

2018 State of the Compliance and Ethics Function

Early Findings

1 November 2018

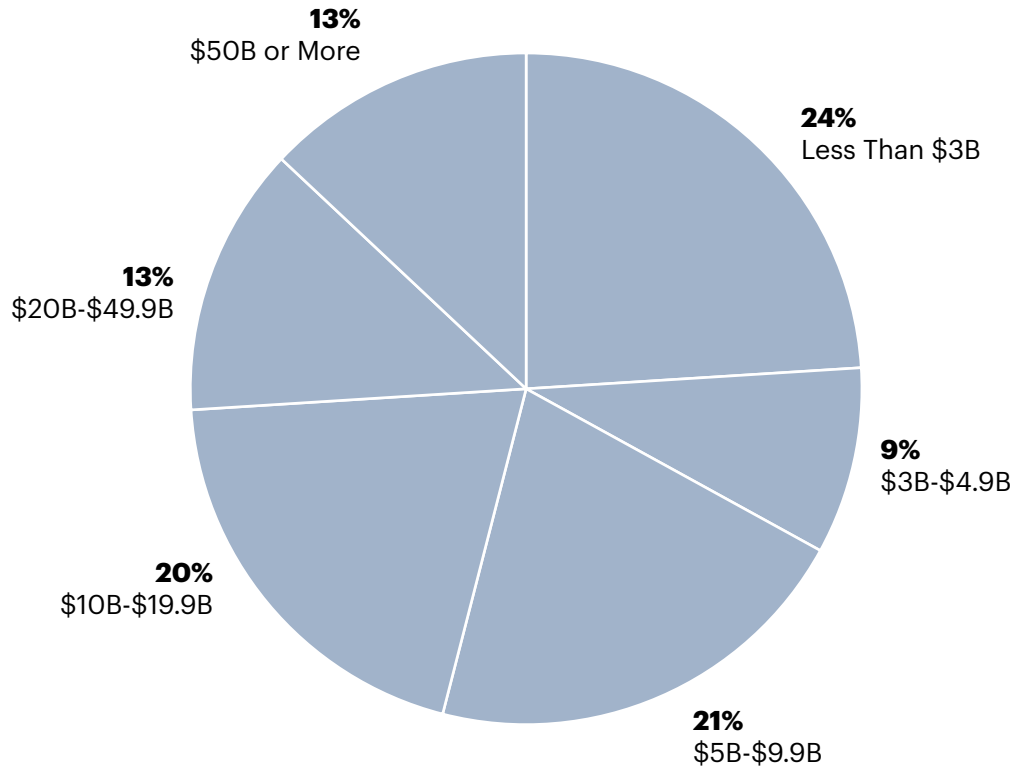
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Survey Demographics

Revenue Size

Percentage of Survey Respondents

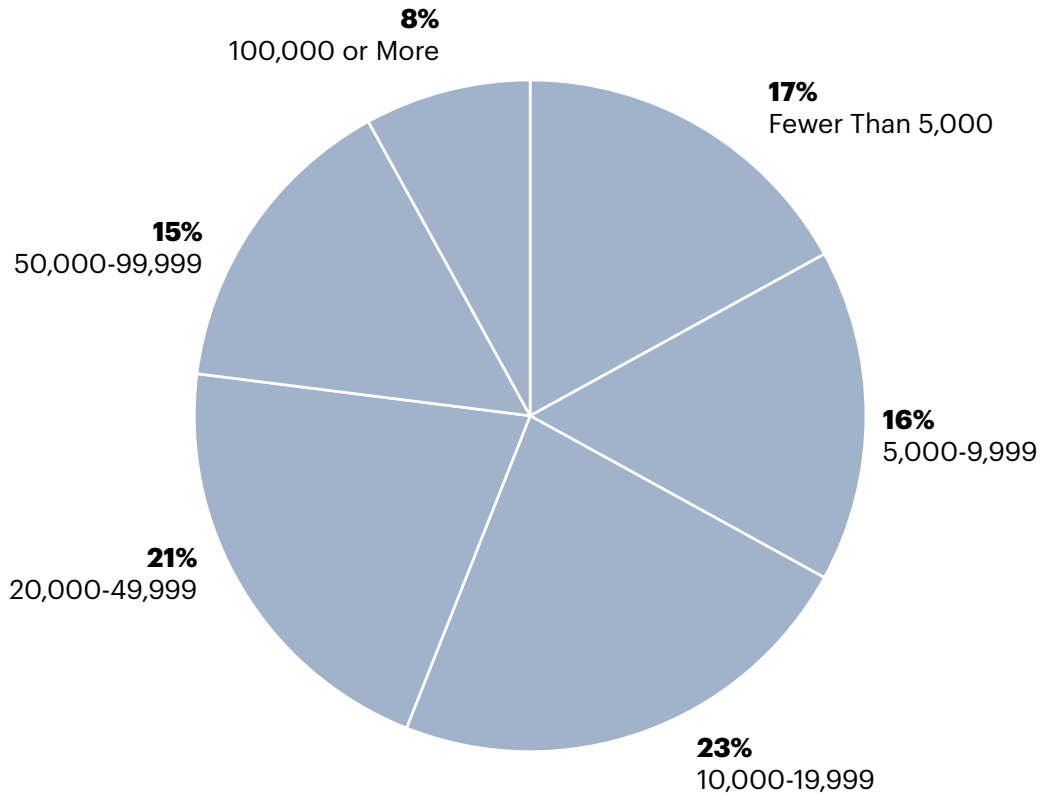


Number of respondents = 135

Source: Gartner

Survey Demographics (Continued)

Number of Employees
Percentage of Survey Respondents

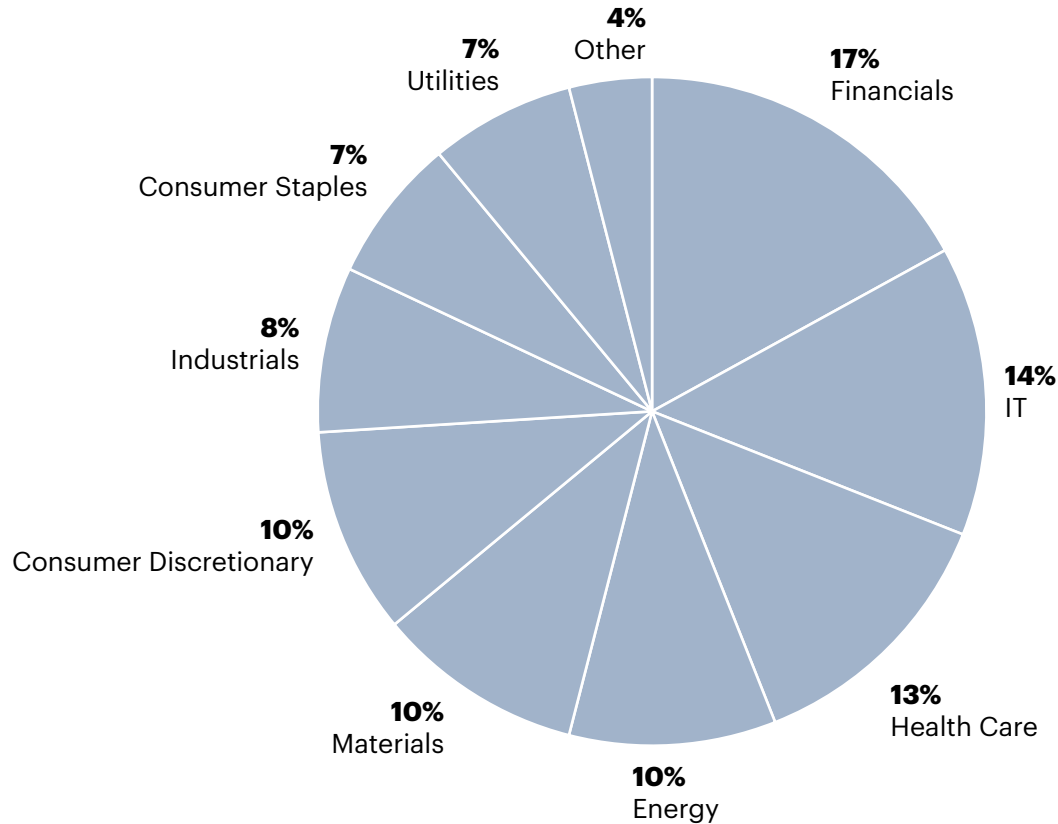


Number of respondents = 135

Source: Gartner

Survey Demographics (Continued)

Industry Sector
Percentage of Survey Respondents

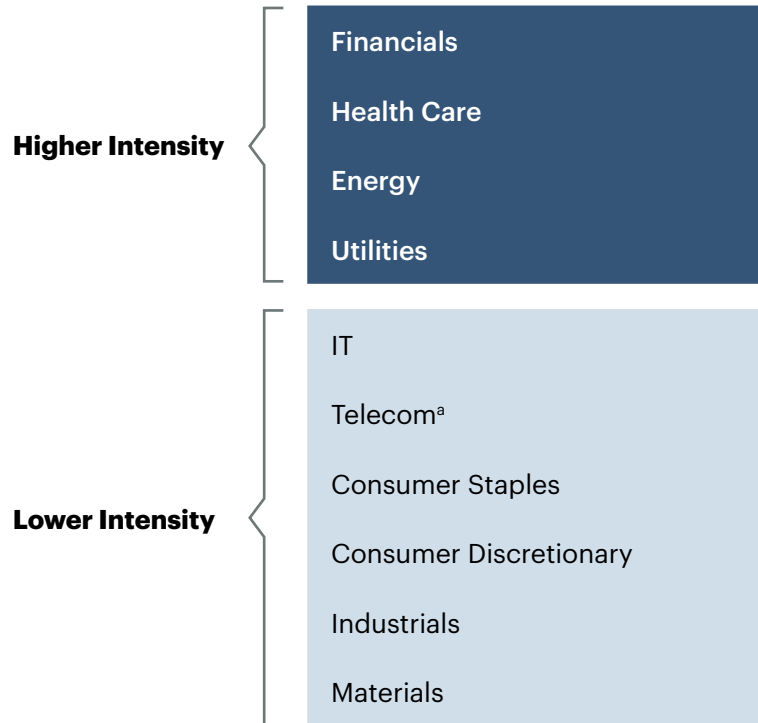


Number of respondents = 135

Source: Gartner

Survey Demographics (Continued)

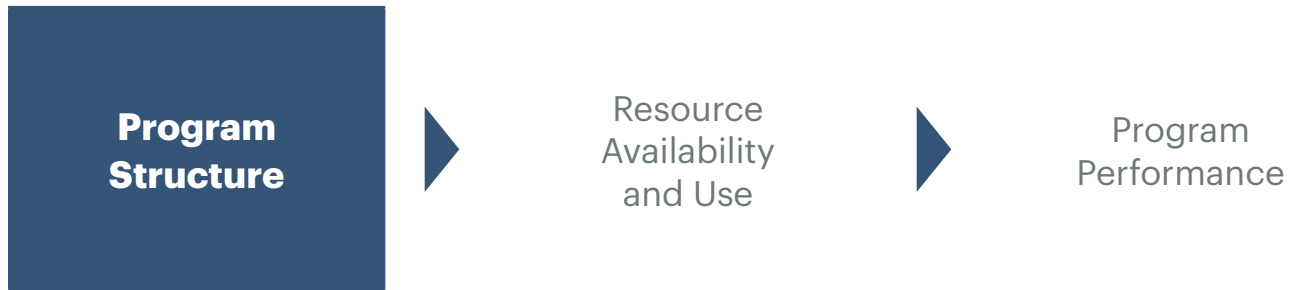
Industry Sectors in Regulatory Intensity Categories



Source: Gartner

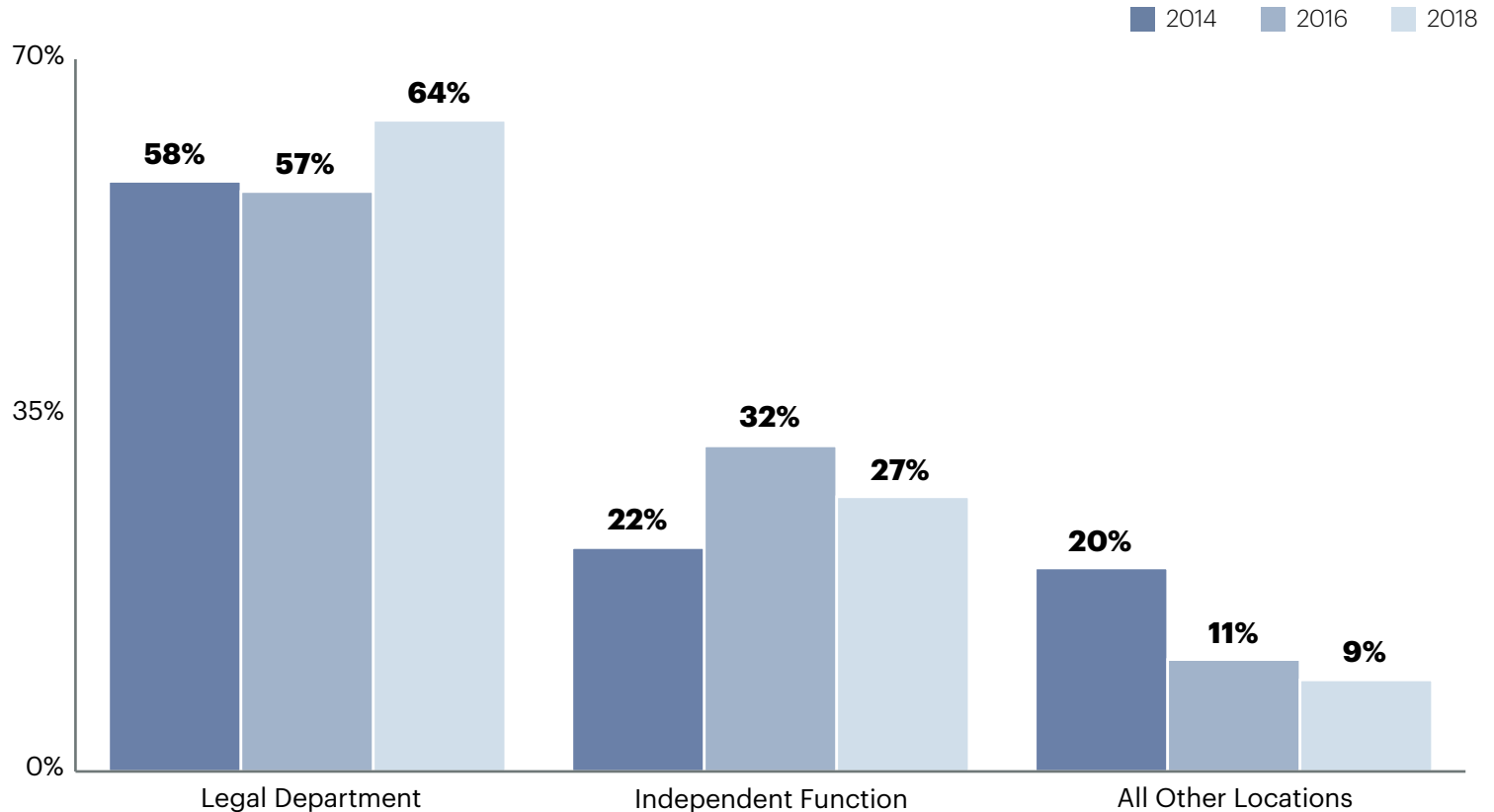
^a Because there is only one telecom company represented in the data set, it is not included in sector-by-sector analysis.

Roadmap



Decline in Independent Function Status

Location of the Compliance and Ethics Program

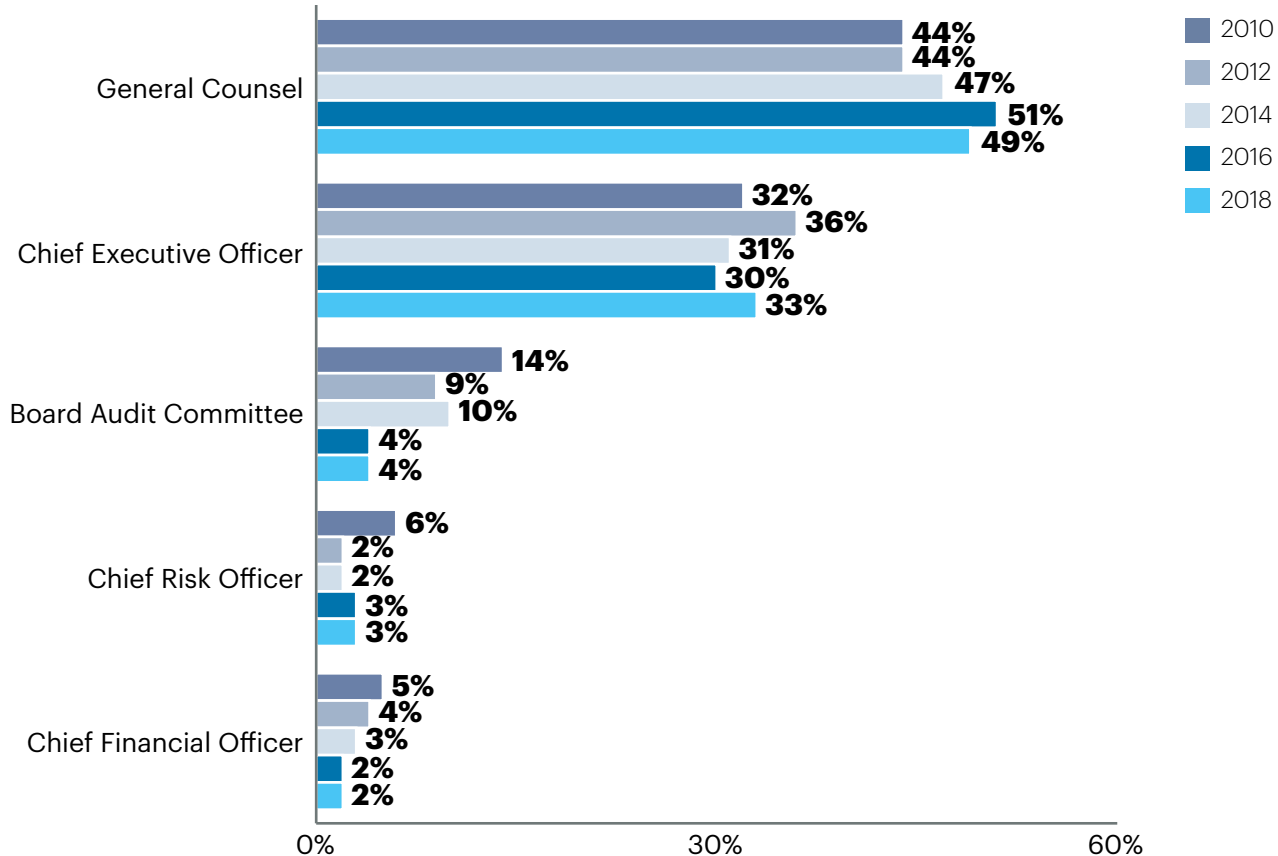


Number of respondents = 297 (2014); 198 (2016); 135 (2018)

Source: Gartner

Most Program Heads Report to GC or CEO

Primary Reporting Relationship of Senior-Most Compliance Officer



Number of respondents = 196 (2010); 256 (2012); 297 (2014); 199 (2016); 135 (2018)

Source: Gartner

Additional FTEs Anticipated for 2019

Median Number of FTEs

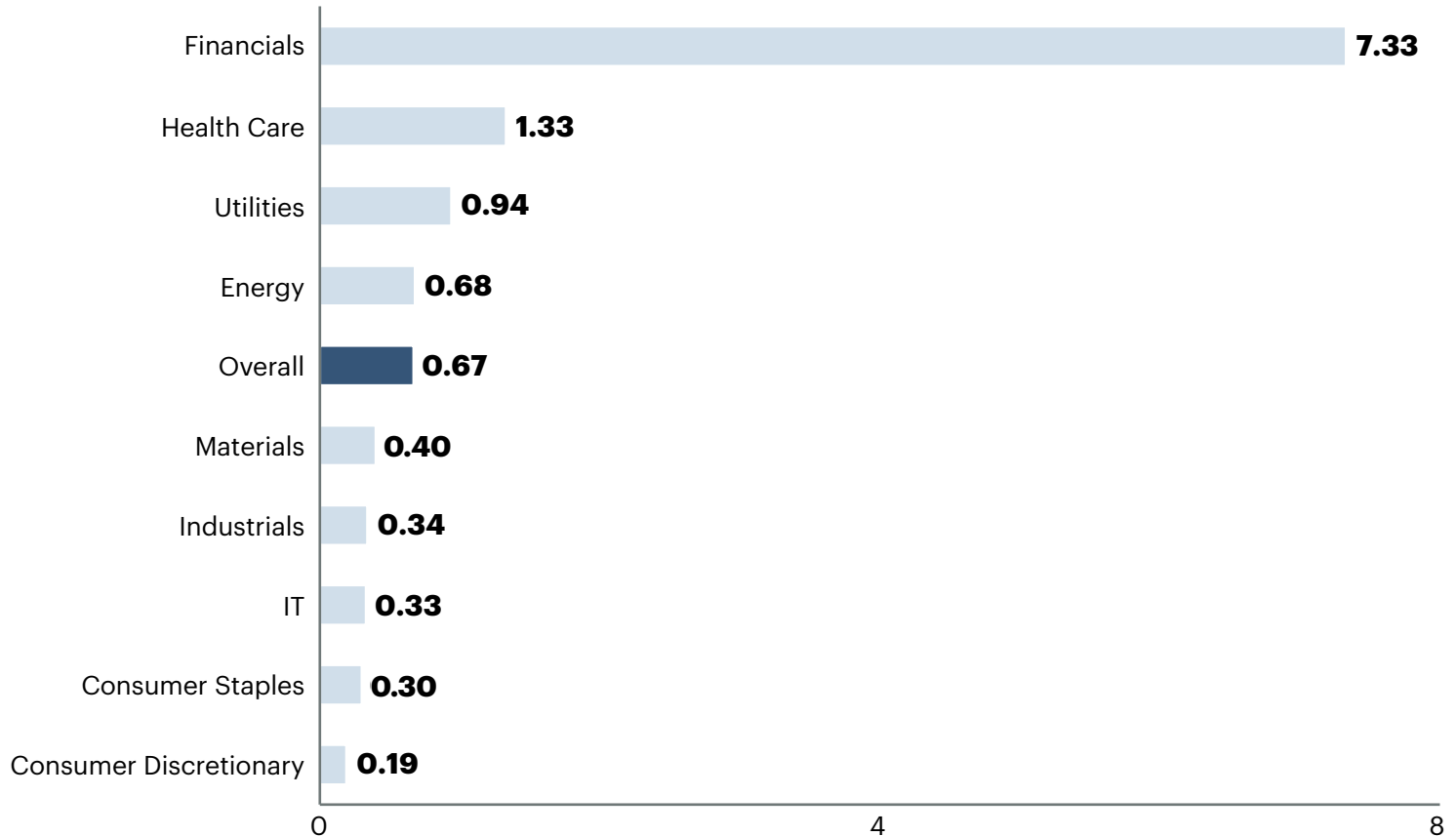
		2017	2018	2019
Overall	Total FTEs	12	13	14
	Total FTEs per 1,000 Employees	0.57	0.67	0.88
Lower Regulatory Intensity	Total FTEs	7.5	8	9.5
	Total FTEs per 1,000 Employees	0.30	0.30	0.38
Higher Regulatory Intensity	Total FTEs	23	22.5	26
	Total FTEs per 1,000 Employees	1.92	2.09	2.86

Number of respondents = 117-128

Source: Gartner

More FTEs in Highly Regulated Sectors

Median FTEs per 1,000 Employees, 2018

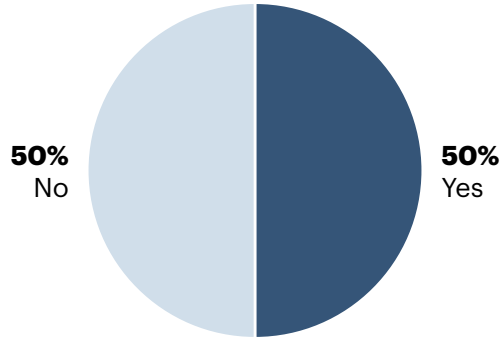


Number of respondents = 128

Source: Gartner

Half of Programs Use Liaisons

Q: "Does the Compliance Team Have Any Liaisons in 2018?"



Fifty-two percent of companies in industries with lower regulatory intensity employ part-time staff and 48% of companies in higher-intensity industries do the same.

Number of respondents = 135

Source: Gartner

Median Number of Liaisons^a, 2018

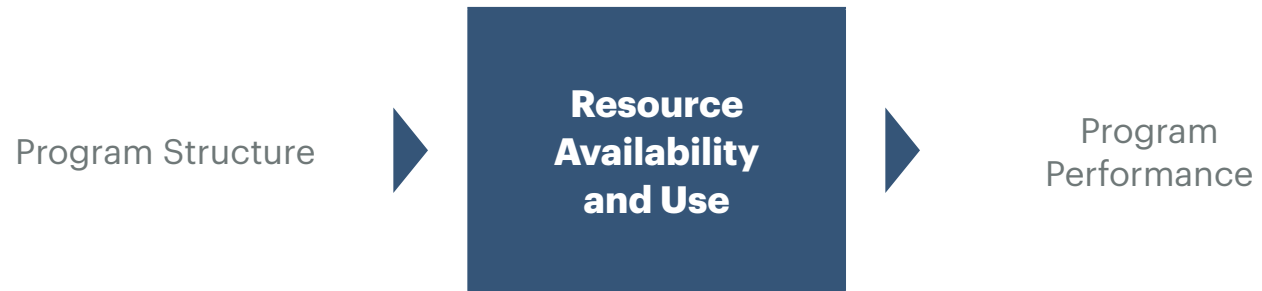
Overall	Total liaisons	25
	Total liaisons per 1,000 Employees	1.21
Lower Regulatory Intensity	Total liaisons	10.5
	Total liaisons per 1,000 Employees	0.53
Higher Regulatory Intensity	Total liaisons	29.5
	Total liaisons per 1,000 Employees	2.22

Number of respondents = 65

Source: Gartner

^a Among companies employing at least one.

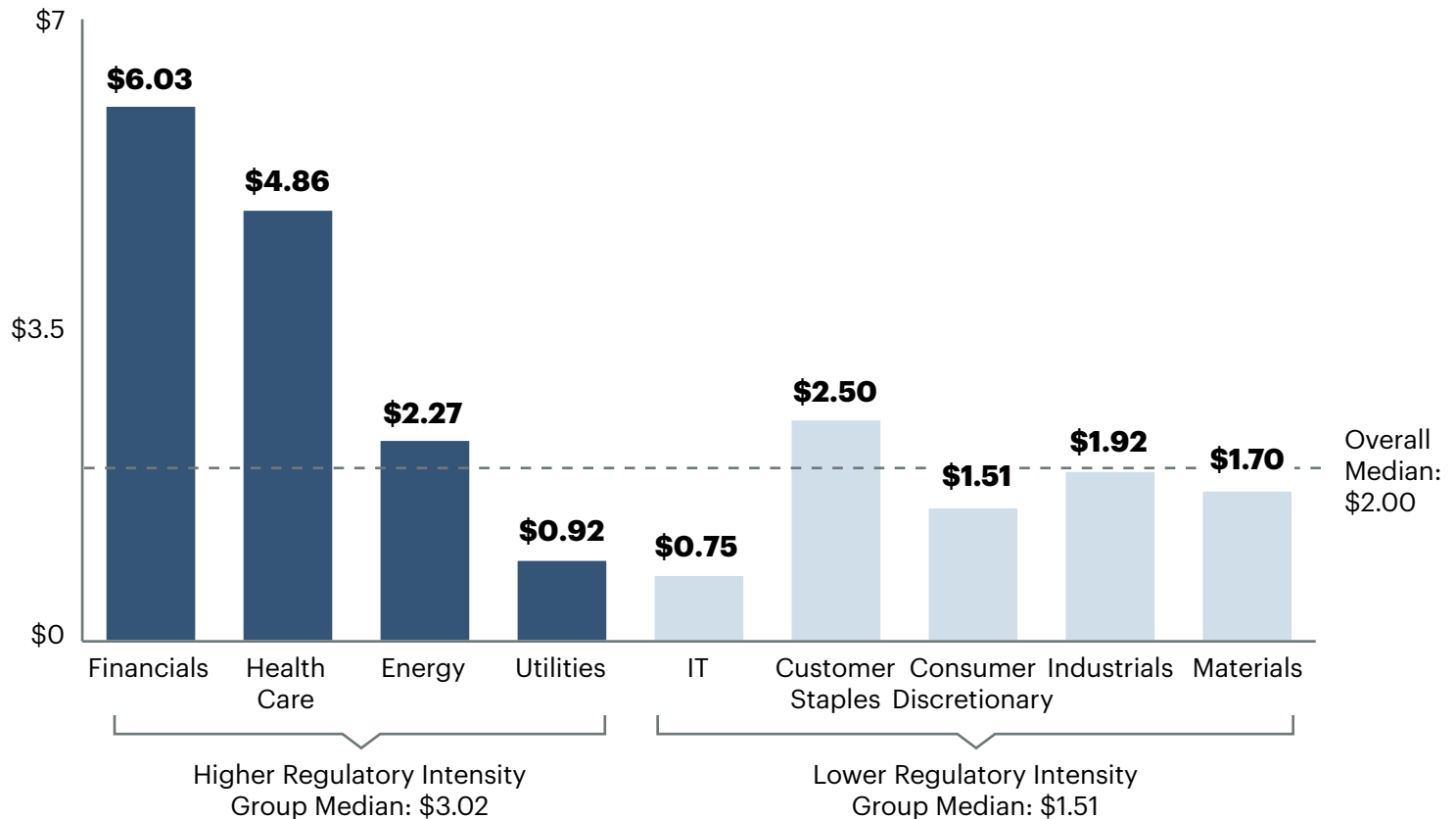
Roadmap



Regulatory Impact on Compliance Budgets

Median Compliance and Ethics Budget, 2018

In Millions of U.S. Dollars



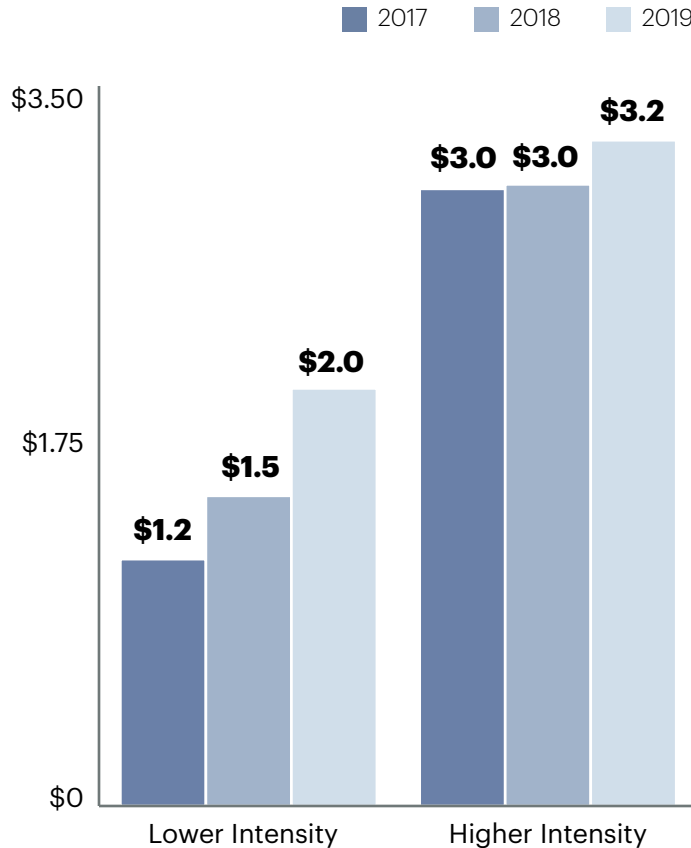
Number of respondents = 126

Source: Gartner

Budgets Stagnant in Highly Regulated Sectors

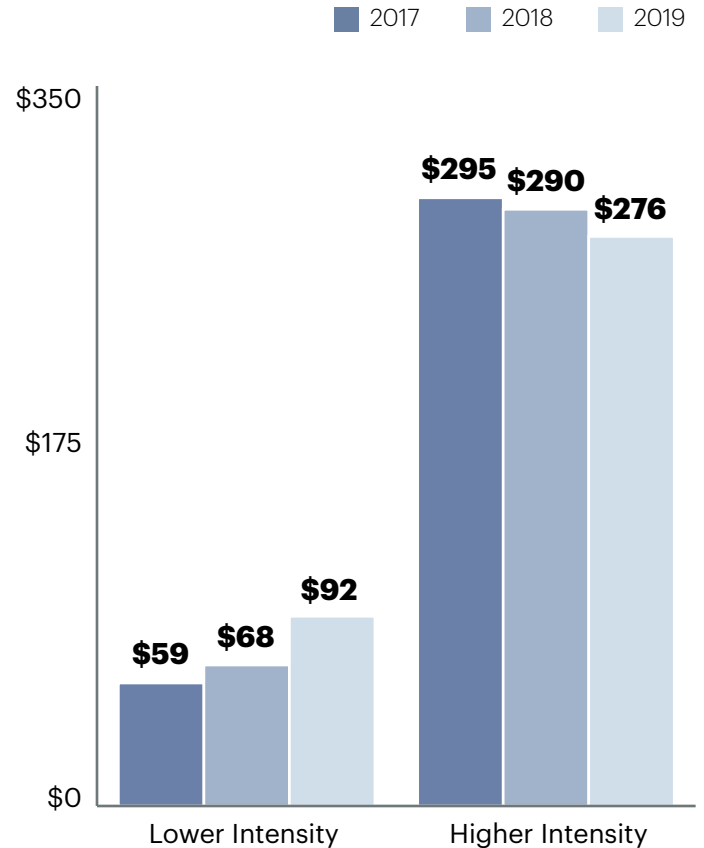
Median Compliance Budget
In Millions of U.S. Dollars

Median Compliance Budget per 1,000 Employees
In Thousands of U.S. Dollars



Number of respondents = 90-124

Source: Gartner

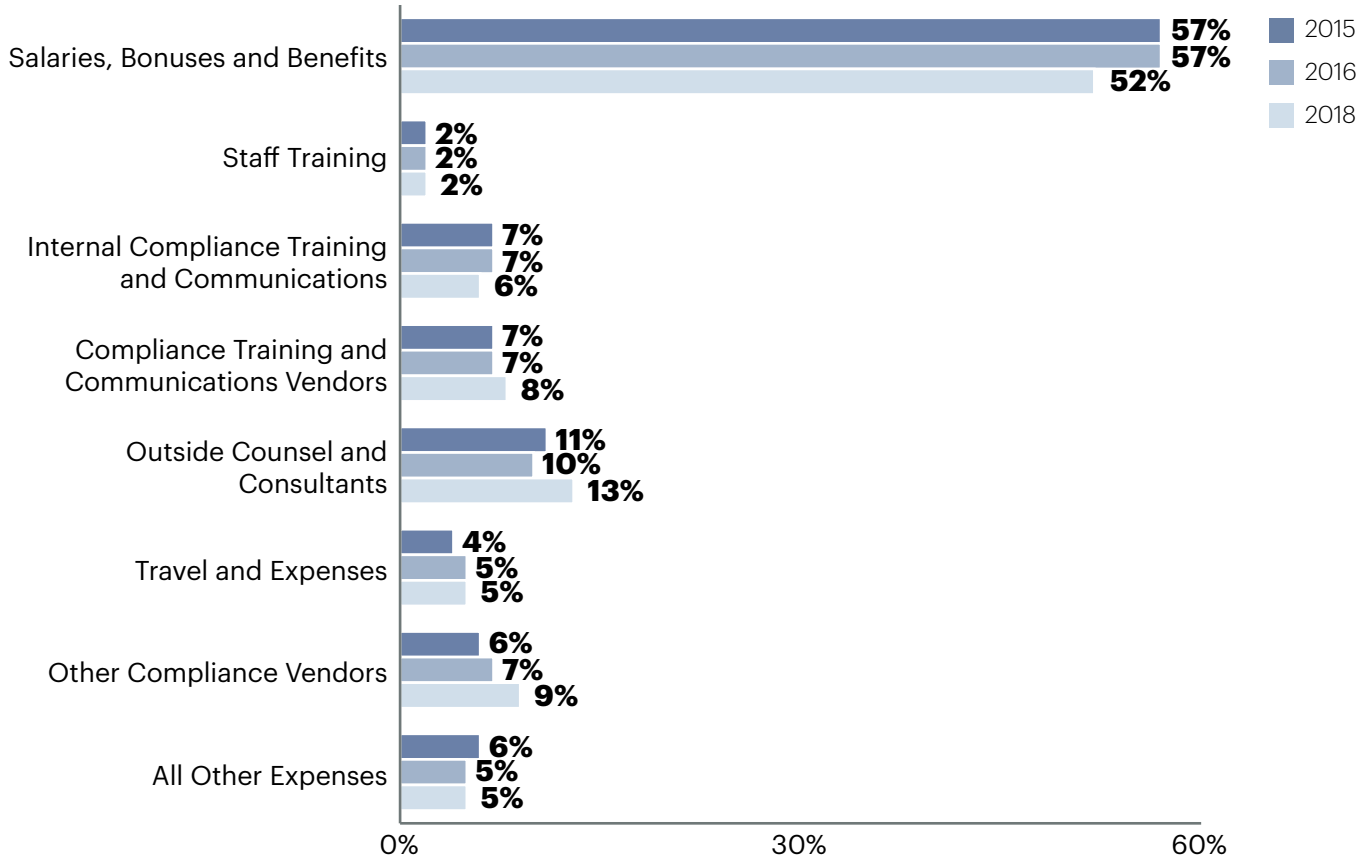


Number of respondents = 90-124

Source: Gartner

Slight Increases in Vendor and Consultant Spending

Average Distribution of Compliance and Ethics Budget

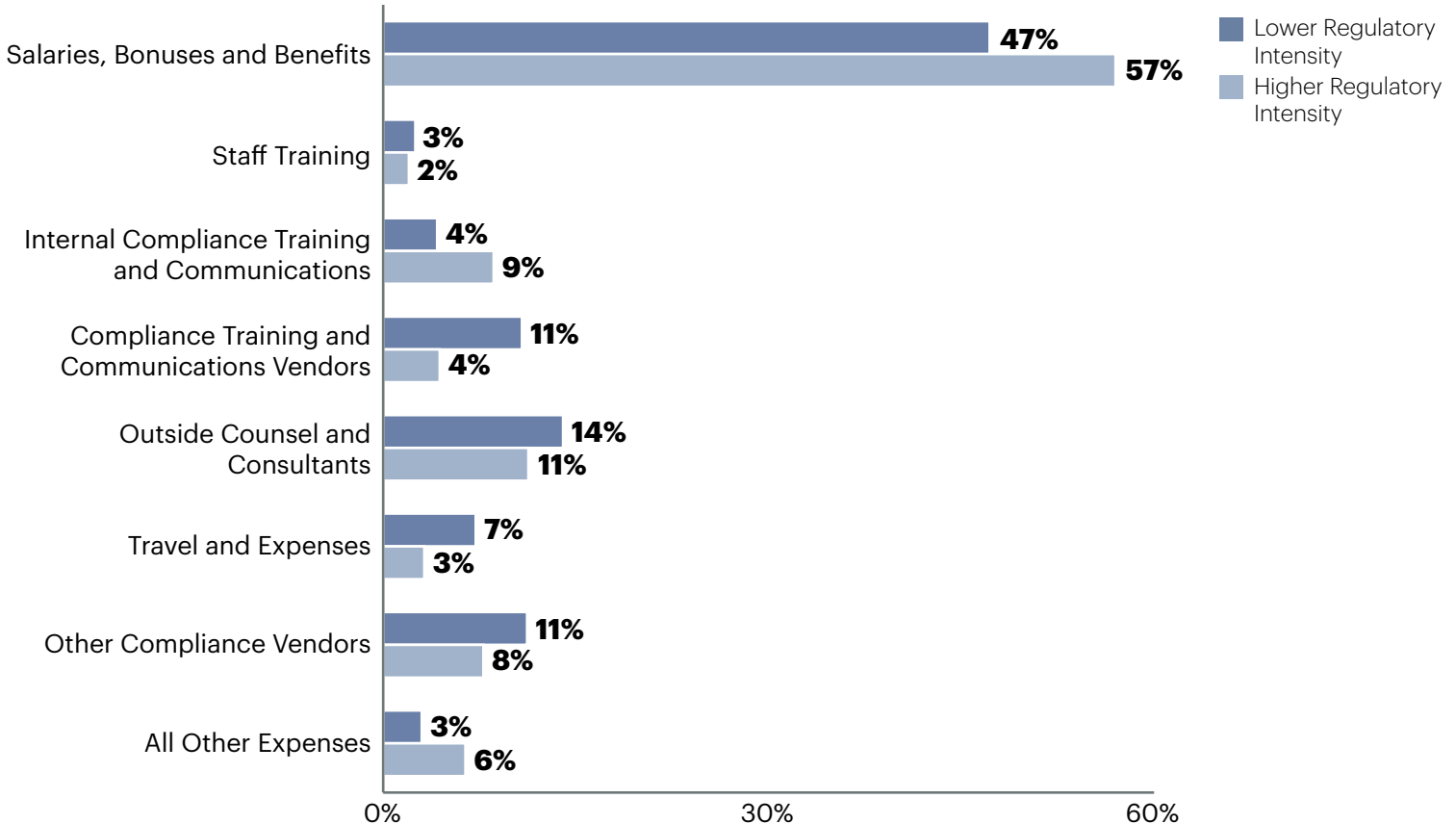


Number of respondents = 133 (2015); 164 (2016); 129 (2018)

Source: Gartner

More Internal Spending in Highly Regulated Sectors

Average Distribution of Compliance and Ethics Budget, 2018



Number of respondents = 118

Source: Gartner

Roadmap

Program
Structure



Resource
Availability
and Use



**Program
Performance**

Widespread Ownership of Code, Training and Helpline

Percentage of Programs Owning Each Activity












Number of respondents = 123-127

Source: Gartner

Cyber Remains Top Risk

Percentage Ranking as Among Top Three Risks to the Organization, by Year

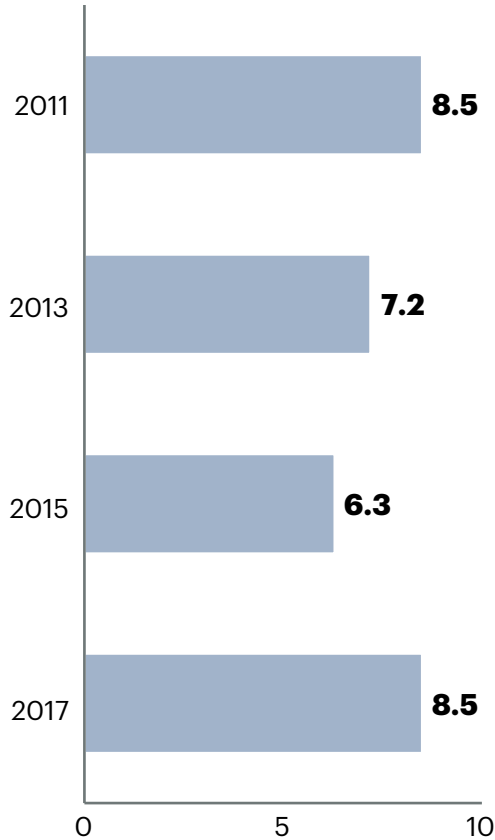
Risk	2016	2018	Change
Cyber Security/Information Security	42%	45%	+3% 
Anti-Corruption	40%	37%	-3% 
Data Privacy	26%	33%	+7% 
Third Party Risk	18%	32%	+14% 
Compliance Culture	25%	30%	+5% 
Antitrust/Competition Law	19%	14%	-5% 
Environmental Regulation or Law Violations	13%	11%	-2% 
Fraud	10%	11%	+1% 
Trade Compliance (Import and Export)	6%	10%	+4% 

Number of respondents = 125 (2016); 123 (2018)

Source: Gartner

Allegation Rate Increases

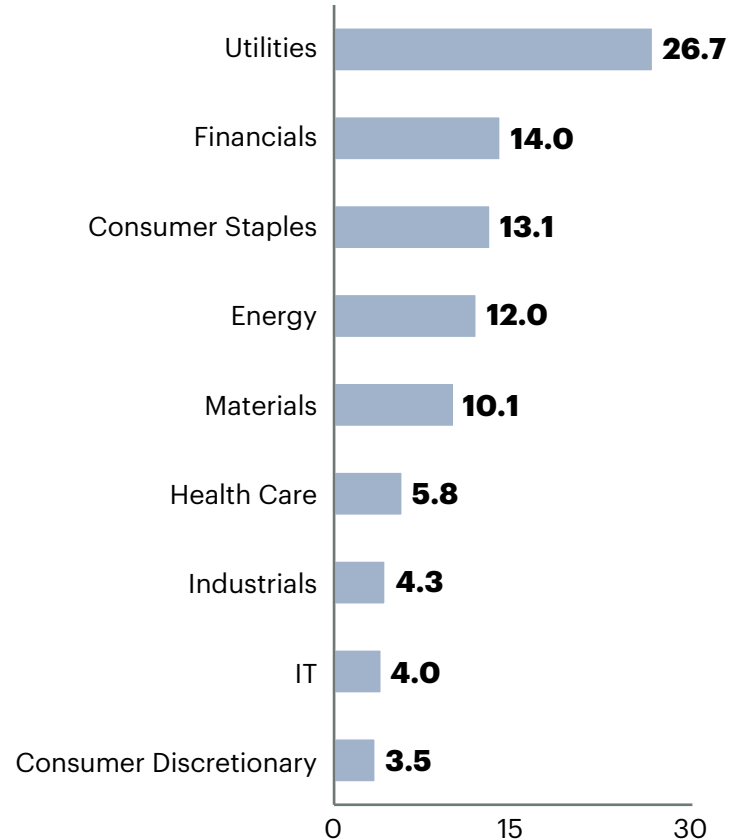
Allegations Received per 1,000 Employees
Median Number of Allegations



Number of respondents = 181 (2011); 132 (2013); 101 (2015); 106 (2017)

Source: Gartner

Allegations Received per 1,000 Employees
Median Number of Allegations, 2017

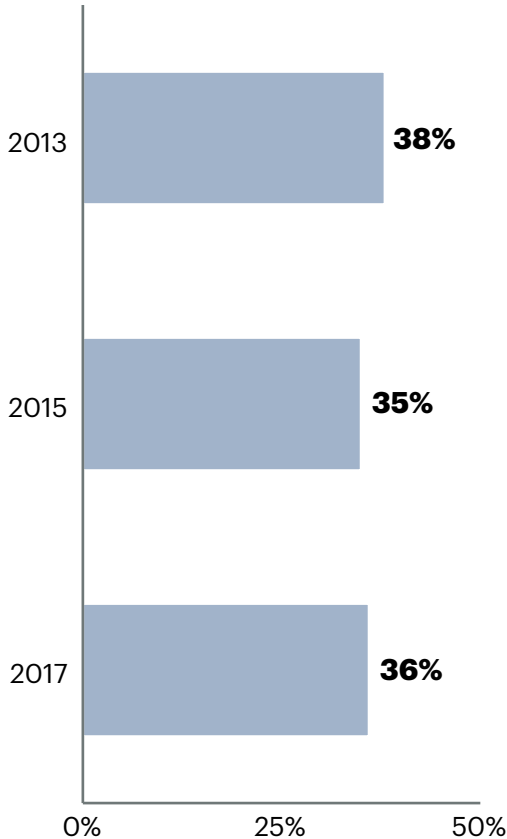


Number of respondents = 105

Source: Gartner

Allegation Substantiation Rate Holds Steady

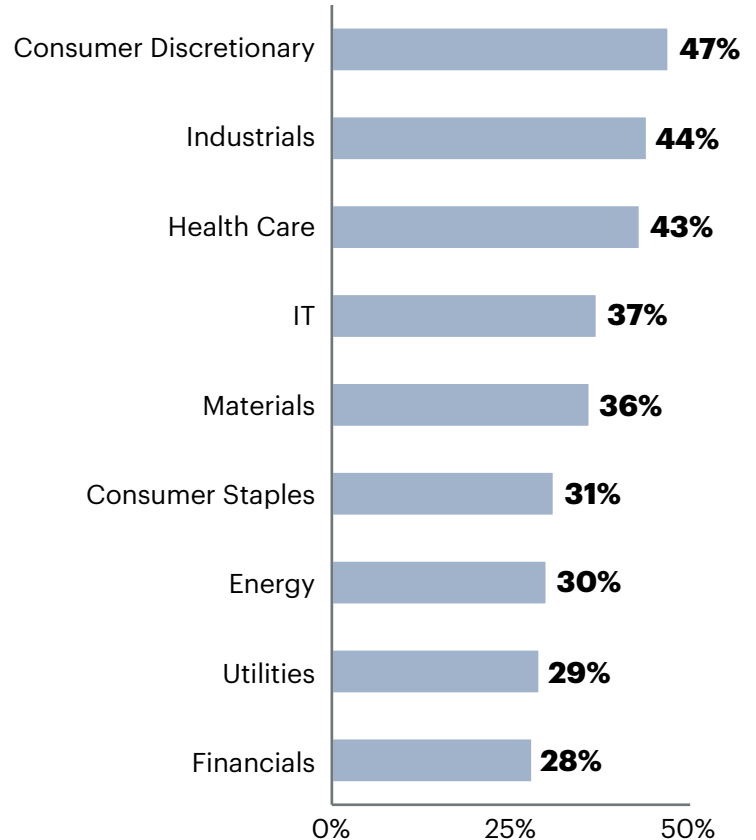
Median Allegation Substantiation Rate



Number of respondents = 180 (2013); 158 (2015); 106 (2017)

Source: Gartner

Median Allegation Substantiation Rate, 2017

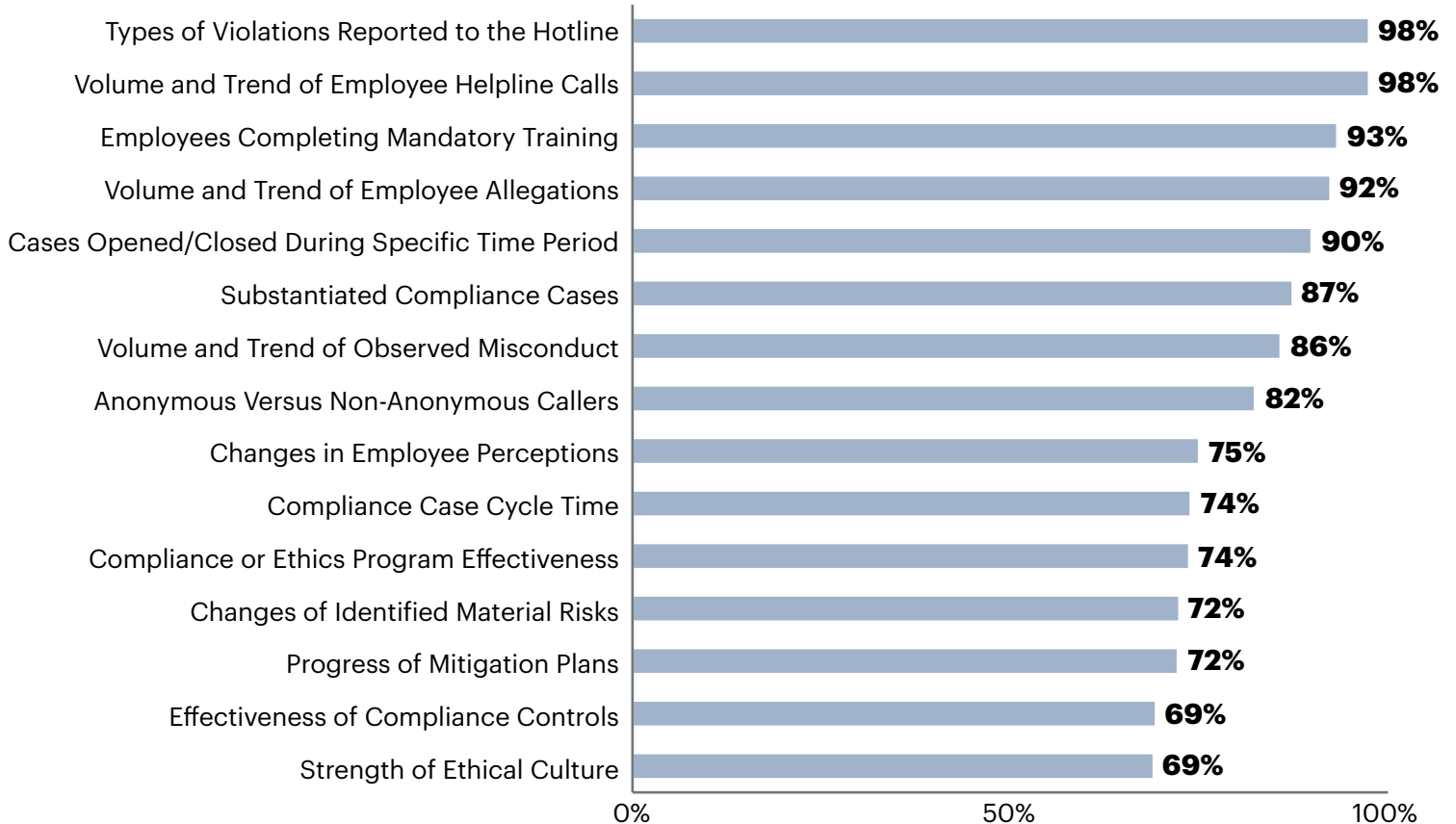


Number of respondents = 106

Source: Gartner

Metrics Cover Allegations and Investigations

Percentage of Programs Tracking Each Metric

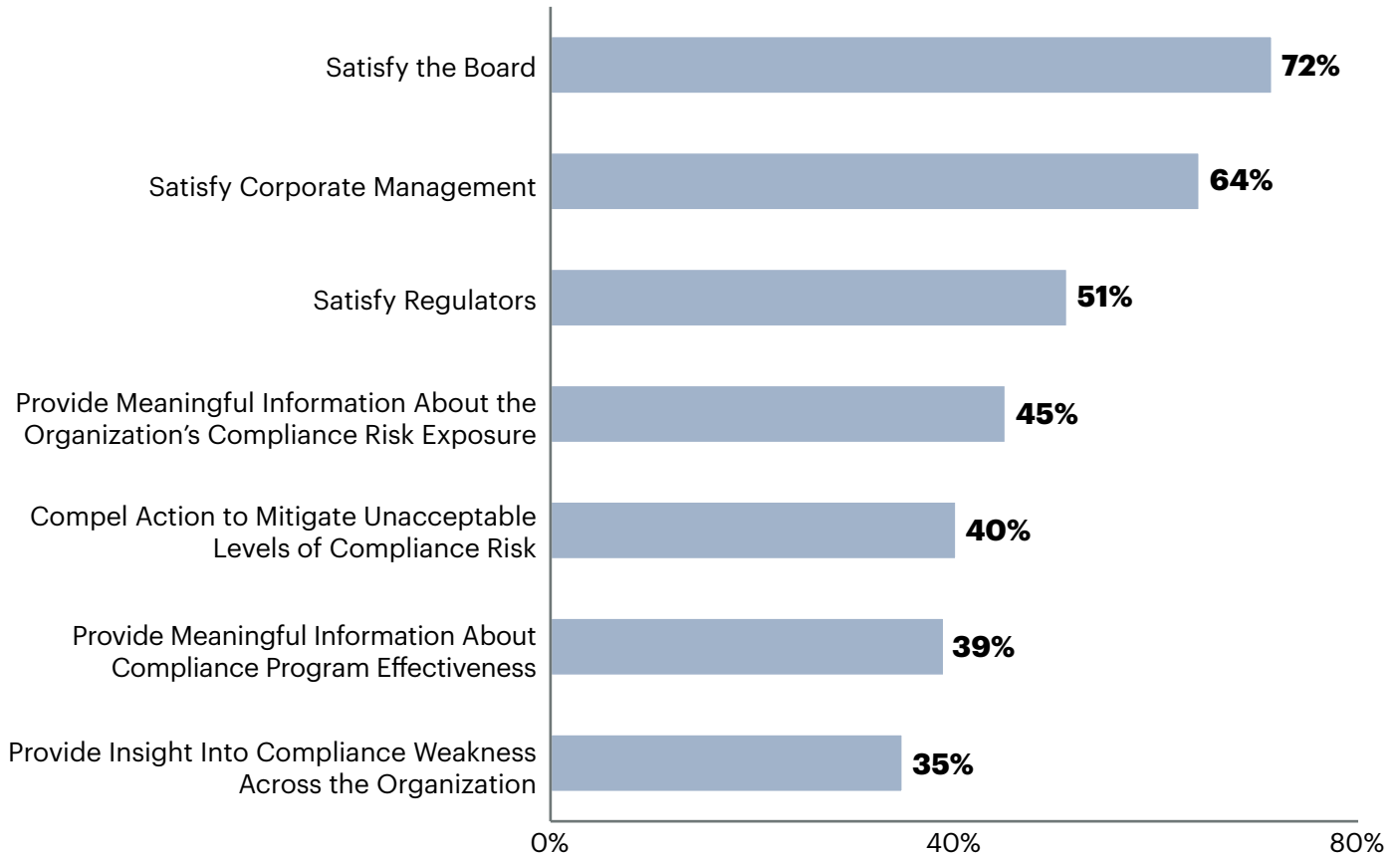


Number of respondents = 110-120

Source: Gartner

Programs Struggle to Provide Insight

Satisfaction With Compliance Program's Ability to Accomplish Goals



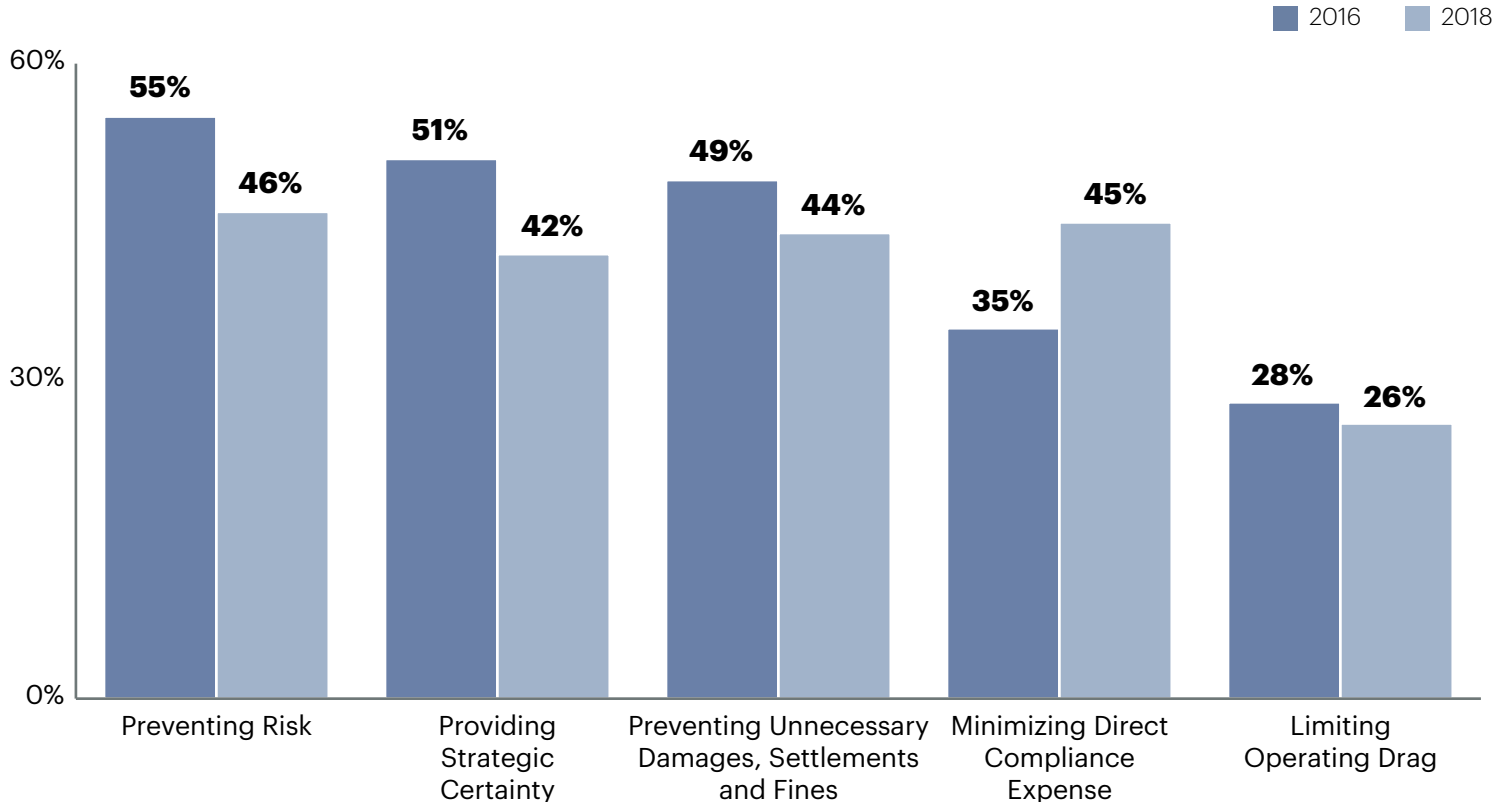
Number of respondents = 122-123

Source: Gartner

Note: "Satisfaction" is defined as selecting either 6 or 7 on a 7-point scale, in which 1 represents "very dissatisfied" and 7 represents "very satisfied."

Little Improvement in Program Performance

Percentage of Compliance Executives Agreeing the Program Is Effective at Each Objective



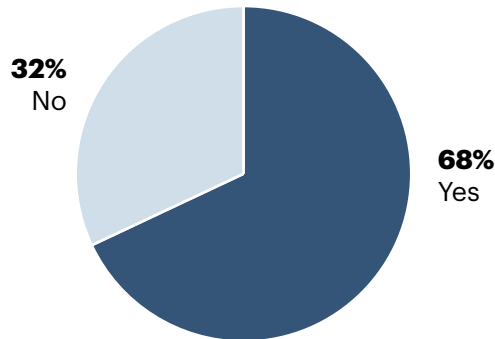
Number of respondents = 167-170 (2016); 123-124 (2018)

Source: Gartner

Note: "Agree" is defined as selecting either 6 or 7 on a 7-point scale, in which 1 indicates that the compliance program is "highly ineffective" at accomplishing the objective and 7 indicates that it is "highly effective."

Limited Confidence in GDPR Measures

Q: "Is There a Dedicated Budget for GDPR Compliance? (Among Those Subject to It)"
 Percentage of Respondents

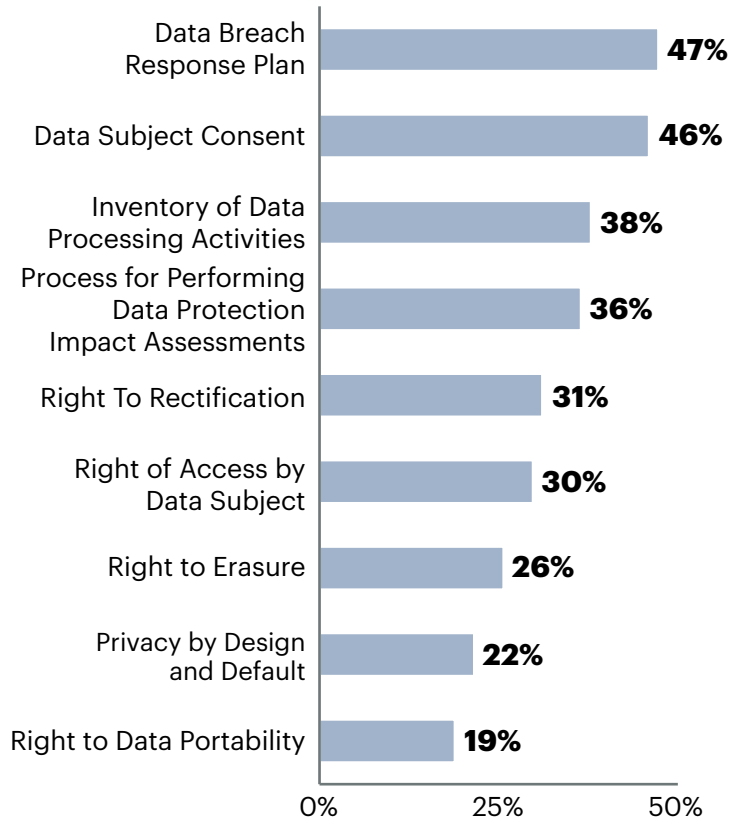


Seventy-two percent of respondents report that their companies are subject to GDPR.

Number of respondents = 84

Source: Gartner

Confidence in Meeting GDPR Requirements
 Percentage of Respondents



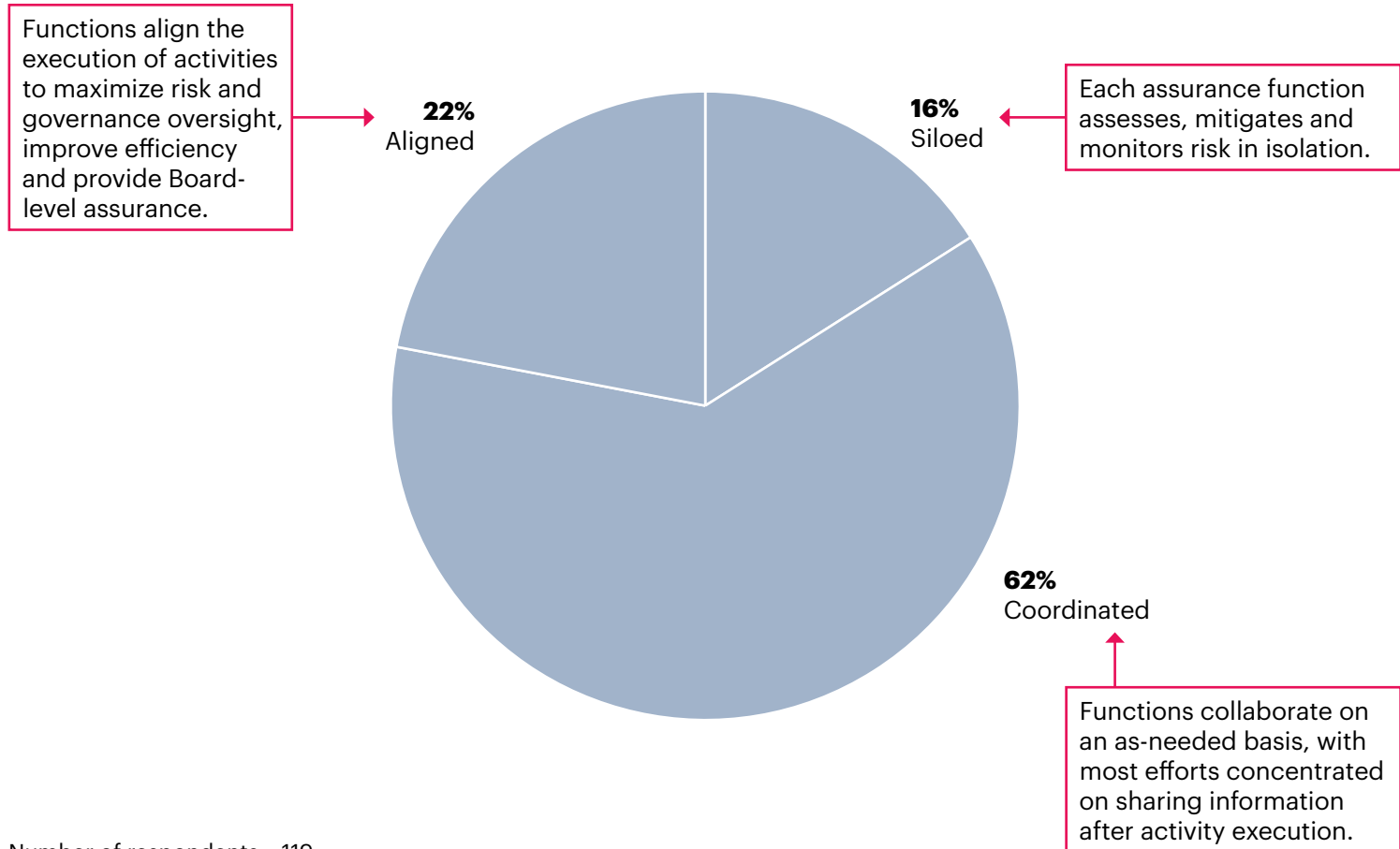
Number of respondents = 74

Source: Gartner

Note: "Confident" is defined as selecting either 6 or 7 on a 7-point scale

Steps Toward Aligned Assurance

Current State of Assurance Function Coordination



Number of respondents = 119

Source: Gartner

Aligned Assurance and Program Performance

Percentage of Respondents in Each Category Performing Exceptionally

Performance Measure	Siloed	Coordinated	Aligned
Reducing the Organization's Future Compliance Risk	26%	38%	73%
Supporting the Achievement of Business Goals	21%	44%	69%
Compelling Action to Mitigate Unacceptable Levels of Compliance Risk	32%	32%	65%
Providing Business Partners With Strategic Certainty	32%	38%	58%
Minimizing Direct Compliance Expense	32%	46%	46%
Limiting Operational Drag	21%	27%	27%

Number of respondents = 118-119

Source: Gartner

Summary

- High regulatory intensity continues to drive higher staffing levels.
- Highly regulated programs also have larger budgets, although those budgets are not expected to grow in the near future.
- When asked to name the top three risks facing their organization, compliance leaders are more likely now than two years ago to cite data privacy (33% in 2018; 26% in 2016) and third party risk (32% in 2018; 18% in 2016).
- Programs received a median of 8.5 allegations per 1,000 employees in 2017, up from 6.3 in 2015.
- Members' self-assessments indicate that they are not as confident as they were two years ago in their programs' effectiveness at preventing risk and providing strategic certainty.
- Programs should pursue aligned assurance to improve program outcomes.