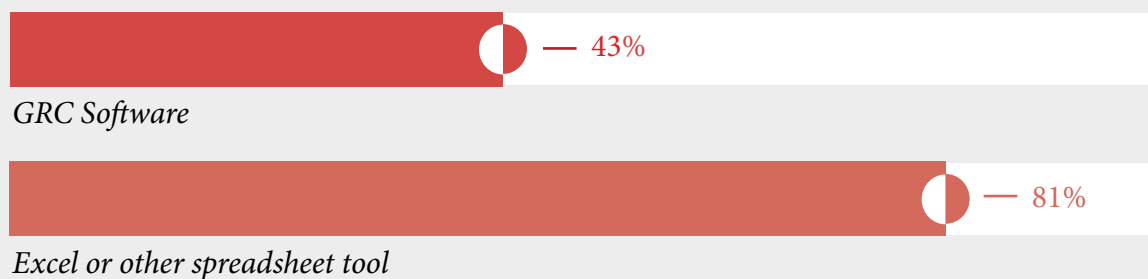
Excel and other spreadsheet tools remain the most common means of collecting compliance program at 81 percent. Many companies actually use Excel in addition to specialized GRC software. We expect the trend to continue to move towards standardized software and dedicated tools.

Compliance Tech Talks and Roundtable Discussions

In 2015 Convercent and Ethisphere partnered to host a series of events, including this Compliance Tech Talk in Palo Alto, Calif., in which more than 50 participants from across Silicon Valley came together to talk through compliance challenges.

From left to right: Stephen Martin, Partner at Baker & McKenzie; Amyn Thawer, Head of Global Compliance at LinkedIn; David Farrell, Chief Compliance Officer at Yahoo!; Mark Gursky, Director of Global Compliance & Associate GC at Intel

There remains a wide variance in the frequency of reporting done by different companies as well as the recipients of each report. Quarterly reporting remains the most common frequency at 50 percent (see Fig. 15 on page 28). One of the more surprising findings around the recipients of compliance reporting was the relatively low percentage of companies that shared with report with their full Board (29 percent, see Fig. 17 on page 28).

The lack of investor communications as a means of communicating ethics and compliance metrics was another surprising finding. As compliance officers continue to focus on discovering a measurement for the ROI of compliance and ethics, investor relations would be a good function to get involved in.

It will be no surprise to CECOs, however, that Board and CEO communications remain the prevalent means of sharing compliance reports at 67 percent (see Fig. 18).

CECOs also report on their compliance programs by:
• Reporting to an external auditor;
• Posting hard copy reports around the company;
• Sharing details during cross-functional compliance committees; and
• Including highlights from the report in leadership trainings/meetings and in dedicated ethics and compliance forums.

COMPLIANCE
Tech Talks

UPCOMING PROGRAMS

Convercent will be hosting another series of Compliance Tech Talks around the world in 2016. If you would like to be part of an upcoming Compliance Tech Talk at a city near you, or to get more information, please visit http://www.compliancetechtalks.com.

Jan. 21	Seattle, WA	**June 1**	Chicago, IL
Feb. 23	Washington, D.C.	**June 2**	Minneapolis, MN
Feb. 24	Atlanta, GA	**July 19**	Boston, MA
Mar. 15	London, U.K.	**Aug. 30**	St. Louis, MO
Mar. 16	Stockholm, Sweden	**Oct. 20**	Los Angeles, CA
Mar. 17	Copenhagen, Denmark	**Nov. 3**	New York, NY
Apr. 19	Philadelphia, PA	**Nov. 8**	Houston, TX
Apr. 26	San Francisco, CA	**Nov. 9**	Dallas, TX
May 5	Detroit, MI	**Dec. 6**	Phoenix, AZ

SOUNDING OFF

Compliance Tech Talks helped keep compliance executives engaged throughout 2015. Here is just some of the feedback we received throughout the year:

"

These roundtables are so much more valuable than large, national events. The setting allows us to share information and absorb it much quicker. It was a great mix of compliance professionals with helpful takeaways. Thank you again."

-Roundtable Attendee, Boston

"

I very much enjoyed the roundtable and was pleased to have been a part of the discussion–thank you for including me. The conversation was engaging, and I am still pondering a few questions that were posed and answers that were shared."

-Roundtable Attendee, Boston

"

Thank you and the rest of the team for hosting an engaging and informative forum today. It was our pleasure to participate and learn from and with our peers in the DFW area."

-Roundtable Attendee, Dallas

"

Thank you for including me in the conversation. You put together a great group of C&E professionals."

-Roundtable Attendee, Atlanta

convercent

THANK YOU!

Ethisphere and Convercent would like to thank the more than 200 participants who joined us over the year to share their stories, insights and program best practices. The following are just some of the companies that participated throughout 2015.

AGL Resources Service Company
Agrium
Alcoa
Alere
Alliance Data Systems Corporation
Alvarez & Marsal
AOptix
Arrow Electronics
AT&T
ADP
Avery Dennison Corporation
Bayer Corporation
Bicycle Transportation Alliance
Biotronik
Blount International
Blue Cross and Blue Shield of Texas
Cambia Health Solutions
Clean Harbors
Concurrent Technologies Corporation
Con-Way
Cox Enterprises
CPI International
Crawford & Company
C. R. Bard
Cushman & Wakefield
Delta Airlines
Denver Board of Ethics
Denver Health Medical Plan
DocuSign
Dun & Bradstreet
eBay
ESCO Corporation
Estee Lauder Companies
Facebook
Gap
Gemological Institute of America
General Electric Company
General Nutrition Centers
Georgia Lottery Corporation
Georgia Power Co.
GlobalLogic
Harder Mechanical Contractors

Hartford Financial Services
Highmark
Hospira
Intel Corporation
Intergen Services
Intertek
Jones Lang LaSalle
Keybank
Kloeckner Metals Corporation
Koppers
Lam Research Corporation
Liberty Global
LinkedIn
Lion
Major
MarkWest Energy Partners
McGraw Hill Financial
Medline Industries
Mercer
Morehouse College
MSA Safety Incorporated
MUFG Union Bank
Mylan
NBH Bank
NetApp
Newmont Mining Corp
New York City Health and Hospitals Corporation
New York University
Northwest Natural Gas Company
NW Natural
Oracle Corporation
Oshkosh Corporation
Outerwall
Parexel International Corporation
Parkland Health & Hospital System
Parsons Brinckerhoff
Pfizer
PNC Financial Services
Portland General Electric Company
PPG Industries
Regal Beloit

Robert Half International
SanDisk
Signet
Silver Lake
Skanska
Smarsh
Sony Corporation
Southwire Company
SP+
St. Clair Health Corporation
State Street Corporation
Steward Health Care System
SunGard Data Systems
Symantec
Texas Instruments
The Gap
The Home Depot
The Institute for Transfusion Medicine
The Kraft Heinz Company
The Lubrizol Corporation
The Sherwin-Williams Company
TIAA-CREF
Trinity Industries
TrueBlue
Turner Broadcasting System
Twitter
U.S. Steel Corporation
UCLA
Underwriters Laboratories
United Nations Development Programme
United Technologies Corporation
University Hospitals Health System
Visa
VMware
Western Digital
Westinghouse Electric Company
Williams-Sonoma
Xfund
Xilinx
Yahoo!
Ziosk

ABOUT CONVERCENT

Convercent's risk-based global compliance solution enables the design, implementation and measurement of an effective compliance program. Delivering an intuitive user experience with actionable executive reporting, Convercent integrates the management of corporate compliance risks, cases, disclosures, training and policies. With hundreds of customers in more than 130 countries—including Philip Morris International, CH2M Hill and Under Armour—Convercent's award-winning GRC solution safeguards the financial and reputational health of your company. Backed by Azure Capital, Sapphire Ventures (formerly SAP Ventures), Mantucket Capital and Rho Capital Partners, and based in Denver, Colorado, Convercent will revolutionize your company's compliance program.

www.convercent.com

ABOUT ETHISPHERE

The Ethisphere® Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust, and business success. Ethisphere has deep expertise in measuring and defining core ethics standards using data-driven insights that help companies enhance corporate character. Ethisphere honors superior achievement through its World's Most Ethical Companies® recognition program, provides a community of industry experts with the Business Ethics Leadership Alliance (BELA), and showcases trends and best practices in ethics with the publication of Ethisphere Magazine and The World's Most Ethical Companies Executive Briefing. Ethisphere is also the leading provider of independent verification of corporate ethics and compliance programs.
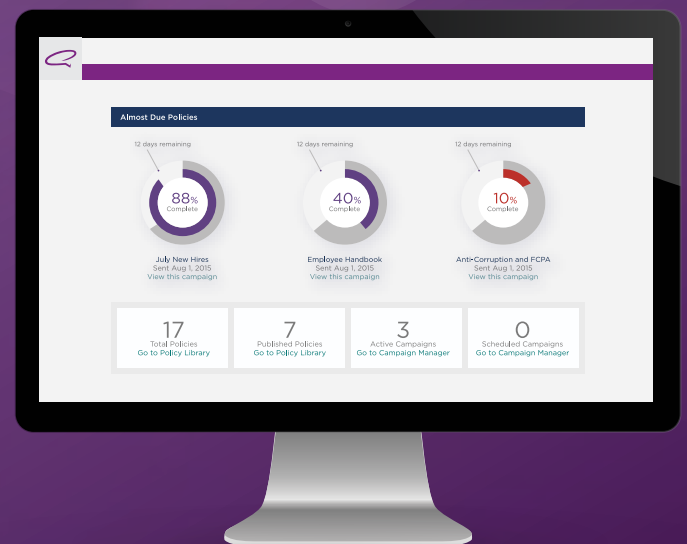
http://ethisphere.com

DISCLOSURES

HOTLINE

CASES

RISK

TRAINING

DASHBOARDS

POLICY

REPORTING

Almost Due Policies

12 days remaining

88% Complete

July New Hires
Sent Aug 1, 2015
View this campaign

12 days remaining

40% Complete

Employee Handbook
Sent Aug 1, 2015
View this campaign

12 days remaining

10% Complete

Anti-Corruption and FCPA
Sent Aug 1, 2015
View this campaign

17
Total Policies
Go to Policy Library

7
Published Policies
Go to Policy Library

3
Active Campaigns
Go to Campaign Manager

0
Scheduled Campaigns
Go to Campaign Manager

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WITH ONE INTEGRATED PLATFORM**

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