NAVEX GLOBAL®

2020

The Definitive Risk & Compliance Benchmark Report

Data and Insights to Get More Value from Your Program

NAVEX Global is the worldwide leader in integrated risk and compliance management software and services that help organizations manage risk, address regulatory compliance requirements and foster an ethical workplace culture.

For more information visit www.navexglobal.com.

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Introduction

NAVEX Global has been collecting and delivering leading-edge market benchmark reports to the risk and compliance (R&C) industry since 2012. In 2019, we published our first-ever "Definitive Corporate Compliance Benchmark Report," a comprehensive review of risk and compliance (R&C) programs that offered key findings, analysis and insight to help organizations measure, evaluate and advance their programs.

This year, NAVEX Global partnered with an independent research firm to survey R&C professionals from a wide range of industries about the design, priorities and performance of their R&C programs. The results of the survey represent over 1,400 respondents globally who influence or manage their organization's risk and compliance programs. In addition, this report includes detailed responses from those who actively manage or influence their program's hotline and incident management, policy and procedure management, ethics and compliance training, and/or third-party risk management functions.

Insights and analysis addressed in the new 2020 report include:

- What are the top priorities of R&C decision makers?

- What elements make an effective R&C program, and how are they administered?

- How do programs evaluate their performance?

- How does technology impact program effectiveness and design?

- How does senior management's view of R&C programs influence program outcomes?

- How do R&C programs integrate risk management functions?

- What role does the regulatory environment play in program performance?

- How can a successful program reduce regulatory risk while measurably improving efficiency, accuracy and consistency?

How to Use This Report

The data and insights in this report help chief compliance officers and other R&C professionals make informed program decisions. The report also outlines practical ways to improve R&C programs of all maturity levels and organizational sizes:

- Benchmark your organization's program against peers, industry standards and best practices.

- Assess your program maturity.

- Identify specific steps to improve performance.
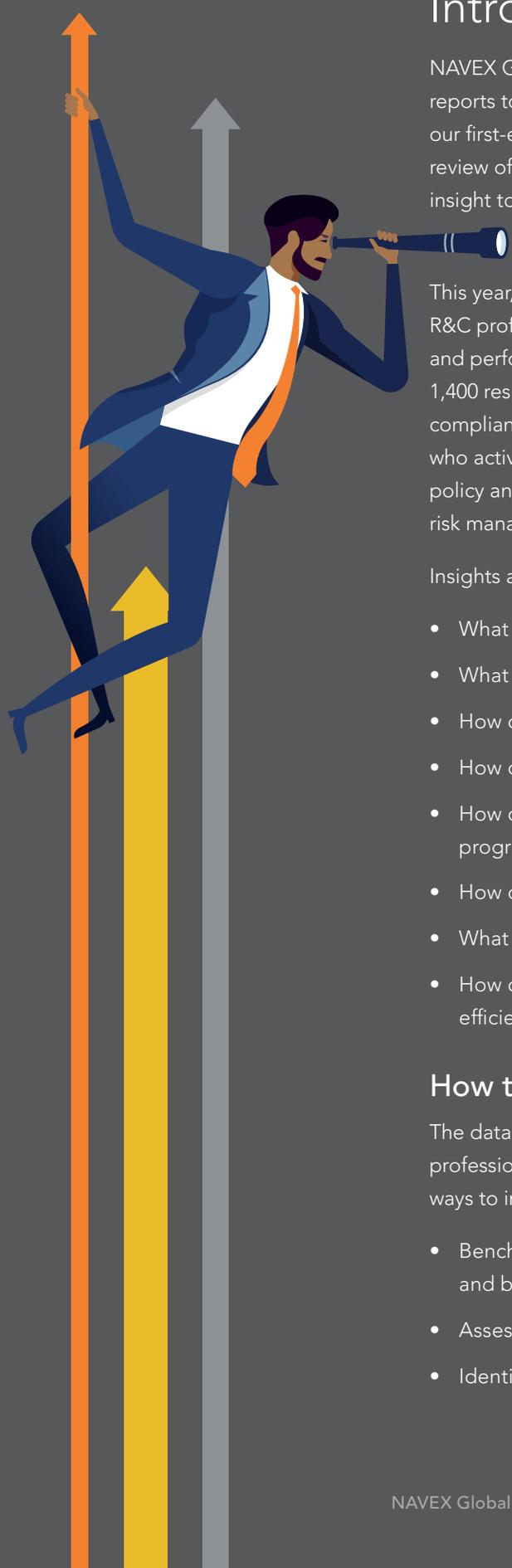
- Review and compare program priorities and effectiveness measures.

- Determine whether your approach to organizational risk is aligned with market trends and best practices.

- Review how your organization is protected or exposed to risk through your approach to hotline and incident management; policy and procedure management; ethics and compliance training; and third-party due diligence, screening and monitoring practices.

- Leverage reports and recommendations to get organizational buy-in, budget and understand the ROI of a comprehensive risk and compliance program.

Key Definitions

POLICY MANAGEMENT includes controlling the organization's policies and procedures throughout the policy lifecycle: drafting, editing, approving, updating, distributing, storing and documenting attestations. Policy management software (or a policy management system) refers to the technology that enables more efficient management and execution of those practices.

ETHICS AND COMPLIANCE (E&C) TRAINING includes regulatory compliance, conduct, employment law and information security training from a behavioral perspective. This definition includes all forms of training on ethics and compliance topics: online, in-person, virtual and blended training approaches. Educational and awareness approaches are also within this scope of training.

HOTLINE AND INCIDENT MANAGEMENT typically consists of telephone, web, mobile and other whistleblower channels where employees and other stakeholders can make reports. Incident management systems record and encourage responses to questions, reports and incidents received, and offer executive reporting tools and the ability to track and manage resolution.

THIRD-PARTY RISK MANAGEMENT is an umbrella term that refers to all risk management activities related to third parties: onboarding, screening, monitoring and in-depth risk analysis; as well as associated processes to identify, stratify, prioritize and mitigate third-party risks. Third-party due diligence refers to the studied assessment of third parties before, during and after an engagement. Internal business justifications, external preliminary risk assessments, establishing business rules and authorizations, processing documentation and policies, database analysis and reputational reporting are all third-party due diligence. It also includes active monitoring of third-party engagements for new "red flags" and real-time changes to the third party's risk profile.

PROGRAM MATURITY is a measure of the size and sophistication of a company's existing risk and compliance program. For the purposes of the 2020 study, maturity designations were based on the number of program elements employed, the systems used to administer them, and respondents' assessment of their program's overall ability to address R&C issues and concerns. The maturity scoring describes five progressive levels of program development: *Reactive*, *Basic*, *Defining*, *Maturing* and *Advanced*. We utilize program maturity as an indicator of current proficiency and performance.

Survey Respondent Profile

N=1,403

Job Function

37%	16%	12%	6%	5%	24%
Ethics / Risk and Compliance	Human Resources, Employee Relations	Legal	Accounting / Auditing	Information Technology	Other

Job Level

10% C-Level
33% Senior Management / Director
32% Other Management
24% Non-Management
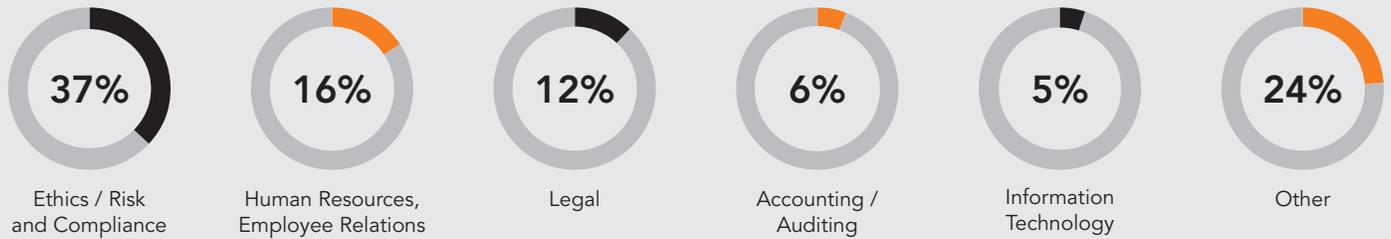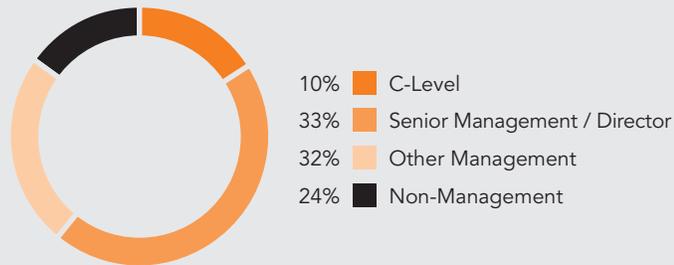
Company Annual Revenue USD

14% > $1B
26% $50M - $1B
30% < $50M
12% Nonprofit / Government
18% Don't Know / Won't Say

Company Size

Large: 10,000+ Employees
28%

Medium: 1,000 - 9,999 Employees
31%

Small: < 1,000 Employees
41%

Program Maturity

13%	30%	29%	20%	8%
Reactive	Basic	Defining	Maturing	Advanced

59%
74%
30%
11%
85%
4%
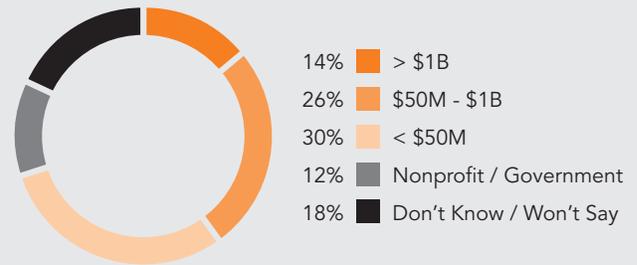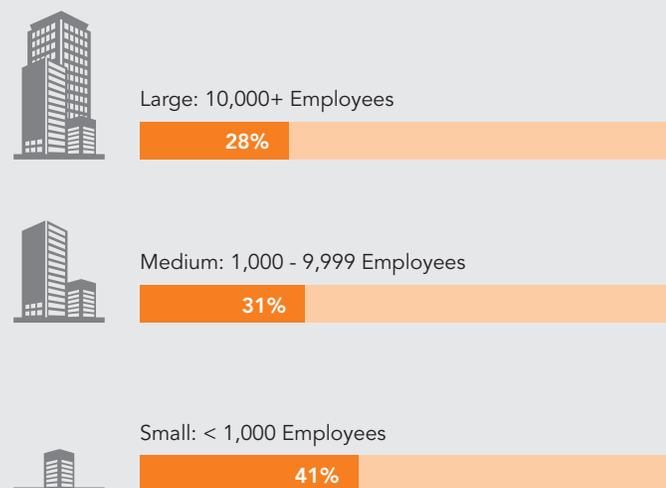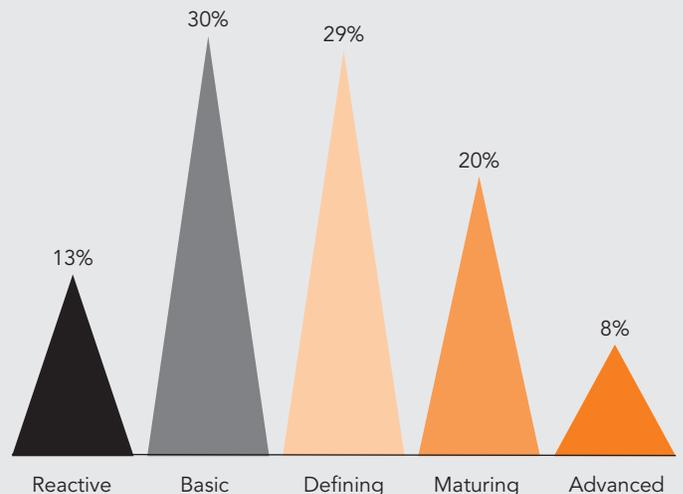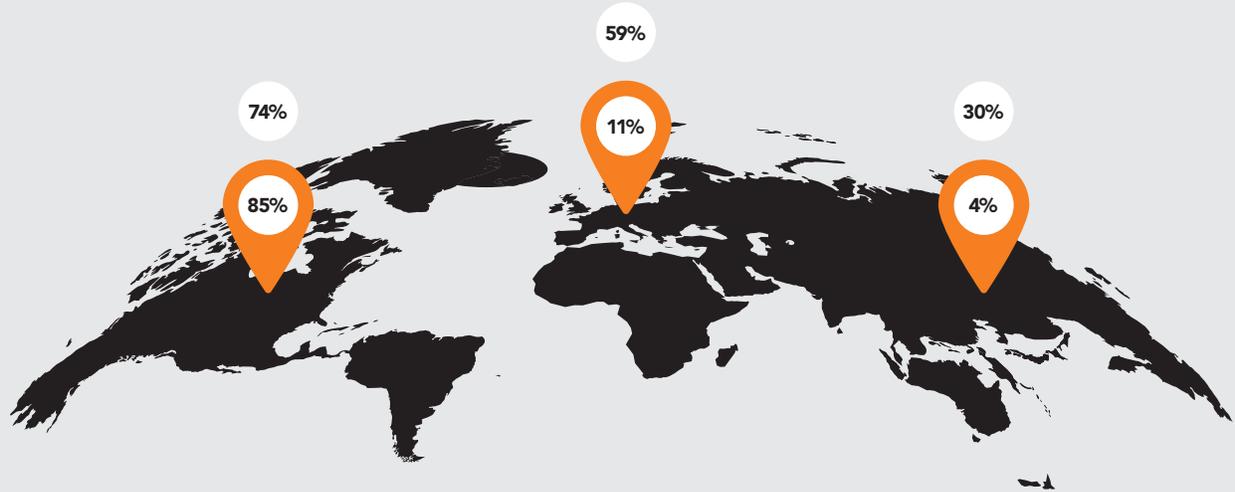
Geographical Footprint	Headquarters	Other Locations
AMERICAS	**85%**	**74%**
North America	83%	28%
South America	1%	21%
Central America	1%	16%
Caribbean	0%	9%
EMEA	**11%**	**59%**
Europe	9%	28%
Middle East	1%	17%
Africa	1%	14%
APAC	**4%**	**30%**

Note: Totals may be over 100% due to multiple selection options.

Industries (Percentage of Respondents)

- Healthcare / Social Assistance — **24%**
- Manufacturing — **13%**
- Finance / Insurance — **13%**
- Professional / Scientific / Technical Services — **7%**
- Educational Services — **5%**
- Transportation / Warehousing — **3%**
- Retail Trade — **3%**
- Other — **32%**

Knowledgeable About

- Policy and Procedure Management — **80%**
- Ethics and Compliance Training — **73%**
- Hotline and Incident Management — **65%**
- Third-Party Risk Management — **42%**
- Integrated Risk Management — **26%**
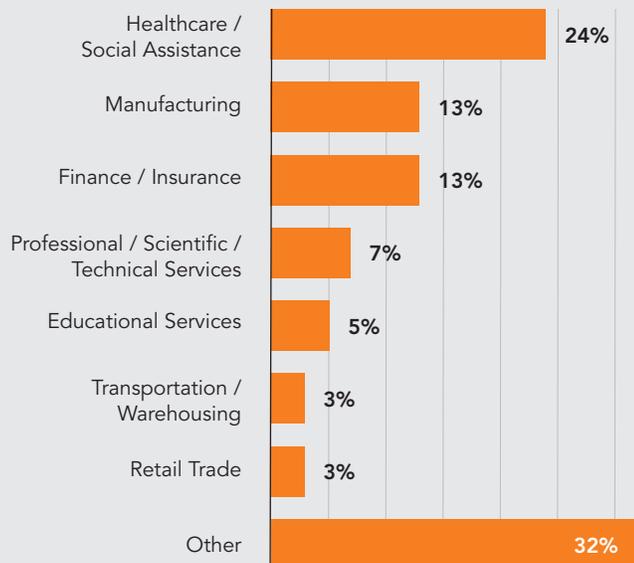
Executive Summary

Welcome to the NAVEX Global 2020 Definitive Risk and Compliance Benchmark Report. Readers of these reports from previous years will notice a shift in the language we use to describe internal programs from "Ethics and Compliance" (E&C) to "Risk and Compliance" (R&C). This shift incorporates the increasingly critical role that risk assessment and risk management play in the development and implementation of effective programs, as well as the ever-closer integration between risk management and compliance teams in organizations.

Indeed, the most recent revisions to the Department of Justice's "Evaluation of Corporate Compliance Programs" continue to refine the DOJ's focus on a risk-based approach to program development and decision making. The new guidance instructs prosecutors to "endeavor to understand why the company has chosen to set up the compliance program the way that it has, and why and how the company's compliance program has evolved over time."[1] This message carries throughout the revised guidance.

[1] "Evaluation of Corporate Compliance Programs" (U.S. Department of Justice, Criminal Division, June 2020).

Survey Timing and Impact of Current Events

Noting that the survey was conducted at the end of 2019, the data and findings do not reflect the potential impact of the ongoing COVID-19 pandemic and social injustice issues on R&C programs. We know that program priorities in every organization are affected as the need to be responsive to current issues and risk areas remains high.

The survey does reflect, however, that only two years after a different social issue, the #MeToo movement, consumed the dialogue in boardrooms and compliance meetings, this topic has been generally deprioritized. Programs in highly regulated industries, like healthcare, were the most likely to deemphasize activities aimed at reducing harassment and discrimination.

It is unlikely this means the issues brought to light as a result of #MeToo have been solved. But it does demonstrate that R&C programs are often reacting to the changing priorities of stakeholders as current events unfold. And while this may be necessary at times, program leaders need to be aware of the risks of continually changing program priorities, as this can cause confusion and loss of program credibility.

Key Findings

View of Business

It is important to highlight the overall perspective R&C professionals have about their organizations that informed survey responses. Findings showed that compliance professionals view their organizations in a more positive light than perhaps the public or other stakeholders do. An impressive 92% of respondents said their organization behaved ethically all or most of the time. But this positive view is not always shared by the public, as various polls suggest. For example, Deloitte's 2019 Global Millennial Survey showed only 49% of those surveyed believe businesses have ethical leadership.

Program Drivers and Performance

In our 2019 Definitive Corporate Compliance Benchmark Report, we found the most effective programs leveraged three key factors of performance: program maturity, leadership support, and technology adoption. This year, we have identified four additional program drivers: cultures of trust, board engagement, program evaluation and regulation.

We have also taken a more detailed look at why and how these factors impact performance, as well as how the presence of a given driver affected respondents' assessments of their program performance. Relative to programs whose performance was rated by respondents as "average" to "poor," programs rated "good" to "excellent" were:

- ▸ **4.6** times as likely to belong to organizations that are believed to behave ethically all or most of the time

- ▸ **4.2** times as likely to be *Maturing* or *Advanced*

- ▸ **2.9** times as likely to have leaders who viewed their programs as strategic investments

- ▸ **2.4** times as likely to use R&C technology

- ▸ **2.2** times as likely to report periodically to their Board of Directors

- ▸ **2.1** times as likely to regularly audit their program performance

- ▸ **1.8** times as likely to prioritize meeting legal and regulatory requirements in decision making

Takeaways

These results, coupled with other findings detailed in this report, provide a few key takeaways regarding performance:

Culture drives performance: The single biggest predictor of program performance was how ethical respondents believed their organization to be. This was even more important than the number of elements a program had or what systems it used to administer them (primary factors in determining program maturity).

Leadership perception and engagement matters: How an organization's senior leadership views its compliance function greatly impacts overall program performance, as does the frequency with which compliance officers interact with their Board.

Regulations are just a start: The majority of respondents surveyed said regulatory requirements primarily drove their program decisions. However, this approach alone is unlikely to enhance overall program performance much or at all. Programs wanting to improve should prioritize workplace culture, tone from the top and program automation as much or more than merely meeting legal requirements.

4.6x

High-Performing Programs Are 4.6 Times as Likely to Operate in a **Culture of Trust**

About This Report

The findings of this report illustrate some of the tensions faced by R&C leaders in the areas of program design, priorities and decision making. They also highlight the need to apply available resources based on a comprehensive risk management approach that considers and addresses topics important to all the organization's stakeholders and not just a subset thereof, i.e. regulators. To further the dialogue, this report offers findings and analysis of the survey results in four key areas: Program priorities, program approach, drivers of performance, and key program elements. All the relevant survey charts are also included at the end of this report.

Program Priorities

Highest Priority Issues

Some of the most important findings in this year's report are related to how and what organizations are prioritizing in the implementation of their programs. The survey showed that program priorities are not always consistent with stated objectives, stakeholder views or organizational focus. These types of disconnects can limit program effectiveness.

Respondents are prioritizing issues of data privacy and cybersecurity, as well as issues of corruption. This focus is well-founded; data privacy and cybersecurity breaches were the most reported compliance issue, experienced by nearly a third (31%) of respondents — and 37% of healthcare organizations — over the past three years. Organizations are investing in training on this topic, with 74% of organizations investing in data privacy training.

Respondents increasingly view bribery, corruption and fraud as major concerns, and training here is on the rise. Nearly half (49%) of respondents plan on providing training on bribery, corruption, fraud and financial integrity in the next two to three years.

Workplace Culture

In a disappointing finding, "workplace culture" is valued, but the actions necessary to build and support such a culture are not. While nearly three fourths (74%) of respondents described "improving organizational culture" as important, the issue ranked last when respondents were forced to prioritize their concerns. Likewise, focus on culture-related topics such as harassment and discrimination are also dropping in priority, with programs in highly regulated industries more likely to deprioritize these issues.

Non-retaliation

Preventing and detecting retaliation also rank disappointingly low among R&C program concerns, yet it is a top concern among both regulators and employees. The extent to which employees fear retaliation has consistently been a strong indicator of the health of an organization's culture. Similarly, the extent to which an organization recognizes and addresses retaliation is a sign of how well it understands and responds to the underlying factors contributing to its culture.

The survey found that speaking up and fear of retaliation are labeled as top concerns by only 39% of respondents overall. Meanwhile, the number of respondents who intend on making retaliation prevention a priority in the coming year has fallen to 17%. This fundamental disconnect will continue

to limit the effectiveness of programs and employee willingness to raise issues.

Organizations and programs that are not prioritizing people issues are missing significant opportunities to ensure program effectiveness. People run our organizations. People make good or bad decisions about what is the best course of action. And ultimately, it is people who will make us aware of potential wrongdoing — if they feel they can do so without fear of retaliation.

Lagging Priority

Finally, one other key topic that matters to most stakeholders lags in interest for R&C professionals – corporate responsibility. Corporate responsibility ranked near the bottom of the list of top concerns. The relative lack of interest by R&C professionals in corporate responsibility may be traced to the origins of R&C programs and focus on legal and regulatory risk areas. But now more than ever, there is a strong linkage between social responsibility and governance and compliance issues. Recognizing and addressing this linkage can help close the credibility gap between internal views of organizational ethics and the views of external stakeholders.

4.2x
High-Performing Programs Are 4.2 Times as Likely to **Be Mature**

2.9x
High-Performing Programs Are 2.9 Times as Likely to Have **Leadership Support**

2.4x
High-Performing Programs Are 2.4 Times as Likely to **Adopt R&C Technology**
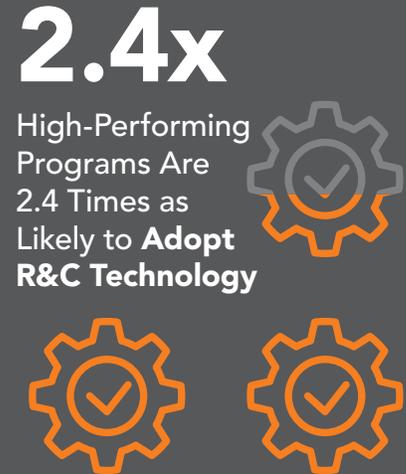
Program Approach

R&C Program Design

Codes of conduct remain the most universal element of all R&C programs regardless of size, industry or sophistication. The ubiquity of this element is not surprising given its visibility and foundational character. However, programs still overwhelmingly rely on paper-based systems to administer their codes.

In contrast, the second most common program element – hotlines – are most likely to be administered via purpose-built software (54%). Programs are also more likely to use purpose-built software to administer their case management and investigations (42%) and compliance training (41%). Risk-based training and third-party due diligence are well-administered but are remarkably not a part of most R&C programs.

Decision Making

Most program managers (70%) are likely to consult regulations when determining program priorities. As programs mature, however, they rely more on internal reporting measures such as risk assessments, internal investigation reports and hotline incident reports to make informed program decisions.

Risk Integration

For the first time, this year's benchmark survey explored the topic of risk integration. We asked respondents how their R&C programs did (or didn't) manage six key types of risk – compliance, IT, operational, reputational, third-party and financial. Overall, compliance risk remains the central focus of the vast majority (88%) of R&C programs. This is followed by IT and operational risks at 57% and 53% respectively. No form of risk is managed by fewer than 40% of R&C programs.

Overall, risk oversight varies considerably. Twenty-three percent (23%) of programs cite their Chief Compliance Officer as primarily responsible for their organization's risk integration strategy. However, a quarter (25%) of developed programs place this responsibility with their Chief Risk Officer (CRO). The CRO is still an emerging role; one we expect to see more frequently, or see this responsibility combined under a Chief Risk and Compliance Officer role.

Drivers of Performance

Program Maturity

Strictly speaking, program maturity is not a driver of performance, but rather an indicator of it. That said, there is no doubt that the more robust an R&C program is, the better its outcomes are. Respondents who ranked in the *Maturing* to *Advanced* categories of our maturity scale were significantly more likely than their peers to report "good" to "excellent" performance in all program elements and activities surveyed.

Culture of Trust

Organizations with a strong, positive culture of trust have more developed programs and demonstrate better program performance. Developed programs are also more likely to prioritize building such cultures. More than 8 out of 10 respondents (89%) with *Advanced* programs said

improving organizational culture was important in their R&C program's decision-making process, as opposed to just 55% of *Reactive* programs.

Leadership Support

Leadership buy-in and support is positively associated with high R&C program performance. Overall, respondents believe their R&C programs are well-supported by leadership, with nearly two-thirds (64%) saying they have program buy-in, oversight and commitment from senior management.

Senior leadership's view of their R&C program improves with program maturity. More than three-quarters (77%) of respondents from *Advanced* programs have leaders who see their R&C program deliver a return on investment, while a plurality (39%) of those with *Reactive* programs view compliance as a "necessary evil."

Leadership opinions are also positively associated with the size and scope of their Chief Compliance Officer's role. Programs with a full-time CCO were significantly more likely to be viewed as a strategic advantage. Meanwhile, a quarter (24%) of respondents from programs without a CCO said leadership viewed their programs as a "necessary evil."

Board Engagement

Board oversight and program reporting is trending strongly in a positive direction. Over half (56%) of

respondents say their R&C program periodically reports to a board that also oversees it, a significant increase over last year. Further, respondents reported improvement in board engagement, though this was tied to maturity. Nine out of ten (91%) of *Advanced* programs rated their board involvement as "good" or "excellent," versus just 31% of *Reactive* programs.

As a sign of increased engagement, more R&C programs now formally require certain matters be reported to the board via escalation policies. A majority of R&C programs (61%) also provide at least one hour of training to their board of directors on compliance topics.

Regulations

Programs are overwhelmingly focused on regulatory compliance. Ninety-one percent (91%) of survey respondents rated "meeting legal and regulatory requirements" as "important" or "very important" in their R&C program's decision-making process. Organizations across all maturities also cited regulatory compliance as a top concern, falling just behind data privacy and cybersecurity in order of importance. Similarly, "aligning policies with changing regulations" was cited as one of the greatest challenges R&C programs faced, with only "training employees on policies" ranking higher. This positioning was remarkably consistent across all maturities.

2.2x

High-Performing Programs Are 2.2 Times as Likely to Have **Engaged Boards**

2.1x

High-Performing Programs Are 2.1 Times as Likely to **Evaluate Their Programs**

1.8x

High-Performing Programs Are 1.8 Times as Likely to Emphasize **Regulatory Compliance**

Program Elements

Code of Conduct

It is not surprising that codes of conduct are the most widely adopted of all R&C program elements (88%). Management of this document, however, is less consistent. Nearly half (43%) of all programs still have paper-based codes, and half of organizations distribute their code of conduct only once. Many companies require their employees – but not their board – to attest to and receive training on their code of conduct.

Technology Adoption

Technology adoption is still growing within compliance. While three fourths (75%) of R&C programs are at least partially automated, a similar number (76%) spend a quarter or less of their R&C budget on technology solutions. Programs of companies in the finance and healthcare industries were the most likely to use R&C technology solutions, while those of educational organizations were less likely to automate.

Technology adoption is positively associated with program maturity. Virtually all (97%) *Advanced* programs use technology solutions, as opposed to fewer than half (48%) of *Reactive* programs. *Advanced* programs also use technology to integrate program components. Finally, automated programs perform significantly better than those that do not leverage technology.

Program Evaluation

Developed R&C programs regularly conduct and document program audits, organizational assessments and improvement activities. The practice of regular assessments is widespread, with two-thirds (66%) of programs conducting periodic assessment of their organization's risk profile. However, this trend is closely correlated with maturity; virtually all (99%) of *Advanced* programs conduct organizational assessments, as opposed to just 11% of *Reactive* programs. Mature programs are also more likely to execute and document continuous improvements based on identified gaps and issues – an expectation that has been further highlighted in the June 2020 update to the DOJ guidance.

Hotline & Incident Management

Hotline implementation and performance vary greatly by program maturity. While over three quarters (76%) of R&C programs report having a hotline or internal reporting channel, less than a third (31%) of *Reactive* programs had a hotline.

In another remarkable finding, many respondents do not believe their hotline positively impacts their culture. Nearly three-quarters (72%) of respondents reported seeing little to no impact from their hotline program on their culture and trust. This is a concerning disconnect, since reporting (or lack of reporting) is an indicator of cultural health, willingness to raise issues and fear of retaliation.

Policy & Procedure Management

Four core issues are rated as top policy concerns for all programs: training employees, aligning policies with regulation, providing access to policies and procedures and creating and updating documents easily. Developed programs are also concerned about version control and policy redundancy. They rely on a broad range of performance indicators including attestation completions, employee quizzes and improved culture. *Reactive* programs do not use metrics to measure their policy program performance.

Ethics and Compliance Training

R&C programs prioritize ethics and compliance training, though this is tied to program maturity. Ethics and compliance training is primarily software based, with training topics broadly consistent across all R&C programs. It is interesting to note that sexual harassment training is prioritized by less mature programs.

Online learning and risk-based training are key training components. Live training courses, training for board members and training in multiple languages are associated with program maturity. Microlearning and effectiveness measures are strongly associated with *Advanced* programs.

Third-Party Risk Management

Survey responses indicate that third-party risk is relatively under-managed. Ongoing screening and monitoring is a foundational practice of third-party risk management. While third-party screening has increased, third-party training declined from a high of 30% in 2019 to 22% in 2020. Continuous monitoring saw its second year of decline, down 25 percentage points from a 2018 high of 61%. Meanwhile, the percentage of organizations who do not screen or monitor their third parties (12%) has doubled from 2018 (6%).

Moving Forward

The Risk and Compliance field is quickly evolving, as is the legal and regulatory landscape that informs it. Since the publication of our 2019 report, we have witnessed the release of new and updated guidance from the United States Department of the Treasury, the Department of Justice and more. Recent global legal and regulatory advancements – such as the European Whistleblower Directive and Australia's Corporations Act – have impacts that extend far beyond their borders, as do state laws like the California Consumer Privacy Act. Meanwhile, some of the compliance profession's most effective instruments – whistleblowing and anti-retaliation policies – are facing an unprecedented level of public scrutiny. On top of all this, compliance programs are

increasingly expected to assume responsibility over new types of risk, evolving roles and responsibilities along the way.

Despite these trends – or perhaps because of them – R&C programs should not narrowly focus on meeting legal and regulatory compliance, or eschew data that could shed light on compliance problems within their organizations. As this report demonstrates, successful programs emphasize building trust within their organizational cultures. They cultivate leadership support and meet regularly with Boards that have oversight of them. They routinely audit themselves and assess their level of organizational risk, using the results to inform decision making. They offer risk-based training to board members and third parties as well as employees, utilizing training plans and microlearning to keep audiences informed. Their third-party risk management is risk-based and continuous. And to accomplish all this, they are increasingly turning to purpose-built solutions to automate their processes and administer program elements.

We encourage organizations to utilize the data and analysis presented in this report to improve the performance of their R&C program. Every organization, from *Reactive* to *Advanced*, small to large, can leverage these findings to their benefit.

1. Program Priorities

Ethics, Regulation & Culture

Respondents believe their organizations are ethical.

Ninety-two percent (92%) of respondents said their organization behaved ethically all or most of the time. Over a third (36%) described their organizations as ethical all the time **(Figure 1.1)**. This positive view is not shared by the public. In a recent Gallup poll, business executives were considered high or very high in honesty and ethics by only 20% of respondents.[1] In a Deloitte global survey of professional millennials, business fared a bit better, with 49% saying that business leaders operate ethically.[2]
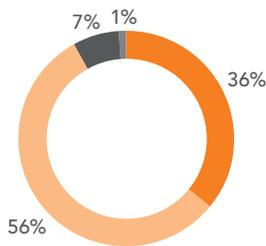
Public opinion matters and can have a significant impact on business.

Whenever there is a difference of opinion between compliance professionals and the public, misunderstandings or worse can happen. Public and stakeholder interests can drive regulatory and enforcement priorities and influence consumer and investment trends. The #MeToo movement and increased concern for environmental sustainability are just two recent examples of how public pressure can influence businesses and impact risk and compliance (R&C) programs. For this reason, it is important to be aware of any misalignment between R&C programs and public opinion.

Corporate responsibility lags behind other corporate and stakeholder priorities.

Corporate responsibility is not a corporate priority. In the Deloitte global survey of professional millennials, a majority were critical of businesses for focusing primarily on maximizing profits instead of giving a higher priority to pursuing "socially useful" objectives. Although millennials are not alone in their growing concern for more corporate social responsibility, it ranked last amongst R&C concerns. **(Figure 5.5)**. Only 27% of organizations offer training on corporate responsibility, making it one of the least-offered training topics surveyed **(Figure 5.31)**. This was consistent across all maturities.

The relative lack of business interest in corporate responsibility may be traced to the origins of R&C programs, which started in the legal and regulatory arena. Corporate responsibility, on the other hand, has come to represent a host of social issues that are better described as alignment with social, political and environmental concerns. These often have a legal and regulatory component, but are not perceived as driving social responsibility. Because of this perception, corporate responsibility has been mostly outside the purview of most regulatory and compliance programs for years.

Figure 1.1
Is Your Organization Ethical?

"Do you feel your organization is Ethical?"

- All of the time
- Most of the Time
- Some of the Time
- Rarely

[1] Gallup Inc, "Honesty/Ethics in Professions," Gallup.com.

[2] "The Deloitte Global Millennial Survey 2019" (Deloitte, 2019).

However, corporate responsibility has recently gained attention. Consumers, activists, the media and employees are calling on corporations to take action, and boycotts and walk-outs have occurred when corporations have not adequately responded. Viewed in this light, failure to embrace corporate responsibility as a key component of an R&C program places organizations in an increasingly perilous position with stakeholders.

Legal and regulatory requirements drive program decisions.

Despite the public popularity of corporate responsibility, our 2020 survey results reinforce the emphasis R&C programs place on regulation. An overwhelming 91% of program managers identified "meeting legal and regulatory requirements" as "important" or "very important" when making decisions [Figure 1.2]. Given this, it is unsurprising that increasing regulatory awareness is the top-priority program activity, with nearly two thirds (63%) of organizations choosing to prioritize it over the next 12 months [Figure 5.6].

Compliance professionals prioritize workplace culture, but don't act.

Our survey data on the importance of organizational culture to R&C programs is encouraging – at least superficially. Nearly three-fourths (74%) of respondents say "improving organizational culture" is an "important" or "very important" factor in decision making [Figure 1.2]. The number of programs voicing that opinion increases with maturity; 55% of *Reactive* programs call improving culture important, compared to 89% of *Advanced* programs [Figure 5.16]. Fully half (51%) of respondents ranked "fostering a positive workplace culture" as a high priority concern [Figure 5.4].

These numbers, however, mask a more dispiriting reality: While three-quarters of programs say improving organizational culture is important, it still comes last in the list of considerations [Figure 5.16]. Moreover, this priority ranking held across program maturity levels. All programs, from *Reactive* to *Advanced*, were more concerned about meeting legal and regulatory requirements and mitigating risk than improving organizational culture through their program decisions.

To some extent this is understandable, since a failure to address legal requirements and identified risks can have clear and immediate consequences, whereas the ramifications of a failure to address culture are less obvious and more long-term. Still, this is disappointing, since respondents are clearly aware of the importance of culture; yet concrete action to support a positive culture is lacking.

9%

13%

Meeting
Regulatory
Requirements

78%

26%

39%

Improving
Organizational
Culture

35%
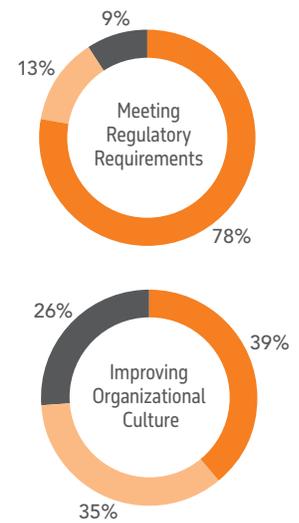
Figure 1.2
Regulation vs. Culture
"How important are the above factors in your decision-making?"

● Very Important
● Important
● Not Important

Harassment, Discrimination & Retaliation

Topics related to positive workplace culture score low among R&C priorities.

One area in which programs could positively impact workplace culture is supporting efforts that are responsible for creating a positive work environment – such as preventing and detecting harassment, discrimination, and retaliation. However, when asked to rank their program concerns, R&C professionals consistently fail to prioritize these efforts. Overall, fewer than a third (32%) of R&C programs prioritize preventing and detecting harassment and discrimination, while just one in ten (10%) of respondents said detecting and preventing retaliation was a high priority **(Figure 1.3)**.
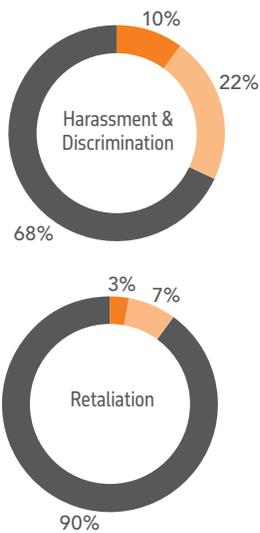
Even more surprising is the fact that preventing and detecting harassment and discrimination may actually be actually negatively associated with program maturity. Only 22% of *Advanced* programs ranked the issue as a high priority, compared with 29% of *Reactive* programs **(Figure 5.4)**.

This result is not replicated when respondents were asked to simply list (rather than rank) their top R&C concerns; 58% of *Advanced* programs list these issues as a top concern, compared to 31% of *Reactive* organizations **(Figure 5.5)**. However, these numbers have declined since 2019.[3] The survey also found clear drops in general concern over the issues of workplace harassment and retaliation since 2019. Small companies were also significantly less likely than larger ones to report concern with these issues.

These findings are consistent with those of NAVEX Global's 2020 Hotline Benchmark Report, which saw a decline in harassment reporting for the first time since the start of the #MeToo movement.[4] Whether these declines are the outcome of fewer offenses and effective R&C policies, perceived lack of attention to the issue, or some other reason remains to be seen.

Programs in highly regulated industries are more likely to deprioritize activities aimed at reducing harassment and discrimination.

Only 21% of programs within the healthcare and finance industries ranked preventing and detecting harassment and discrimination as a high priority, compared to 32% of organizations overall **(Figure 1.5)**. This is an important sign that regulatory focus draws attention and resources away from issues and actions central to improving workplace culture.

10%

22%

Harassment & Discrimination

68%

3% **7%**

Retaliation

90%

Figure 1.3
R&C Priorities:
Harassment,
Discrimination
& Retaliation

"How does your R&C program prioritize the following concerns?"

- High Priority
- Priority
- Not a Priority

[3.] "The 2019 Definitive Corporate Compliance Benchmark Report" (NAVEX Global, June 2019), page 20.

[4.] "The 2020 Risk & Compliance Hotline Benchmark Report" (NAVEX Global, May 2020), pages 46-47.

Preventing and detecting retaliation ranks low among concerns.

Another factor that has long been linked to corporate culture is the extent to which employees feel comfortable speaking up. Reducing the degree to which employees fear retaliation has consistently been a strong indicator of the health of an organization's culture. Unfortunately, R&C programs struggle with this issue. The findings of our 2019 Definitive Corporate Compliance Benchmark led us to conclude that many organizations were not taking this program risk seriously.

Answers to questions in this year's survey about speaking up and anti-retaliation vary depending on phrasing and context. Generally, however, responses were consistent with those from 2019, suggesting little to no change on this issue. In addition, our 2020 Hotline Benchmark Report found a drop in retaliation reports as a percentage of total reporting for the first time since 2013, which may indicate a lack of focus on this issue.[5] Taken together, this data leads us to leave our 2019 assessment unchanged.

Data Privacy, Cybersecurity & Protecting Confidential Information

Respondents ranked data privacy and cybersecurity as their top R&C concern.

Throughout this survey, R&C professionals said data privacy, the protection of personal/confidential information, and cybersecurity were top concerns for their organizations. This response is in line with our 2019 Definitive Benchmark, which also found these issues to be very important.

Over two-thirds (68%) of respondents identified data privacy and cybersecurity as a top R&C concern, consistent across all maturities (Figure 5.5). Respondents also listed enhancing data privacy, cybersecurity, and the protection of personal identifiable information (PII) as top priorities. Nearly two-thirds (64%) listed this issue as one of their top two priorities; over a third (35%) ranked it as their number one priority (Figure 1.4). This was consistent across all maturities.

36% · 35% · 29% · Data Privacy & Security

23% · 22% · 55% · Bribery, Corruption & Fraud
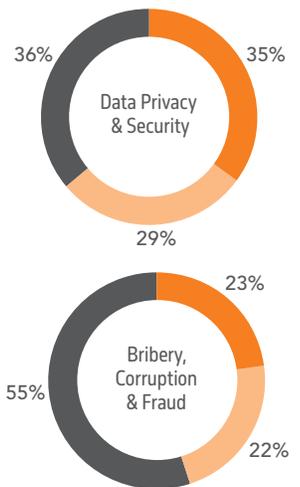
Figure 1.4
R&C Priorities: Data Privacy, Cybersecurity, Bribery, Corruption & Fraud

"How does your R&C program prioritize the following concerns?"

● High Priority
● Priority
● Not a Priority

5. "The 2020 Risk & Compliance Hotline Benchmark Report" (NAVEX Global, May 2020), pages 44-45.

Data privacy and cybersecurity breaches were the most frequently reported issues.

Nearly a third (31%) of respondents experienced a data privacy or cybersecurity breach in the past three years [Figure 5.8]. Reports of breaches vary by industry. Healthcare organizations were more likely to report a breach (37%), while finance and insurance organizations were less likely (23%). While all three of these industries are highly regulated, healthcare breaches are often also HIPAA violations, accounting for the higher rate.

Concern for data privacy and cybersecurity varies by industry and location.

Healthcare and finance organizations are especially sensitive to data privacy issues. Nearly three-fourths (74%) of heath care organizations and 80% of finance organizations listed enhancing data protection as a top priority. This issue is less of a priority for organizations headquartered in the Asia Pacific; roughly half of these respondents said data privacy was a top priority, 25% lower than organizations overall [Figure 1.5].

Organizations are investing in data privacy training.

Nearly three-fourths (74%) of organizations are investing in data privacy training, up from the 66% reported in 2019. Nearly as many (69%) provide cybersecurity training. Training is strongly correlated to program maturity; 46-50% of *Reactive* programs provide training on these issues, as opposed to 81-89% of *Advanced* programs. This area is a top training subject across all maturities [Figure 5.31].

Bribery, Corruption & Fraud

Respondents increasingly view bribery, corruption and fraud (BC&F) as a major concern.

Nearly half (47%) of respondents describe financial integrity and fraud as a "top concern," up 11% from 2019. Bribery & corruption concerns also rose to 39%. These increases are broadly consistent across all program maturities [Figure 5.5].

BC&F training, meanwhile, is on the rise. Nearly half (49%) of respondents report that they plan on providing training on bribery, corruption, fraud and financial integrity in the next 2-3 years, up 8% from 2018 [Figure 5.31]. This trend is broadly consistent across all program maturities.

Concern for BC&F issues varies by industry and location.

When asked to rank competing R&C priorities, over half of the respondents from the manufacturing and finance sectors ranked BC&F as a high-priority concern (54% and 51%, respectively) [Figure 1.5].

Public and stakeholder interests can drive regulatory and enforcement priorities and influence consumer and investment trends.

BC&F issues are prioritized by firms headquartered outside North America. When asked to rank competing R&C priorities, 65% of the respondents from countries with headquarters outside North America ranked BC&F as a high-priority concern. This may reflect a perception of increased risk at these locations; or it may reflect the extent to which recent R&C guidance, especially outside of the U.S., has emphasized controls to detect and prevent corruption and bribery. North American firms, in contrast, are much less likely to prioritize preventing and detecting bribery, corruption and fraud than EMEA and Asia Pacific organizations [Figure 1.5].

BC&F efforts face challenges by maturity.

While training on BC&F issues is on the rise, rates are highly associated with program maturity. Two thirds (67%) of *Advanced* programs offer training on bribery and corruption; three-quarters (73%) of those same programs offer training on financial integrity and fraud. However, only 27% of *Reactive* programs offer B&C training, and only one in five (20%) provide training for financial integrity and fraud [Figure 5.31].

Figure 1.5
R&C Priorities
(By Industry & Location)

"How does your R&C program prioritize the following concerns?"

- ● Harassment & Discrimination
- ● Bribery, Corruption & Fraud
- ● Data Privacy & Cybersecurity

Overall
64%
43%
32%

BY INDUSTRY

Healthcare
74%
41%
21%

Manufacturing
55%
54%
38%

Finance
80%
51%
20%

BY LOCATION

NORAM
65%
39%
34%

EMEA
63%
62%
21%

APAC
49%
75%
29%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%

2. Program Approach

Risk & Compliance (R&C) Program Design

Key program elements lack effective systems of administration.

Codes of conduct remain the most universal element of all R&C programs, regardless of size, industry and sophistication. The ubiquity of this element is not surprising, given its visibility and foundational character. However, programs still overwhelmingly rely on paper-based systems to administer their codes. In contrast, the second most common program element – hotlines – are most likely to be administered via purpose-built software. Programs are also most likely to use purpose-built software to administer their case management and investigations (42%) and compliance training (41%) **(Figure 5.3)**.

While internal reporting and investigative processes are the program elements most likely to run on purpose-built technologies, processes to detect and prevent retaliation are least likely to be administered by a software solution. Further, while most organizations (72%) have a non-retaliation policy, only a minority have the processes necessary to prevent or detect retaliation **(Figure 5.2)**.

Risk-based training and third-party due diligence are well-administered but not widely adopted.

Many of the program elements most likely to be administered via purpose-built software – specifically risk-based training and risk-based third-party due diligence – are not a part of most R&C programs **(Figure 2.1)**. That these elements are largely administered by software is not surprising. Recent guidance from government agencies such as the Office of Foreign Assets Control (OFAC) clearly convey regulators' expectation that organizations will use finely calibrated technologies to conduct third-party due diligence.[1] Similarly, recent laws and regulations enforcing new compliance training mandates, combined with rising workforce trends like remote work and virtual office environments, have driven the push toward software-based training solutions.[2] In both cases, a rapidly evolving regulatory environment makes risk-based training and third-party due diligence – and their effective administration – incredibly important. This makes the low numbers reported in this year's survey especially troubling.

Other data points from this survey offer some possible answers. Overall, 87% of respondents said that their organization offered at least some training to some audiences **(Figure 5.34)**. This means that up to 40% of respondents may belong to organizations offering compliance training that is either not risk-based or not part of a broader R&C training program. Meanwhile, 58% of respondents reported they weren't knowledgeable about their programs' third-party risk management practices, resulting in a possible underreporting of the number of programs utilizing risk-based third-party due diligence.

Figure 2.1
Program Design: Adoption & Administration

"Does your R&C program include the following elements? Does it use purpose-built software to administer them?"

- Included in R&C Program
- % of Those Elements Administered by Purpose-Built Software

1. "A Framework for OFAC Compliance Commitments" (U.S. Department of the Treasury's Office of Foreign Assets Control, May 2019).

2. "Ethics & Compliance Training Top Market Trends & Analysis" (NAVEX Global, 2019).

Decision Making

Developed programs use internal reporting to make informed decisions.

Given the primacy of regulatory concerns, it is unsurprising that program managers are likely to consult regulations when deciding program priorities **[Figure 5.13]**. As programs develop, the number of sources they consult for informed decision making increases. In addition to regulatory records, *Maturing* and *Advanced* programs rely on three primary internal information sources: risk assessments, internal investigation reports and hotline incident reports. The benefits of internal reporting is corroborated by a growing body of research, including Stephen Stubben's and Kyle Welch's "Evidence on the Use and Efficacy of Internal Whistleblowing Systems," which demonstrates a correlation between robust internal reporting systems and improved business performance.[3] Externally, events in the broader media and benchmark reports also play an important role (44% and 42%, respectively).

Risk Integration

R&C programs are assuming responsibility over more types of risk.

For the first time, this year's benchmark survey explored the topic of risk integration. Identifying six key types of risk – compliance, IT, operational, reputational, third-party, and financial – we asked respondents how their R&C programs did (or didn't) manage these concerns **[Figure 5.18]**. Overall, compliance risk remains the central focus of the vast majority (88%) of R&C programs. This is followed by IT and operational risks at 57% and 53% respectively. No form of risk is managed by fewer than 40% of R&C programs.

Over half (52%) of R&C programs have already integrated all or some of their compliance technology solutions across their enterprise **[Figure 5.19]**, while the vast majority plan to further integrate their R&C processes and technologies in the coming year. Of course, this is highly correlated with program maturity; nearly half (46%) of *Advanced* programs say they are fully integrated, while over a quarter (27%) of *Reactive* programs have no integration plans.

Overall, a plurality (23%) of programs cite their CCO as primarily responsible for integration strategy **[Figure 5.20]**. However, a plurality of *Reactive* (22%) programs and small organizations (20%) report that integration is overseen at the management, as opposed to the executive, level. A quarter (25%) of *Maturing* and *Advanced* programs, meanwhile, place this responsibility with their Chief Risk Officer (CRO).

The CRO role is still an emerging one. More than half (53%) of programs do not have a CRO. Of those that do, half (47%) have constructed this role as a dedicated FTE **[Figure 5.17]**. However, the presence of a CRO is positively associated with program maturity. Nearly two thirds (63%) of *Maturing* and *Advanced* programs have a CRO, as opposed to less than a quarter (22%) of *Basic* and *Reactive* ones **[Figure 2.2]**.

27% 63% 36%

Maturing / Advanced

12% 22% 10%

Reactive / Basic
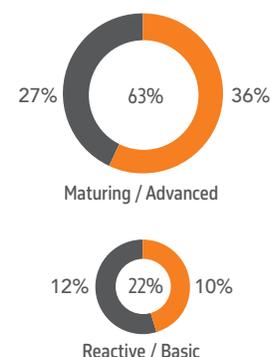
Figure 2.2
Risk Integration: CRO
"Does your R&C program have a CRO? If so, are they full-time?"

● Full-Time
● Part-Time

3. "Hotlines & Headlines: Examining the Relationship Between Hotline Reporting and Corporate Reputation" (NAVEX Global, 2019).

3. Drivers of Performance

In 2020, the forces that drive program performance include program maturity, cultures of trust, leadership support, board engagement, regulations, technology adoption and program evaluation. These performance drivers help risk and compliance professionals better measure, administer and benefit from their R&C programs. Combined, they create a robust program that can respond to both current and emerging risk and compliance issues.

Program Maturity

Maturity is a key indicator of R&C program performance.

Strictly speaking, program maturity is not a driver of performance, but rather an indicator of it. For the purposes of this study, maturity is defined as "a measure of the size and sophistication of a company's existing risk and compliance program." The maturity designations within this report are based on the number of program elements employed, the systems used to administer them, and respondents' assessment of their program's overall ability to address R&C issues and concerns. The maturity scoring describes five progressive levels of program development: *Reactive, Basic, Defining, Maturing* and *Advanced*. That said, there is no doubt that the more robust an R&C program is, the better its outcomes. Throughout this survey, a program's likelihood to rate its performance as "good" or "excellent" is positively associated with its level of maturity.

While this link is present across all R&C program areas and activities surveyed, there are a few key areas where the association between maturity and performance was especially strong. Specifically, respondents who ranked in the *Maturing* to *Advanced* categories of our maturity scale were significantly more likely than their peers to report "good" to "excellent" performance in the R&C areas of ethics and compliance training (+34%), policy and procedure management (+32%), hotline and incident management (+28%), and third-party risk management (+28%).

Culture of Trust

Organizations with a strong, positive culture of trust have more developed programs and demonstrate better program performance.

Respondents who reported trust in their organization were more likely to belong to mature programs [Figure 5.11]. Half (50%) of respondents from *Advanced* programs were likely to report that their organizations were ethical all of the time, vs. 36% overall. Meanwhile, over a quarter (26%) of respondents from *Reactive* programs report their organizations behave ethically only sometimes or rarely (vs. 8% overall).
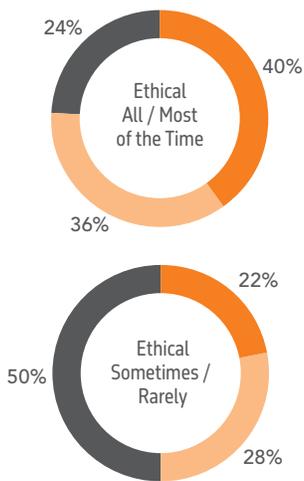
Figure 3.1
Cutlure of Trust: R&C Program Decision Making
R&C programs that place a high level of importance on improving culture are associated with more ethical organizations.

- Very Important
- Important
- Not Important

Moreover, organizations with more developed programs more commonly believe their incident management programs inspire a culture of trust **(Figure 5.24)**. This belief increases incrementally across the maturity scale. For example, over half (53%) of respondents from *Advanced* programs reported these programs helped to create a "culture of trust," as opposed to only 11% of *Reactive* programs. These findings strongly suggest that organizations with a strong, positive culture of trust have more developed programs and demonstrate better program performance **(Figure 3.1)**.

More advanced programs are more likely to value organizational culture.

Respondents with more developed programs are more likely to prioritize organizational culture. More than 8 out of 10 respondents with *Advanced* (89%) and *Mature* (85%) programs said that improving organizational culture was "important" or "very important" in their R&C program's decision-making process, in contrast with 55% and 66% of *Reactive* and *Basic* programs, respectively **(Figure 5.16)**.

When asked to rank their R&C priorities, improving organizational culture ranks second overall, surpassed only by data protection and cybersecurity. Half of respondents (51%) ranked culture as priority one or two, and this is remarkably consistent across the maturity scale **(Figure 5.4)**. The consistent priority demonstrates an understanding that in order to create high-performing programs, organizations cannot short-sell culture. Culture evolves on its own – in unintended directions – if not carefully tended. Lest we forget, the right culture is a driver of good program performance.

Leadership Support

Leadership support is positively associated with high R&C program performance.

Overall, respondents believe their risk and compliance programs are well-supported by leadership, with nearly two-thirds (64%) saying they have program buy-in, oversight and commitment from senior management. That aligns with results from 2019 and is a very positive finding. High performance also is very strongly associated with program maturity. Only 5% of *Reactive* programs report good leadership support, while 100% of *Advanced* maturity programs make the same claim **(Figure 5.2)**.

Senior leadership's view of their R&C program improves with program maturity.

More than three-quarters (77%) of respondents from *Advanced* programs report that senior leadership understands the value of their R&C program and sees it as part of a comprehensive risk management strategy with ROI, while leadership with less mature programs hold this opinion less often. In fact, 39% of responses from *Reactive* programs say leadership views their R&C efforts as "a necessary evil" (vs. 17% overall) **(Figure 5.10)**. This finding is perhaps not surprising, since leaders who value risk and compliance champion and provide more support for advancing their R&C program.

93%
68%

Maturing / Advanced

64%
46%

Overall

35%
33%

Reactive / Basic
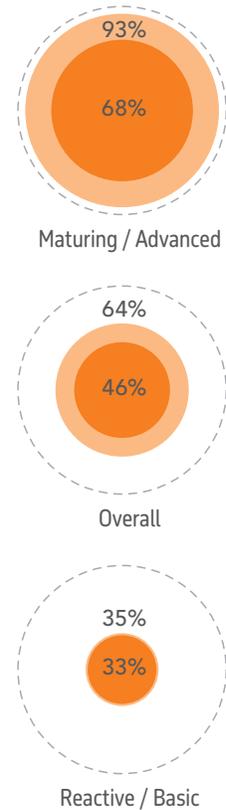
Figure 3.2
Leadership Support:
Leadership Support vs.
Strategic Investment
"Does your R&C Program have Buy-In From Senior Leadership? Do they view it as a Strategic Investment?"

● Buy-In
● Viewed as Strategic Investment

R&C practitioners would likely agree with these correlations based on their own experiences. They have long known that the development and success of their programs requires active support and commitment from top level executives, through both words and actions. Similarly, leaders understand that the attitude and example they set regarding risk, ethics and compliance sets the tone throughout their organizations. They give their programs appropriate resources, qualified compliance officers and regular assessment for performance and effectiveness.
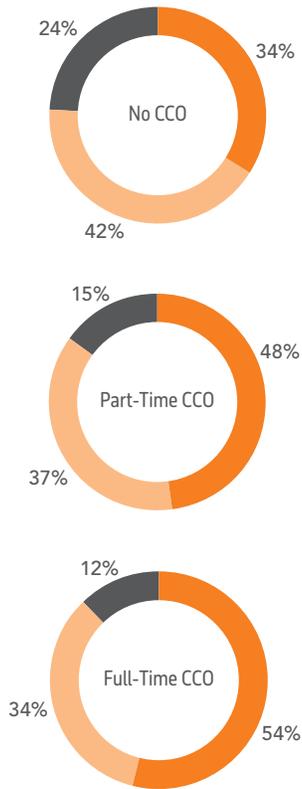
Nearly 1 in 5 programs suffer from "soft" support.

The results above demonstrate strong leadership support for R&C programs overall; however, they also highlight a potential weakness. While 64% of respondents say they have leadership support, significantly fewer (46%) felt their leadership viewed their program as strategic with a return on investment [Figure 3.2]. This indicates that nearly 1 in 5 programs (18%) have "soft" support – that is, they have some leadership buy-in, but without understanding the program's real value that turns leaders into champions. Soft support leaves programs vulnerable when budget cuts and other priorities capture organizational focus. This is an educational opportunity and an argument for a dedicated, full-time chief compliance officer (CCO) with the skills and experience to solicit executive support.

Senior leadership's views are positively associated with CCO role size and scope.

Program maturity is not the only indicator of leadership support. Survey respondents with a full-time CCO were significantly more likely than their peers to say leadership views their programs as strategic investments. Programs with a part-time CCO, however, were statistically no more likely to claim such support than programs overall. A quarter (24%) of programs with no CCO viewed their programs as a "necessary evil" [Figure 3.3].

It is not surprising that having a full-time CCO is positively associated with favorable leadership perception and buy-in, as even high-level part-time CCOs – for example, a chief financial officer (CFO) with compliance as part of their portfolio – have less time dedicated to leading and overseeing the R&C program. That lack of commitment from senior management translates to fewer resources, stunted program maturity and lower priority for further development.

Most programs plan to prioritize commitment from leadership over the next 24 months.

Looking ahead, 63% of respondents say that commitment from senior leadership is a priority for their R&C program. This finding is roughly consistent across all maturities. However, only 39% of programs plan to elevate this in the coming year, with *Advanced* programs being most likely (47%) to do so [Figure 5.6].

Figure 3.3
**Leadership Support:
CCO Role**

"How does senior leadership view your R&C Program?"

- ● Strategic Investment
- ● Insurance Policy
- ● Necessary Evil

No CCO: 24%, 34%, 42%

Part-Time CCO: 15%, 48%, 37%

Full-Time CCO: 12%, 54%, 34%

A full-time CCO is also associated with prioritizing leadership buy-in. Respondents from programs with a full-time compliance officer were more likely (46%) than part-time or no-CCO programs to prioritize the need for leadership support over the next 12 months. Interestingly, programs with a part-time CCO weren't any more likely to prioritize this than programs without a CCO (34% vs 35%).

Board Engagement

Board reporting and engagement is advancing.

Board oversight and program reporting is trending strongly in a positive direction. Over half (56%) of respondents say their R&C program periodically reports to a board that also oversees it, a significant increase over last year [Figure 5.9]. Similarly, the percentage of organizations that report only when asked has dropped from 13% to 9%. Performance in this area increases along with program maturity. For example, only a quarter (26%) of *Reactive* programs report periodically to a board with oversight, compared with 86% of *Advanced* programs. The data shows improvement over last year, with more boards embracing their responsibility to oversee their R&C programs.

Further, respondents reported improvement in board engagement, with 2 out of 3 (63%) describing such board involvement as "good/excellent," up 5% over 2019 [Figure 5.7]. As with all other measures of performance, board reporting and engagement is positively associated with program maturity: Nine out of ten (91%) of *Advanced* programs rated their board involvement as good or excellent, versus just 31% of *Reactive* programs.

More board directors want information through training and issue reporting.

As a sign of increased engagement, more R&C programs now formally require certain matters be reported to the board. Escalation policies lay out what type of issues must be reported and timeframes for the CCO to bring the matter to the board. The number of respondents who say they have a written escalation policy has increased to 45%, up 8% over 2019 [Figure 5.2]. This finding aligns with program maturity.

Most R&C programs now provide training to their board of directors. Sixty-one percent (61%) of respondents say they provide one or more hours of board training on R&C topics [Figure 5.34]. Roughly a third (34%) reported their boards receive two hours or more each year. This finding is correlated with maturity, with roughly a third (34%) of *Advanced* programs providing 4 or more hours of training to their boards each year.

"Improvements in board oversight may have many causes, including a growing awareness of the importance of R&C programs and/ or directors serving on multiple boards and encouraging improvements across organizations."

THE 2020 DEFINITIVE RISK & COMPLIANCE BENCHMARK REPORT KEY FINDINGS

Data on board reporting, oversight, program engagement and required escalation policies have all risen this year, with *Advanced* programs leading the way. Improvements in board oversight may have many causes, including growing awareness of the importance of R&C programs and/or directors serving on multiple boards and encouraging improvements across organizations; or R&C professionals might be doing a better job of educating their directors on how and why they need to support their programs. Whatever the cause, active board involvement is driving program performance.

Regulations

All programs are focused on regulatory compliance.

Ninety-one percent (91%) of survey respondents rated "meeting legal and regulatory requirements" as important or very important in the decision-making process of their R&C program, making it the highest-ranked factor across all program maturities (**Figures 3.4, 5.16**). Organizations with programs across all maturities also cited regulatory compliance as a top concern, falling just behind data privacy and cybersecurity in order of importance (**Figures 3.4, 5.5**). Similarly, "aligning policies with changing regulations" was cited as one of the greatest challenges R&C programs faced, with only "training employees on policies" ranking higher (**Figures 3.4, 5.29**). This positioning was remarkably consistent across all maturities.

Regulatory compliance is a shared concern, but program responses vary by maturity.

Most (87%) of *Maturing* and *Advanced* R&C programs report using regulatory changes and updates to inform their decision-making, while fewer than half (41%) of *Reactive* programs report doing likewise (**Figures 3.5, 5.13**). *Maturing* and *Advanced* programs also focus more attention and resources on informing their workforce of regulatory rules and guidance. Sixty-eight percent (68%) of *Advanced* programs prioritize increasing awareness of policies and regulations, in contrast with just 48% of *Reactive* programs (**Figures 3.5, 5.6**).

Figure 3.4
Regulatory Compliance: Definitions

"Regulatory compliance is…"

- Imoprtant in Decision Making
- A Top Program Concern
- A Top Policy Management Challenge

Figure 3.5 ▶
Regulatory Compliance: Dimensions (by Program Maturity)

"Our R&C program…"

- Advanced
- Reactive

58% / 24% — Regularly Reviews Policies for Regulatory Compliance

68% / 48% — Prioritizes Increasing Regulatory Awareness

87% / 41% — Is Informed by Regulatory Updates / Changes

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Mature programs also regularly check to ensure their policies match current rules and regulations. A majority (58%) of *Advanced* programs review policies to ensure they are current with applicable laws and regulations on a set schedule. Under a quarter (24%) of *Reactive* programs say the same [Figures 3.5, 5.28]. In fact, *Reactive* programs were just as likely to adopt a reactive approach to regulation, only reviewing policies once a potential issue was raised.

Ultimately, periodic regulatory review, awareness, and driving program decisions according to regulatory changes create better performing programs. This certainly appears to be the view of regulators. The U.S. Department of Justice currently advises officials investigating compliance failures to assess whether the organization's compliance program had been designed to meet the needs of the firm's regulatory environment, stating "prosecutors should consider whether the company has analyzed and addressed the varying risks presented by…the regulatory landscape" when determining whether to bring charges or negotiating plea agreements.[1] Similarly, the U.S. Treasury's Office of Foreign Assets Control (OFAC) has identified regulatory awareness as a key component of any effective compliance program, noting its own guidance that "the root cause of [OFAC] violations stems from a misinterpretation or misunderstanding of OFAC regulations."[2]

R&C programs in heavily regulated industries – particularly healthcare and finance – outperformed others.

The DOJ and OFAC opinions cited above are seconded in our survey results. Forty-five percent (45%) of programs serving healthcare and finance firms had programs that were assessed as maturing or excellent, vs. 25% in other industries [Figure 3.6]. Conversely, programs operating in highly regulated industries were significantly less likely than those in other industries to be *Reactive*. Responses from well-regulated industries showed no significant differences in organizational revenue or size, nor did they demonstrate any differences in how they allocated their R&C budget with respect to technological investments. This indicates their difference in program maturity is unlikely attributable to budget or technology, but is instead the product of the practices they have adopted in response to operating in a highly-regulated environment. We conclude that regulations are a clear driver of R&C program performance in highly-regulated industries.

35% — Highly Regulated Industries — 34% / 31%

25% — Other — 46% / 29%
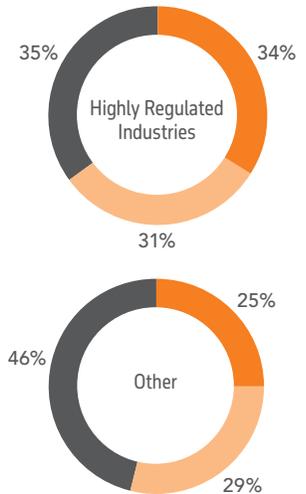
Figure 3.6
Regulatory Compliance: Maturity (by Industry)

Companies from well-regulated industries such as healthcare, finance and manufacturing tend to have more mature R&C programs than their less well-regulated counterparts.

● Maturing / Advanced
● Defining
● Reactive / Basic

[1] "Evaluation of Corporate Compliance Programs" (U.S. Department of Justice, Criminal Division, June 2020).

[2] "A Framework for OFAC Compliance Commitments" (U.S. Department of the Treasury's Office of Foreign Assets Control, May 2019).

25%

Overall

75%

BY ORGANIZATION SIZE

88%
Big (10,000+)

76%
Medium (1,000-9,999)

66%
Small (<1,000)

BY INDUSTRY

81%
Finance

76%
Healthcare

62%
Education

Figure 3.7
Technology Adoption:
Organization Size &
Maturity

"Does your program use
R&C Solutions?"

3. "The 2019 Definitive Corporate
Compliance Benchmark Report"
(NAVEX Global, June 2019),
page 53.

Technology Adoption

A quarter of R&C programs do not use R&C technology to automate solutions.

This is a significant increase over 2019, when 85% of programs reported using technology.[3] Technology automation is positively associated with company size; only 66% organizations with under 1,000 employees report using R&C solutions, while 88% of organizations with over 10,000 report likewise. Across industries, programs in finance and healthcare were more likely to use R&C technology solutions, while those of educational organizations were 13 percentage points less likely than programs overall to automate **(Figure 3.7)**.

Technology adoption is positively associated with program maturity.

Virtually all (97%) *Advanced* programs use technology solutions, while fewer than half (48%) of *Reactive* programs made the same claim. Such solutions factor prominently in future planning. Respondents from 40% of *Advanced* programs and 36% of *Mature* programs report that they plan to prioritize adoption of automated solutions for their program needs, as opposed to one-quarter of *Reactive* (22%) and *Basic* (25%) programs **(Figure 5.6)**.

Most programs spend zero to 25% of their R&C budget on technology solutions.

Nearly half (45%) of respondents from *Advanced* programs spend more than a quarter of their budget on technology solutions, while over a third (36%) of *Reactive* programs spend nothing at all. However, there is a constant across all maturities; a majority of organizations reported spending 1%-25% of their budget on technology solutions at every maturity level **(Figure 5.15)**. Interestingly, the percentage of spend does not vary with company size.

R&C programs who use technology do so to boost consistency, streamline workflows and reduce costs.

Percentages differ, but across all maturities, companies report that technology increases consistency, streamlines workflows, and reduces costs for R&C programs. Nearly two-thirds (64%) of respondents overall cited "To enable consistent policy, training, regulatory alignment and accountability" as the most popular reason for adoption **(Figure 5.14)**.

Advanced programs use technology to integrate program components.

Advanced programs were relatively more interested in using R&C solutions to integrate their program components. Nearly two-thirds (63%) were interested in integration, making it a higher priority than formalizing and/or institutionalizing processes (51%); and reporting to management, executives or boards (62%) **(Figure 5.14)**.

Automated programs perform significantly better than those that do not leverage technology.

R&C programs that use one or more technology solutions to manage operations have a sizable performance advantage over non-users. The difference is big: Respondents perform better (Excellent/Good) than their non-automated peers across all program activities surveyed. Programs that utilize technology are also significantly more likely than non-automated programs to be viewed by senior management as strategic investments with ROI (40% vs. 29%). This is likely due to directors and senior leaders recognizing the value of their R&C programs and willingness to invest in technology.

Technologic solutions can handle a large amount of data and quickly align it with risks. For example, policy management software can launch a policy, or an LMS can launch training, to all employees at once for completion and mandatory certification. It could then compile data on completion rates and delinquent individuals in near-real-time, spotting risks before they occur. Technology simplifies third-party due diligence and allows ongoing management in less time than manual methods. Since regulations are a top R&C priority, automation keeps the workforce updated on these rules. Technology also can bring the latest regulations and updates into effect with a keystroke.

Program Evaluation

Developed R&C programs regularly conduct and document assessments, audits and improvement activities.

Organizational risk assessments are a core evaluative R&C program tool. The practice of regular assessments is now widespread, with two-thirds (66%) of programs conducting periodic assessments of their organization's risk profile. However, this trend is closely correlated with maturity; virtually all (99%) *Advanced* programs conduct organizational assessments, as opposed to 11% of *Reactive* programs **(Figure 5.2)**. Satisfaction with these assessments is also tied to maturity. Nine out of 10 (91%) *Advanced* programs rate their risk assessment performance as good/excellent, as opposed to just 35% of *Reactive* programs, and 55% of programs overall **(Figure 5.12)**. Further, *Advanced* programs are more likely to use risk assessment results to make decisions about their R&C program. Ninety-three percent (93%) of *Advanced* programs use risk assessment results to make R&C program decisions. In contrast, only 37% of *Reactive* programs use risk assessment to inform their decisions **(Figure 5.13)**.

While organizational risk assessment scores well, performance of R&C program assessments has room for improvement. A little over half (56%) of programs have audits to measure compliance program effectiveness. Though tied to maturity, the correlation is weaker than organizational risk assessments, particularly for *Defining* and *Maturing* programs **(Figure 5.2)**. An overwhelming majority of *Advanced* programs

Risk Assessment Capability

Used in Decision Making

Figure 3.8
Program Evaluation: Organizational Risk Assessments

"Would you rate your program's risk assessemnt capability as "good" to "excellent"? Do you use risk assessments to make program decisions?"

● Advanced
● Reactive

do well in this respect, with 85% rating their auditing capabilities as "good" or "excellent." However, *non-Advanced* programs report significantly less satisfaction with their program audit efforts relative to other program areas **(Figure 5.7)**. This may be linked to audit tools: 71% of *Advanced* programs use purpose-built software to conduct program audits, but only a quarter of even *Maturing* programs use R&C solutions for this task **(Figure 5.3)**. This finding is curious because program assessments provide much of the data necessary to target and implement program-wide improvements, thus enhancing program effectiveness.

Good documentation is a shield.

More mature programs are more likely to execute and document continuous improvements based on identified gaps and issues. Respondents from 83% of *Advanced* programs and 70% of *Mature* programs rated their performance in this area as good/excellent, as opposed to 53% overall. Only 34% and 40% of respondents from *Reactive* and *Basic* programs, in contrast, were likely to rate their performance as good/excellent on this activity **(Figure 5.12)**. The importance of clear, accurate, complete and easily retrievable documentation of all R&C activities – issues, remediation, gaps and improvements – cannot be overstated. As we know by now, if it's not documented, it didn't happen.

Legal or regulatory action is a top R&C program threat. Nearly a quarter (23%) of organizations reported experiencing this type of action in the past 3 years, making it the second-highest compliance issue R&C programs faced in that time period, behind data privacy/cybersecurity breaches **(Figure 5.8)**. This is true across all program maturities. Documentation is especially relevant, as the quality of an organization's R&C documents can determine whether external investigations or audits, regulatory reviews and plaintiff requests will result in a positive or negative outcome.

Clear, accurate and complete documentation is critical when faced with legal or regulatory action. For example, the 2020 U.S. Department of Justice Evaluation of Corporate Compliance Programs charges prosecutors to determine whether the corporation has sufficient resources "to audit, document, analyze, and utilize the results of the corporation's compliance efforts" ostensibly for program improvement activities.[4] While federal declinations may be rare, robust documentation can certainly be a shield against lesser types of legal action and monetary penalties. We must do a better job in this area.

85%

25%

Program Audit Capability

71%

3%

Purpose-Built Software
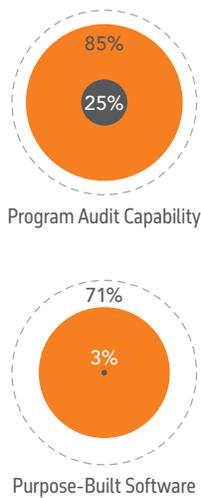
Figure 3.9
**Program Evaluation:
R&C Program Audit**

"Would you rate your program's risk audit capabilities as 'good' to 'excellent'? Do you use purpose-built software to conduct program audits?"

● Advanced
● Reactive

4. Key Program Elements

The following is a closer look at five key program elements: codes of conduct, hotline and incident management, policy and procedure management, training, and third-party risk management. In the 2020 Benchmark Survey, we asked risk and compliance professionals which elements their programs contained and what system(s) they used to administer them. We then asked which specific activities respondents would be prioritizing over the next 12-24 months. Finally, we asked a series of questions specific to each program element.

Code of Conduct

A code of conduct is the foundational – and most visible – element of a risk and compliance (R&C) program.[1] As such, it is not surprising that codes of conduct are the most widely adopted of all R&C program elements. Most respondents (88%) confirm that their organization has this key document. Unsurprisingly, the percentage of organizations who claim to have codes of conduct increases with program maturity, though over half (59%) of even *Reactive* programs have codes **(Figure 5.2)**. Though the majority of programs of all development levels have implemented a code of conduct, management of the document is less consistent.

Nearly half (43%) of all programs still have paper-based codes.

Paper codes, though necessary in some organizations, are becoming less common as access to online resources grows **(Figure 5.3)**. Digital codes are less costly and easier to update. Predictably, the trend toward more automated code administration tools increases with program maturity. For example, nearly two-thirds (61%) of *Advanced* programs use purpose-built software to manage their codes of conduct, in contrast with less than one in ten (7%) *Reactive* programs **(Figure 4.1)**.

Half of organizations only distribute their code of conduct once.

Most organizations with a code include it in their new hire documentation (89%) **(Figure 4.2)**. Virtually all (97%) *Advanced* programs do this, and three quarters (75%) of *Reactive* programs distribute their code, if they have one, to their new hires as well. However, only half (50%) of R&C programs share it periodically, with only 28% of Reactive programs reporting that they do so **(Figure 5.21)**. Consequently, the majority of employees working for companies with less robust R&C programs may only see their code at the time of hire.
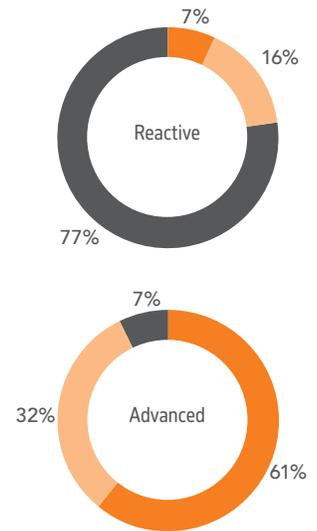
Figure 4.1
Code of Conduct: Administration
What system does your office use to administer your Code of Conduct?

- ● Office (Purpose-Built)
- ● Software (Office / ERP)
- ● Paper-Based

1. "Definitive Guide to Your Code of Conduct" (NAVEX Global, May 2018).

A majority of companies require their employees – but not their board – to attest to and receive training on their code of conduct.

Three-quarters (75%) of the programs surveyed required their employees to attest to their code, while over two-thirds (67%) also required employees to train it [Figure 4.2]. Of course, this varies considerably by maturity. More than nine out of ten of *Advanced* programs require their employees attest to the code (94%) and complete the training (91%). In contrast, just over half (52%) of *Reactive* programs require attestation, and just over a third (36%) train employees on the code. Board attestation, however, is much less common. Only 39% of programs overall require their boards to attest to their code. Most of the programs that do so are more robust; 63% of *Advanced* programs require board attestation, compared to only 16% of *Reactive* programs [Figure 5.21].
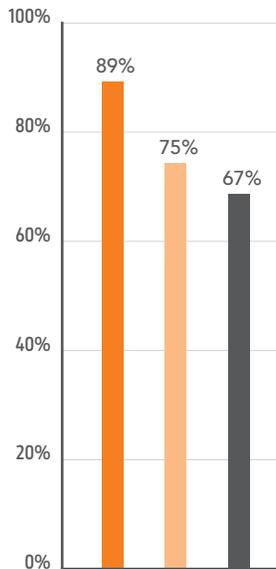
Third-party distribution and attribution are lagging.

While most employees and a sizeable minority of boards receive and must attest to the code, comparatively few programs have similar requirements for their vendors or suppliers. Only a quarter (26%) of respondents report sharing their code with third parties, while even fewer (17%) require third parties to attest. Only a minority of even *Maturing* and *Advanced* programs distribute to, or require attestation from, their third parties (42% and 31%, respectively).

Third parties represent a major R&C risk area for many organizations; therefore, ensuring third-party awareness of required behavioral standards while they work with and on behalf of those organizations should be a priority. However, as a practical matter so that vendors and suppliers do not have to attest to hundreds of client codes and procedures specific to employees, organizations sometimes create a third-party or supplier code that is better aligned with supplier risks.

Maturity does not align with prioritization to update the code in the near future.

Program maturity shapes the approach to many areas of code administration, but one area is anomalous. Almost half of all programs across the maturity scale consider updating their code of conduct a priority for the coming year [Figure 5.6]. It is common and effective practice to update a code no fewer than every three to four years, unless a critical update is required before then due to an organizational change, or changes in senior leadership, regulations or industry practice.

Figure 4.2
Code of Conduct: Distribution, Attestation & Training

How do you share your Code of Conduct with your employees? Select all that apply.

- ● We Distribute It
- ● Employees Attest to It
- ● Employees Train on It

Hotline & Incident Management

An anonymous reporting mechanism has always been foundational to risk and compliance programs and is expected by regulators. Whistleblower protections are the subject of a number of new global regulations, and the risks associated with mishandling of cases and reporter information are expanding rapidly.

While many organizations have a hotline and incident management system, use of the systems and approaches to issues and incident management vary across organizations. Using purpose-built software to manage the hotline is a key marker of an *Advanced* program. Eighty-nine percent (89%) of *Advanced* programs use such automation to administer their hotlines (Figure 5.3).

Having a hotline is a core measure of R&C program maturity.

Over three quarters (76%) of R&C programs report having a hotline or internal reporting channel. The absence of a hotline is an indicator of a *Reactive* program. Less than a third (31%) of *Reactive* programs had a hotline, while two-thirds of *Basic* programs made the same claim (Figure 5.2).

Hotline performance varies greatly by program maturity.

Roughly nine out of ten (92%) of respondents from *Maturing* and *Advanced* programs with knowledge of their firm's hotlines rated their ability to capture and investigate hotline reports as "good" or "excellent." Meanwhile, nearly a quarter (23%) of such respondents from *Reactive* and *Basic* programs rated this as "fair" to "poor" (Figure 4.3).

Resource constraints and case complexity account for most extended case closure times.

The 2020 Risk and Compliance Hotline Benchmark Report showed a marked increase in the time it takes to close a case or report investigation, with a median of 45 days to close.[2] This is up from 40 days in 2018, and is a significant increase. Resource constraints and case complexity were cited as the primary causes of extended closure times (Figure 5.22).

These results were also remarkably consistent across maturities, although *Reactive* and *Basic* programs were slightly more likely to cite inefficiencies in their processes. Long case closure times without ongoing reporter communication can breed cynicism and cause employees to believe that the issue has not been taken seriously.

Figure 4.3
Hotline & Incident Management: Performance (By Maturity)

How would you rate your program's ability to capture and investigate hotline and whistleblower reports?

- Good / Excellent
- Average
- Fair / Poor

[2] "The 2020 Risk & Compliance Hotline Benchmark Report" (NAVEX Global, May 2020), pages 30-31.
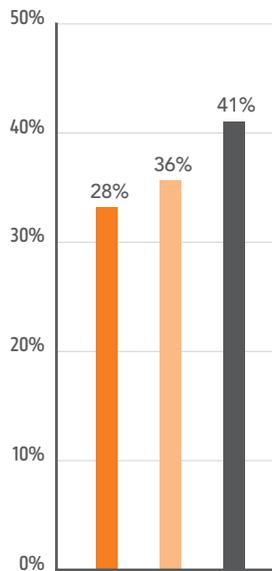
Organizations are not consistent in defining when a case should be closed.

Case closure time is a key quality metric for hotline programs; some organizations close cases earlier in the investigative cycle. Best practice is to close a case after the reporter is notified and corrective actions have been taken. *Advanced* programs are far more likely to take this approach (61%) than *Reactive* programs (32%) **[Figure 5.25]**. Waiting to close the case until these actions are completed helps to ensure that these critical steps have not been overlooked.

Organizations in manufacturing and healthcare are more likely to consider an investigation "closed" when it is deemed substantiated or unsubstantiated. Professional, scientific and technical services, as well as those in utilities, are more likely to consider an investigation "closed" when the reporter has been notified and corrective actions have been administered.

Organizations often, but not always, involve external investigators in higher risk investigations.

Overall, 72% of respondents said that external investigators were used for serious matters that could lead to litigation. Fewer (44%) did so if the accused was a member of senior staff, executive or board member **[Figure 5.26]**. Investigations of executives and board members are often best handled by an external investigator to avoid pressure on the findings.

A majority of respondents do not believe their hotlines positively impact their culture.

Over 72% of respondents reported seeing little to no impact from their hotline program on their culture of trust **[Figure 5.24]**. This is an increase over 2019, when 64% reported little to no impact. Cultural impact varies significantly by maturity. More than half (53%) of *Advanced* programs believe their hotlines positively impact their culture, while one in ten (11%) *Reactive* programs say likewise. Capturing reports of issues raised from all sources will help organizations spot trends or brewing issues quickly.

While only 28% of respondents reported a positive cultural impact from hotlines overall, 41% of respondents from programs whose leadership view their R&C programs as a strategic investment reported their hotlines created a culture of trust. Similarly, programs with a dedicated CCO were more likely (36% vs. 28%) to report their hotlines contributed to a culture of trust, while programs without a CCO were less likely to report this (18% vs. 28%) **[Figure 4.4]**.

Figure 4.4
Hotline & Incident Management: Impact (Program & Organizational Leadership)

"Has your hotline & incident management program helped you build a culture of trust within your organization?"

- Overall
- Programs With a Full-Time/ Dedicated CCO
- Programs With Leadership Buy-In

Preventing and detecting retaliation remains a lower priority for most programs.

Despite all the recent legislation around whistleblower protections, every year we consistently find that while organizations see preventing and detecting retaliation as important, it's not in the top three program priorities. This year, only 17% of respondents said this is a top priority, down from 20% in 2019. And one out of five (20%) said it wasn't a focus because they weren't concerned with this issue. Every organization should have concerns about retribution **[Figure 5.23]**.

Fear of retaliation is one of the two primary reasons why employees choose not to report issues (the other is belief that nothing will be done about the issue). Our Risk and Compliance Hotline Benchmark Report showed again in 2020 that approximately 1% of all reports received are reports of retaliation.[3] Organizations that receive few reports of retaliation and believe that they don't have a problem are buying into a false sense of security. External research and regulatory data show that retaliation is a significant issue for both employees and regulators, and a top priority for organizations to address.

Policy & Procedure Management (PPM)

Documentation is consistent across maturities.

A majority (63%) of organizations keep detailed records of all policies and related activities **[Figure 5.27]**. This holds true across all maturity levels except *Reactive*, where the number is less than half (40%). This is largely good news, although most organizations of all sizes – especially with less robust programs – have room for improvement. R&C professionals are likely well-acquainted with the truism, "If it isn't documented, it didn't happen."

A plurality of programs review policies on a set schedule.

Policy review is performed regularly across all levels of maturity, with some exceptions. Majorities of *Maturing* and *Advanced* programs set a review schedule (55% and 58%, respectively), while *Reactive* programs are nearly as likely to only review a policy once an issue is raised as they are to schedule regular reviews **[Figure 5.28]**. Reviewing policies on a set schedule is a best practice to ensure that no policy is overlooked in either the program planning or execution process.

"Organizations who receive few reports of retaliation and believe that they don't have a problem are buying into a false sense of security."

[3.] "The 2020 Risk & Compliance Hotline Benchmark Report" (NAVEX Global, May 2020), pages 44-45.

R&C programs share four key policy concerns.

Almost half of all programs (47%) agree that training employees on policies is a top challenge [Figure 5.29]. This holds across all maturities except *Advanced* programs, which view this challenge as secondary to regulatory alignment. In fact, in the survey, four core issues are rated as top policy concerns for all programs: training employees, aligning policies with regulations, providing access to policies and procedures, and creating/updating documents easily. These four are cited as top concerns by over a quarter of respondents across all maturities.

Developed programs are concerned with version control and policy redundancy.

A quarter of programs (25%) also report version control to be a problem overall; however, the level of concern is correlated with maturity. Only 18% of *Reactive* programs consider version control to be an issue, while nearly a third (31%) of *Advanced* programs cite this as a top challenge. *Reactive* programs are less likely to have a policy management system, paper-based or technological [Figure 5.2]; this likely results in less concern for version control or policy redundancy, and greater focus on basic policy development and management.

Managing records is negatively associated with maturity.

While version control is a problem for robust programs, less mature programs are more generally concerned with records management. A quarter of *Reactive* programs (24%) cite managing records as a top concern; only 12% of *Maturing* and 11% of *Advanced* programs say the same. This issue is also correlated with company size; one-fifth (20%) of small organizations view managing records as a problem, while only 12% of organizations with more than 5,000 employees have the same concern. As cited above, *Reactive* programs, which predominantly operate in small organizations, are focused on policy basics, including records management.

A plurality of programs do not measure their policy management effectiveness.

Policy management performance measures are sorely lacking in R&C programs overall. A plurality (41%) do not use any metrics to track policy management effectiveness [Figure 5.30]. Of course, this varies significantly by maturity; half of *Reactive* and *Basic* programs do nothing to track performance, while only a quarter (24%) of *Advanced* programs lack such measures. This is likely due to their focus on policy basics such as policy development. Of the programs that use metrics, the most common measures are fewer compliance failures, easy employee access and efficiency improvements.

"Of the programs that use metrics, the most common measures are fewer compliance failures, easy employee access and efficiency improvements."

Developed programs rely on attestation completions, employee quizzes and improved culture as performance indicators.

One-third (34%) of *Maturing* and slightly more *Advanced* (39%) programs use attestation completion rates to measure policy program effectiveness, versus 9% of *Reactive* and 15% of *Basic* programs. Similarly, one quarter of *Maturing* (27%) and *Advanced* (25%) programs use employee quizzes to measure effectiveness, while only a fraction of *Reactive* (14%) and *Basic* (16%) programs do the same [Figure 5.30].

Ethics and Compliance Training

R&C programs prioritize ethics and compliance training.

Training is a key element of an effective R&C program, with 69% of organizations planning to prioritize building or implementing a training program over the next 12-24 months [Figure 4.7]. This is broadly consistent across all maturities.

Training is tied to maturity.

Training is recognized as a key element of an effective R&C program, with 38% of programs planning to build and/or implement a customized training program in the coming year [Figure 5.6]. However, this varies considerably by maturity. Only 6% of *Reactive* programs currently have a training program, while 95% of the *Advanced* programs include a training component [Figure 5.2]. *Mature* programs are also more likely to offer training on specific topics. Similarly, the system used for training – via paper, ERP software, or purpose-built systems – is correlated with program maturity [Figure 5.3].

E&C training is mostly software based.

While the use of program-based ethics and compliance training is tied to maturity, the overwhelming majority of R&C programs rely on some form of software for E&C training. Four-fifths (81%) of R&C training programs are managed with either office productivity/ERP systems or purpose-built software [Figure 5.3]. Almost half (47%) of even *Reactive/Basic* R&C programs with training programs rely on software solutions. More than half (55%) of *Maturing/Advanced* programs use purpose-built software to administer training [Figure 4.5].

Training topics are broadly consistent across all R&C programs.

Data privacy, cybersecurity, workplace harassment, conflicts of interest and discrimination are top training concerns for all R&C programs [Figure 5.31]. This is true regardless of program maturity, organizational size or industry.

23%
53% Reactive / Basic
24%

19%
41% Overall
40%

6%
Maturing / Advanced
39% 55%
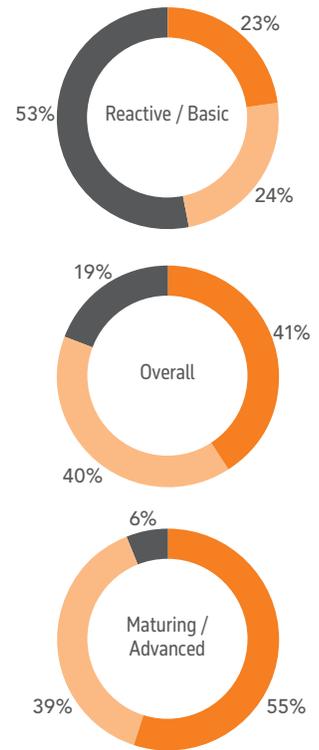
Figure 4.5
Ethics & Compliance Training: Soutions
Systems used by R&C programs to administer a risk-based E&C training program, by maturity

● Software (Purpose-Built)
● Software (Office / ERP)
● Paper-Based

R&C programs in **Manufacturing** are more likely to offer training on:

+37%
Bribery & Corruption

+32%
Environmental Health & Safety

R&C programs in **Finance** are less likely to offer training on:

-22%
Speaking Up & Retaliation

Figure 4.6
Ethics & Compliance Training: Topics By Industry
Training offered by topic.

Sexual harassment training is prioritized by less mature programs.

Overall, the survey results for training on sexual harassment are identical to the broader category of workplace harassment (67%). However, this consistency masks differences by maturity. More *Reactive* and *Basic* programs report providing sexual harassment training than workplace harassment training **[Figure 5.31]**. This is likely because less mature programs focus more on regulatory compliance than other concerns; many states and countries require sexual harassment training, but not training on workplace harassment broadly.

Training topics vary by industry.

Some variations can be seen when training topic data is indexed by industry. Manufacturing firms are more likely to train on bribery and corruption, as well as environmental health and safety. Financial firms, meanwhile, are more likely to train on financial integrity and fraud. One unexpected finding is that financial firms are significantly less likely to train employees on speaking up and retaliation **[Figure 4.6]**.

E&C training most impacts awareness and behavior.

Overall, programs realize the greatest organizational impact from training on awareness of issues (64%) and on the behavior around issues on which employees were trained (54%). They see the least impact on employee morale (33%) and market perception (37%) **[Figure 5.33]**.

The relatively weak impact on employee morale is an interesting finding which may indicate employee dissatisfaction with training; this, in turn, could have an impact on training effectiveness and overall culture. There is one exception to this consistent trend: *Advanced* programs see significantly more beneficial impact from training on reporting and speak-up culture (76%) than programs overall (50%), making it their second-highest area of impact.

Across every measure surveyed, more developed programs rate the impact of training more highly. For example, roughly half (51%) of all programs indicate that their training has improved or greatly improved their protection against legal liability; three quarters (73%) of *Advanced* programs make the same claim.

Online learning and risk-based training are key training components.

"Training on identified risk areas" and "delivering online courses" are the most common parts of ethics and compliance training programs, as reported by 68% of respondents overall **[Figure 5.35]**. While the percentage of programs with these two elements varies by maturity, their ranking as the top two training features is consistent across maturities. It is noteworthy that the most common component of *Reactive*, *Basic* and *Defining* training programs is online learning, while "training based on identified areas" is the most common feature of *Maturing* and *Advanced* training programs.

This makes sense when considering that less robust programs often have fewer resources and must rely on purchased compliance solutions to cover general compliance and regulatory topics, without the benefit of a resource-consuming risk assessment to inform and customize the training content.

Live training courses, training for board members and training in multiple languages are associated with program maturity.

More than half (53%) of all programs offer live courses – but this is a result of maturity [Figure 5.35]. Just a quarter (27%) of *Reactive* programs offer live courses, while nearly three quarters (73%) of *Advanced* programs do. More than half (58%) of *Advanced* programs offer training for board members and training in multiple languages, as opposed to roughly one-tenth of *Reactive* programs. At all stages of development, however, every compliance program should provide training to its board members. Topics should at a minimum include board responsibilities for R&C program oversight, risk areas that apply to the board as a whole and as individuals, and what to ask the compliance officer to make sure the program is effective.

Microlearning and effectiveness measures are strongly associated with *Advanced* programs.

Both microlearning and effectiveness measures are much more common in *Advanced* programs. Half (51%) of *Advanced* programs use training effectiveness measures (as opposed to 26% overall); half (47%) also include micro-learning in their training curricula (vs. 23% overall) [Figure 5.35].

Third-Party Risk Management

Third-party risk is relatively under-managed.

Less than half of respondents (45%) say that third-party risk is being managed by their R&C program. This places it behind compliance, IT, operational and reputational risk [Figure 5.18]. However, management of third-party risk, like so many other compliance functions, is linked to maturity; less than one quarter (23%) of *Reactive* programs manage third-party risk, while nearly three quarters (74%) of *Advanced* programs conduct this management.

Screening is the foundational practice of third-party risk management.

Screening is the most commonly used risk-management practice across all maturities, increasing by 7% between 2019 and 2020 [Figures 4.8, 5.37]. This increase is most pronounced among *Maturing* programs, which saw a 20% rise over 2019. Improving third-party due diligence and oversight is a 12- to 24-month priority for two-thirds (68%) of respondents overall [Figure 4.7].
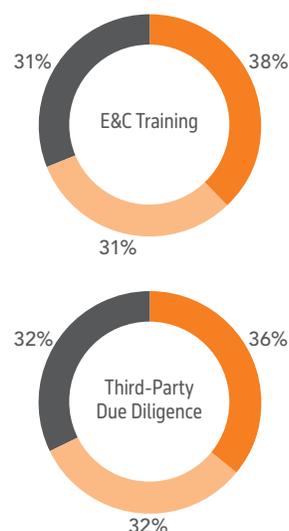
Figure 4.7
R&C Activities: E&C Training & TPRM
"Which of the following R&C activities will your organization be prioritizing over the next 12-24 months?"

- 12 Months
- 24 Months
- Not A Priority

"R&C programs that have not yet started a third-party risk management effort are leaving a potentially significant area of compliance risk unchecked."

While screening increased, continuous monitoring and third-party training declined.

While third-party screening has increased, third-party training declined from a high of 30% in 2019 to 22% in 2020. Continuous monitoring, meanwhile, saw its second year of decline, down 25 percentage points from a 2018 high of 61% (Figure 4.8). Meanwhile, the number of organizations that don't currently do anything to monitor their third party relationships has increased from 6% in 2019 to 12% this year (Figure 5.36).

Increased screening of third parties and active interest in improving these practices is encouraging. But negative trends are disturbing, given that concerns about data privacy, fraud, bribery and corruption have increased significantly in many industries. Third-party business partners are linked to a lot of actual misconduct in these areas.

R&C programs that have not yet started a third-party risk management effort, as well as those that have stopped, are leaving a potentially significant area of compliance risk unchecked. This error of omission can put organizations in a very precarious position from legal, regulatory and reputational perspective.

Figure 4.8 ▶
TPRM Trends

Percent of programs that screen third parties, deliver third-party compliance training and/or continuously monitor third parties.

- Screening
- Continuous Monitoring
- TPRM Training
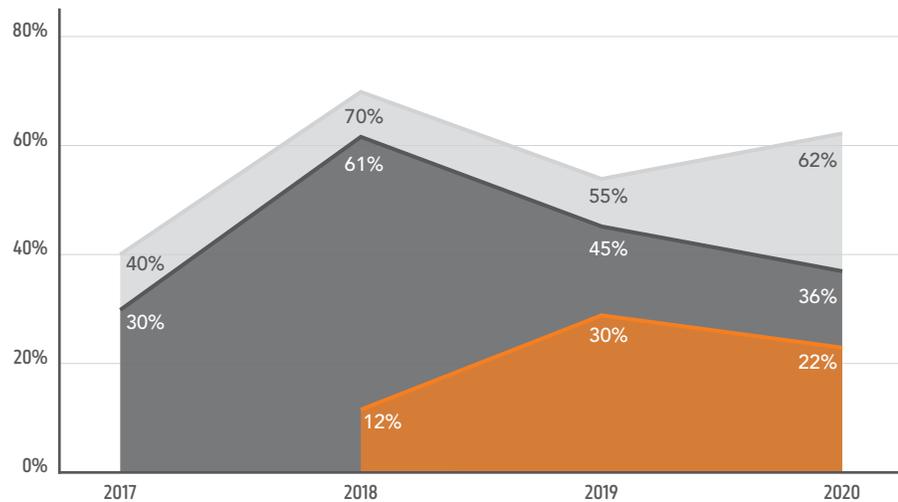
5. Survey Data

Figure 5.1: Characterizing R&C Program

Which of the following statements best describes your R&C program?

	MATURITY LEVEL				
	Reactive	Basic	Defining	Maturing	Advanced
We Fully Cover All Risk and Compliance Issues / Concerns — 19%	14%	10%	15%	26%	53%
We Have a Strong Program, but Have Room for Improvement — 46%	24%	40%	54%	59%	45%
We Have Essential Capabilities, but Are Not Where We Should Be — 27%	34%	40%	28%	15%	2%
We Are Able to Respond to Critical Issues, but Can't Anticipate, Scale or Plan — 8%	28%	10%	3%	0%	0%

0%   10%   20%   30%   40%   50%
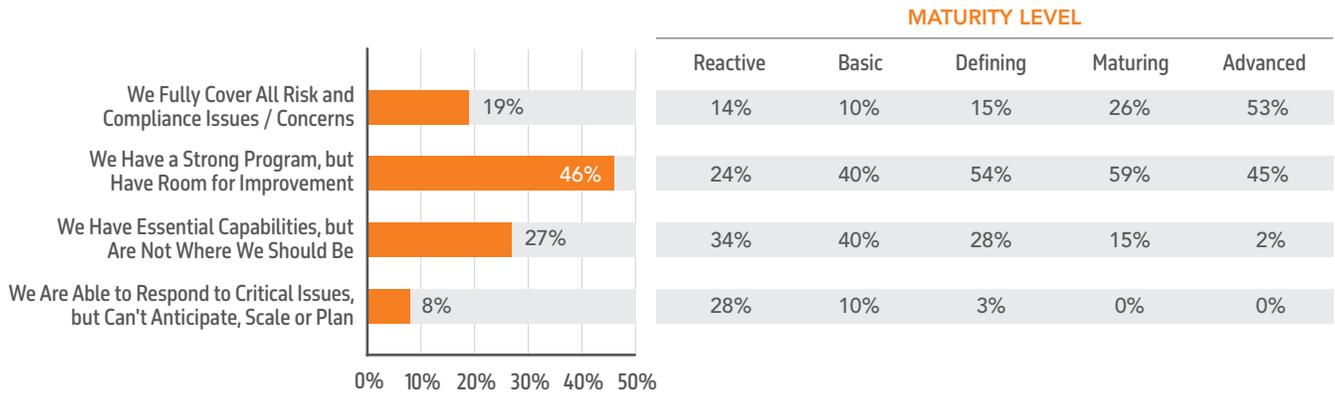
Base: All respondents. n=1,403.

Figure 5.2: R&C Element

Does your R&C program include the following elements? Select all that apply.

	Reactive	Basic	Defining	Maturing	Advanced
			MATURITY LEVEL		
Code of Conduct — 88%	59%	83%	96%	99%	100%
A Hotline or Whistleblower Internal Reporting Channel — 76%	31%	65%	88%	98%	100%
Non-Retaliation Policy — 72%	24%	60%	82%	96%	98%
Periodic Assessment of the Organization's Risk Profile — 66%	11%	52%	76%	93%	99%
Case Management and Investigation Processes / Protocols — 66%	20%	48%	76%	92%	99%
Buy-In, Oversight and Commitment from Senior Leadership — 64%	5%	48%	79%	90%	100%
A Solution to Develop, Distribute and Attest to Policies and Procedures — 57%	18%	41%	61%	85%	96%
An Audit Program that Measures Compliance Program Effectiveness — 56%	16%	40%	64%	78%	98%
A Risk-Based R&C Training Program — 47%	6%	28%	52%	76%	95%
Processes to Prevent Retaliation — 47%	5%	30%	49%	77%	93%
Escalation Policy Requiring Direct Report of Material Issues to the Board — 45%	4%	21%	51%	76%	96%
A Risk-Based Due Diligence and Oversight Program for Third Parties — 44%	13%	25%	45%	70%	95%
Documentation of Impact on Controls by Substantiated Allegations — 38%	5%	22%	38%	63%	86%
Processes to Detect Retaliation — 28%	0%	13%	23%	54%	80%
None of the Above — 1%	10%	0%	0%	0%	0%

Base: All respondents. n=1,403.

Figure 5.3: Systems Used

What system do you use to administer the following elements? Select all that apply.

MATURITY LEVEL

	Reactive			Basic			Defining			Maturing			Advanced		
	Paper-Based	Office Productivity / ERP Software	Purpose-Built Software	Paper-Based	Office Productivity / ERP Software	Purpose-Built Software	Paper-Based	Office Productivity / ERP Software	Purpose-Built Software	Paper-Based	Office Productivity / ERP Software	Purpose-Built Software	Paper-Based	Office Productivity / ERP Software	Purpose-Built Software
❶	77%	16%	7%	64%	26%	10%	43%	42%	15%	21%	49%	31%	7%	32%	61%
❷	61%	21%	18%	29%	38%	33%	14%	33%	54%	1%	31%	68%	2%	9%	89%
❸	86%	11%	3%	55%	33%	12%	28%	34%	38%	7%	37%	56%	0%	13%	87%
❹	68%	24%	9%	55%	33%	13%	27%	46%	27%	8%	51%	41%	2%	21%	77%
❺	64%	27%	9%	52%	24%	24%	21%	51%	29%	8%	51%	41%	2%	15%	83%
❻	71%	21%	8%	54%	32%	13%	34%	40%	25%	17%	45%	38%	2%	22%	76%
❼	87%	10%	3%	59%	32%	9%	44%	41%	15%	21%	54%	25%	4%	25%	71%
❽	–	–	–	75%	21%	4%	65%	26%	9%	30%	55%	16%	10%	25%	66%
❾	100%	0%	0%	83%	13%	4%	67%	28%	5%	37%	52%	12%	16%	26%	58%

Figure 5.4: Prioritization of R&C Concerns

How does your R&C program prioritize the following concerns? *Shown: Percent answering high / highest priority.*

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Enhancing Data Privacy, Cybersecurity and CI Protection	64%	63%	68%	63%	63%	61%
Fostering a Positive Workplace Culture	51%	52%	51%	51%	49%	49%
Preventing and Detecting Bribery, Corruption and Fraud	43%	43%	37%	42%	52%	51%
Preventing and Detecting Harassment and Discrimination	32%	29%	36%	35%	29%	22%
Preventing and Detecting Retaliation Against Employees	10%	13%	8%	9%	8%	16%

Base: All respondents. n=1,403.

Figure 5.5: Top R&C Concerns

Which of the following R&C topics are top concerns in your organization? Select all that apply.

	MATURITY LEVEL				
	Reactive	Basic	Defining	Maturing	Advanced
Data Privacy and Protection of Confidential Information — 68%	47%	64%	71%	81%	77%
Cybersecurity — 66%	50%	65%	64%	76%	75%
Regulatory Compliance — 63%	49%	58%	64%	74%	75%
Conflicts of Interest — 52%	35%	46%	53%	69%	61%
Financial Integrity and Fraud — 47%	31%	40%	46%	59%	68%
Workplace Harassment — 44%	31%	40%	43%	57%	58%
Discrimination — 41%	31%	36%	38%	51%	58%
Diversity and Inclusion — 40%	27%	36%	41%	49%	56%
Employee Relations — 40%	33%	39%	38%	45%	45%
Speaking Up and Fear of Retaliation — 39%	23%	31%	38%	58%	57%
Bribery and Corruption — 39%	28%	31%	37%	56%	56%
Workplace Bullying and Violence — 33%	20%	28%	32%	47%	43%
Corporate Responsibility — 33%	24%	26%	32%	42%	50%
Other — 2%	2%	1%	2%	2%	3%

n=1,383.

Figure 5.6: R&C Priorities

Which of the following R&C activities will your organization be prioritizing over the next 12 months? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Increasing the Awareness of Our Policies and Regulations	63%	48%	62%	64%	71%	68%
Measuring Our Compliance Program Effectiveness	49%	30%	42%	49%	63%	63%
Conducting an Organization-Wide Compliance Risk Assessment	48%	36%	43%	49%	61%	52%
Conducting an Organization-Wide Operational Risk Assessment	46%	35%	41%	47%	56%	50%
Updating Our Code of Conduct	43%	39%	43%	43%	45%	45%
Improving Our Investigation Approach	41%	35%	40%	40%	48%	46%
Increasing Commitment from Board and Senior Leadership	39%	35%	37%	38%	43%	47%
Building and / or Implementing a Customized Training Program	38%	35%	35%	37%	46%	35%
Improving Third-Party Due Diligence and Oversight	36%	26%	29%	39%	44%	49%
Preventing and / or Detecting Retaliation Against Employees	35%	31%	30%	34%	44%	45%
Improving Our Whistleblowing / Reporting Channels	32%	29%	29%	32%	37%	31%
Documentation of Impact on Controls by Substantiated Allegations	31%	30%	28%	29%	36%	35%
Adopting Automated Solutions for Program Needs	29%	22%	25%	27%	36%	40%

0%   10%   20%   30%   40%   50%   60%   70%

Base: All respondents based in the last 12 months. n=1,403.

Figure 5.7: R&C Program Performance

Please rate the performance of your organization's R&C program in the following areas. *Shown: Percent answering good / excellent.*

	Providing Internal Reporting Channels	Managing Incident Reports and Investigations	Board Reporting and Engagement	Developing Policies and Tracking Attestations	Identifying and Managing Conflicts of Interest	Developing Customized Compliance Training Plans	Building Awareness of R&C Policies and Procedures	Managing Third-Party Risks	Assessing R&C Program Effectiveness	Documentation of Impact on Controls by Substantiated Allegations	Tracking Policy Exceptions
Overall	74%	69%	63%	57%	54%	50%	50%	46%	44%	43%	39%

MATURITY LEVEL

Area	Reactive	Basic	Defining	Maturing	Advanced
Providing Internal Reporting Channels	38%	61%	82%	94%	95%
Managing Incident Reports and Investigations	37%	61%	75%	85%	89%
Board Reporting and Engagement	31%	50%	69%	81%	91%
Developing Policies and Tracking Attestations	32%	43%	59%	76%	87%
Identifying and Managing Conflicts of Interest	33%	42%	56%	71%	85%
Developing Customized Compliance Training Plans	25%	34%	55%	69%	83%
Building Awareness of R&C Policies and Procedures	28%	37%	50%	69%	82%
Managing Third-Party Risks	30%	35%	44%	60%	77%
Assessing R&C Program Effectiveness	25%	29%	43%	62%	85%
Documentation of Impact on Controls by Substantiated Allegations	28%	30%	42%	57%	80%
Tracking Policy Exceptions	26%	32%	36%	46%	71%

Base: All respondents, excluding those who indicated "don't know." n=1,234-1,353

Figure 5.8: Compliance Issues Faced

Has your organization experienced any of the following compliance issues in the past 3 years? Select all that apply.

	31%		MATURITY LEVEL				
			Reactive	Basic	Defining	Maturing	Advanced
A Data Privacy / Cybersecurity Breach	31%		22%	32%	30%	35%	30%
Legal or Regulatory Action Taken Against the Organization by Governing Body	23%		19%	21%	21%	30%	26%
Substantiated Employee Litigation Against the Organization	18%		18%	17%	20%	17%	22%
Reputational Damage Due to an Ethics or Compliance Violation	13%		14%	11%	13%	14%	12%
Adverse Media Coverage of an Ethics or Compliance Issue	13%		8%	9%	15%	17%	17%
Third-Party Ethics or Compliance Failure	12%		7%	9%	12%	18%	13%
Violation of Wage and Hour Laws (i.e., Penalties or Class Action Suits)	9%		9%	7%	10%	9%	9%
Other	3%		5%	1%	2%	2%	4%
We Have Not Experienced Any of the Above Issues	42%		45%	46%	41%	36%	41%

0% 10% 20% 30% 40% 50%

Base: All respondents. n=1,403.

Figure 5.9: Frequency of Engaging with the Board

Which statement best reflects how your organization engages with the Board on R&C matters? Select one only.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Periodically, and the Board Has Oversight	56%	26%	43%	56%	78%	86%
Periodically	27%	29%	33%	29%	19%	12%
Only When Asked	9%	24%	12%	7%	2%	1%
We Do Not Report to the Board	8%	20%	12%	7%	1%	1%

0% 10% 20% 30% 40% 50% 60%
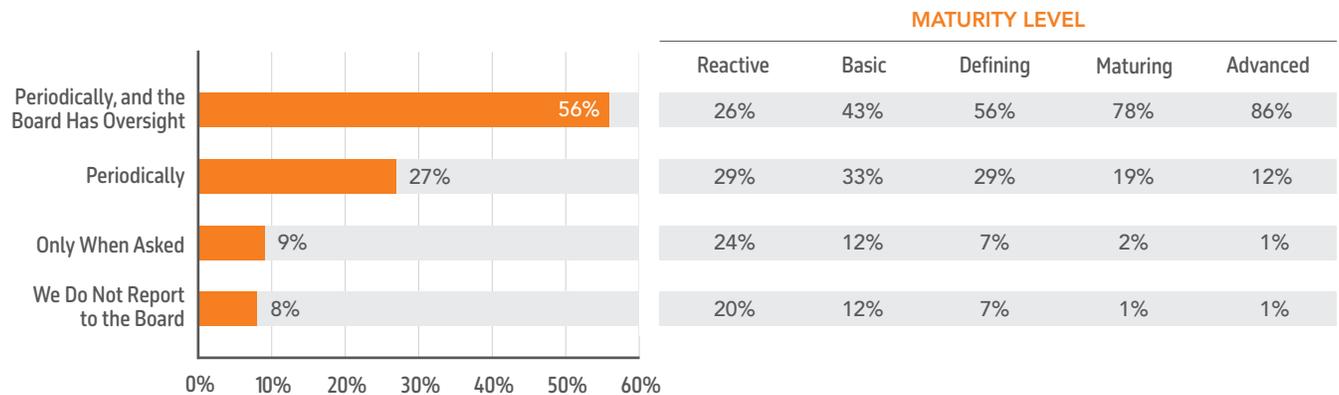
Base: All respondents excluding those responding "don't know." n= 1,241.

Figure 5.10: Senior Management View of R&C Program

How does the senior management of your organization view the R&C program? Select one only.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Part of a Comprehensive Risk Management Strategy that Proves a Return on Investment	46%	27%	36%	45%	64%	77%
An Insurance Policy Against Ethics and Compliance Failures	37%	34%	42%	45%	28%	19%
A Necessary Evil that Is Required by Regulators but Is a Cost Center for the Organization	17%	39%	22%	10%	8%	4%
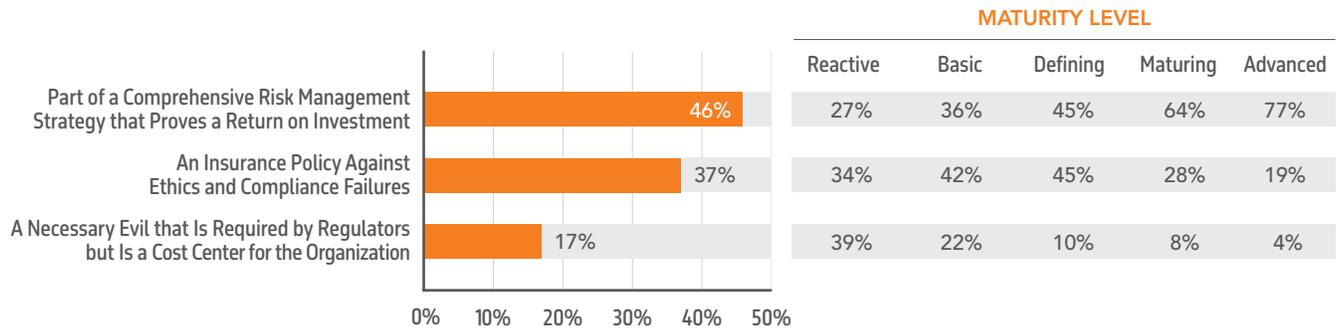
Base: All respondents. n=1,403.

Figure 5.11: Is Your Organization Ethical?

Do you feel your organization is ethical? (Please be assured that your response will remain anonymous and reported only in aggregate).

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
All of the Time	36%	30%	34%	35%	38%	50%
Most of the Time	56%	43%	57%	59%	59%	49%
Some of the Time	7%	21%	9%	5%	3%	1%
Rarely	1%	1%	5%	0%	0%	0%
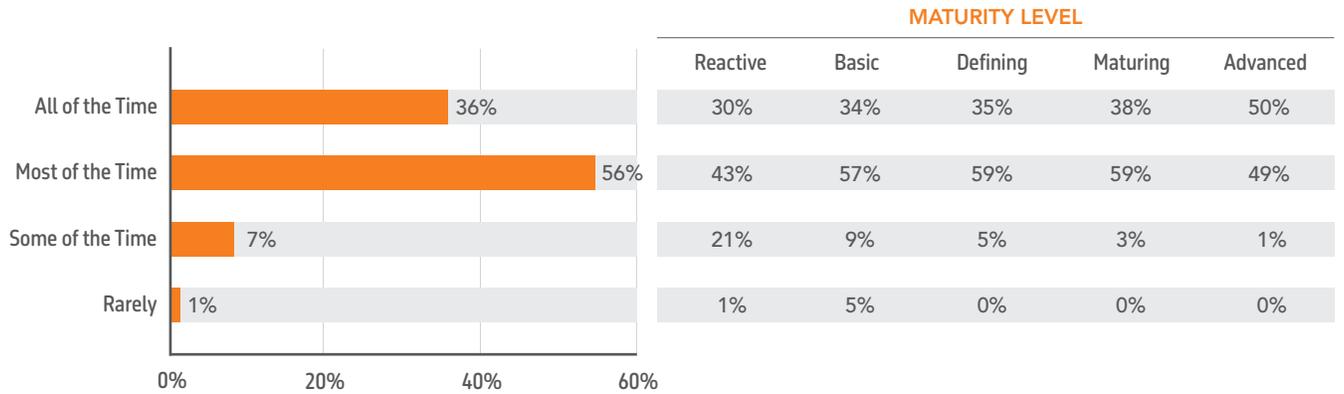
Base: All respondents. n= 1,403.

Figure 5.12: R&C Activity Performance

Please rate the performance of your organization's R&C program on the following activities. S*hown: Percent answering good / excellent.*

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Capture and Investigate Hotline / Whistleblower Reporting	72%	42%	56%	80%	90%	96%
Train Your Employees and Other Stakeholders on Key R&C Topics	60%	33%	44%	64%	82%	87%
Generate an Audit Trail for Possible Audits, Review or Enforcement Actions	59%	40%	43%	60%	79%	86%
Capture Employee Attestation to R&C Policies	58%	31%	41%	62%	78%	86%
Conduct Regular Compliance Risk Assessments	55%	35%	39%	57%	74%	91%
Make and Document Continuous Improvement on Identified Issues	53%	34%	40%	55%	70%	83%
Screen, Monitor and Investigate Third-Party Risks	48%	34%	36%	46%	64%	77%
Conduct Program Assessments to Prioritize Resources	48%	31%	35%	46%	67%	74%

0% 10% 20% 30% 40% 50% 60% 70% 80%

Base: All respondents, excluding those who indicated "not supported" or "don't know." n=1,247-1335.

Figure 5.13: Information Sources for R&C Decision-Making

Which of the following information sources does your organization use to help make decisions about your E&C program? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Changing or Updated Regulations	70%	41%	61%	76%	86%	87%
Risk Assessment Results	68%	37%	57%	75%	85%	93%
Internal Investigation Reports	67%	38%	53%	72%	86%	93%
Hotline / Whistleblower Program Incident Reports	61%	22%	45%	69%	89%	88%
Employee Feedback or Quiz Results After Training	45%	34%	32%	45%	61%	74%
Events / Coverage in the Broader Media	44%	21%	35%	51%	56%	59%
External Benchmark Reports	42%	21%	28%	44%	63%	73%
Data from Our R&C Training Program	35%	11%	19%	35%	57%	73%
None of the Above	4%	15%	6%	1%	0%	1%

0% 10% 20% 30% 40% 50% 60% 70%

Base: All respondents. n=1,060.

Figure 5.14: Reasons for Adopting New R&C Automation & Tech Solutions

What are your organization's reasons for adopting new R&C automation and technology solutions? Select all that apply.

		MATURITY LEVEL				
	Chart	Reactive	Basic	Defining	Maturing	Advanced
Consistent Policy, Training and Regulatory Alignment	64%	45%	61%	66%	69%	75%
Streamlined Workflows and Reduced Redundancy	55%	39%	40%	54%	67%	71%
Reduced Time and Cost	53%	39%	49%	51%	60%	66%
Report to Management, Executives and / or Board	47%	30%	44%	42%	56%	62%
Formalized and / or Institutionalized Processes	46%	36%	41%	45%	54%	51%
Integrated Program Components	42%	29%	33%	39%	51%	63%
Scalability and Centralized Access	32%	24%	23%	31%	42%	47%
Policies and Training In Multiple Languages	22%	19%	14%	18%	30%	36%

Base: All respondents, excluding those who responded "We don't use R&C technologies." n=1,053.

Figure 5.15: Proportion of R&C Budget Dedicated to Tech Solutions

How much of your R&C program budget is allocated to technology solutions?

		MATURITY LEVEL				
	Chart	Reactive	Basic	Defining	Maturing	Advanced
0%	14%	36%	18%	11%	2%	2%
1-25%	62%	50%	66%	65%	64%	53%
26-50%	17%	8%	11%	17%	25%	33%
51-75%	6%	3%	4%	6%	8%	10%
76-100%	1%	3%	1%	1%	1%	2%
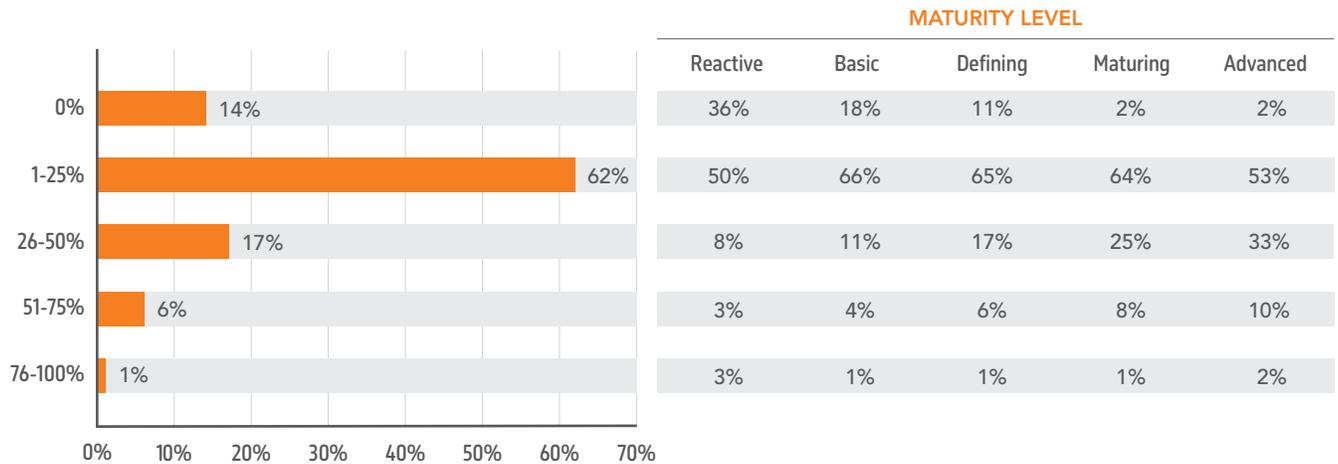
Base: All respondents, excluding those who responded "Don't Know." n=841.

Figure 5.16: Factors in R&C Program Decision-Making

How important are the following considerations in your R&C program's decision-making process?
Shown: Percent answering important / very important.

		MATURITY LEVEL (T2B, RATING 4-5/5)				
		Reactive	Basic	Defining	Maturing	Advanced
Meeting Legal and Regulatory Requirements	91%	73%	88%	96%	98%	96%
Mitigating Risk	87%	65%	84%	92%	95%	96%
Alignment with Business Strategies	75%	53%	72%	75%	85%	92%
Improving Organizational Culture	74%	55%	66%	78%	85%	89%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
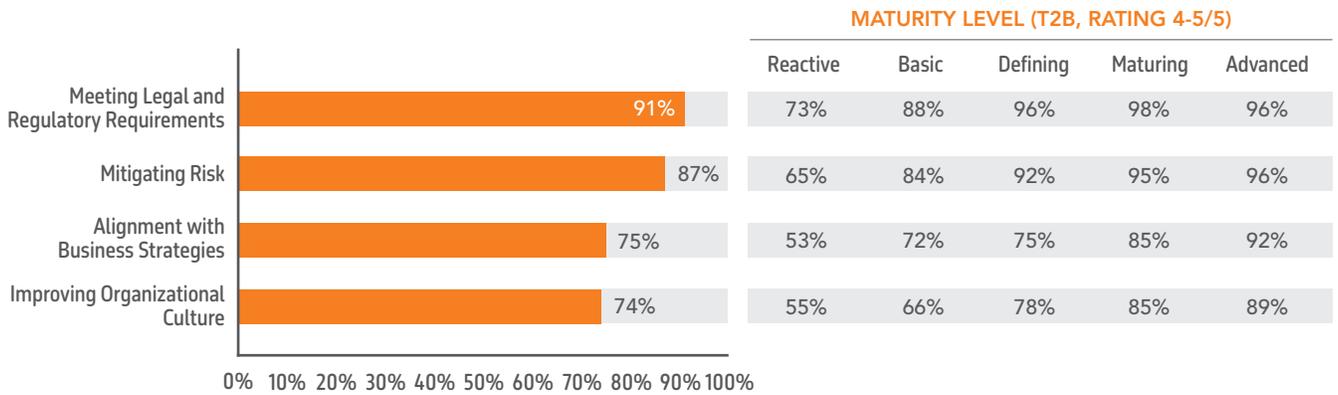
Base: Management employees. n=1,060.

Figure 5.17: Chief Compliance and Chief Risk Officers

Does your organization have a Chief Compliance Officer? Does your organization have a Chief Risk Officer?

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Neither CCO, CRO	23%	48%	33%	19%	6%	4%
Both Full-Time CCO and CRO	19%	12%	14%	15%	25%	46%
Full-Time CCO, No CRO	15%	11%	10%	18%	21%	16%
Part-Time CCO, Part-Time CRO	15%	11%	15%	17%	17%	13%
Part-Time CCO, No CRO	14%	9%	15%	20%	12%	9%
Full-Time CCO, Part-Time CRO	6%	1%	4%	6%	11%	7%
No CCO, Part-Time CRO	3%	4%	6%	2%	1%	3%
Part-Time CCO, Full-Time CRO	2%	1%	3%	1%	4%	3%
No CCO, Full-Time CRO	2%	3%	1%	2%	2%	0%

0% 10% 20% 30%
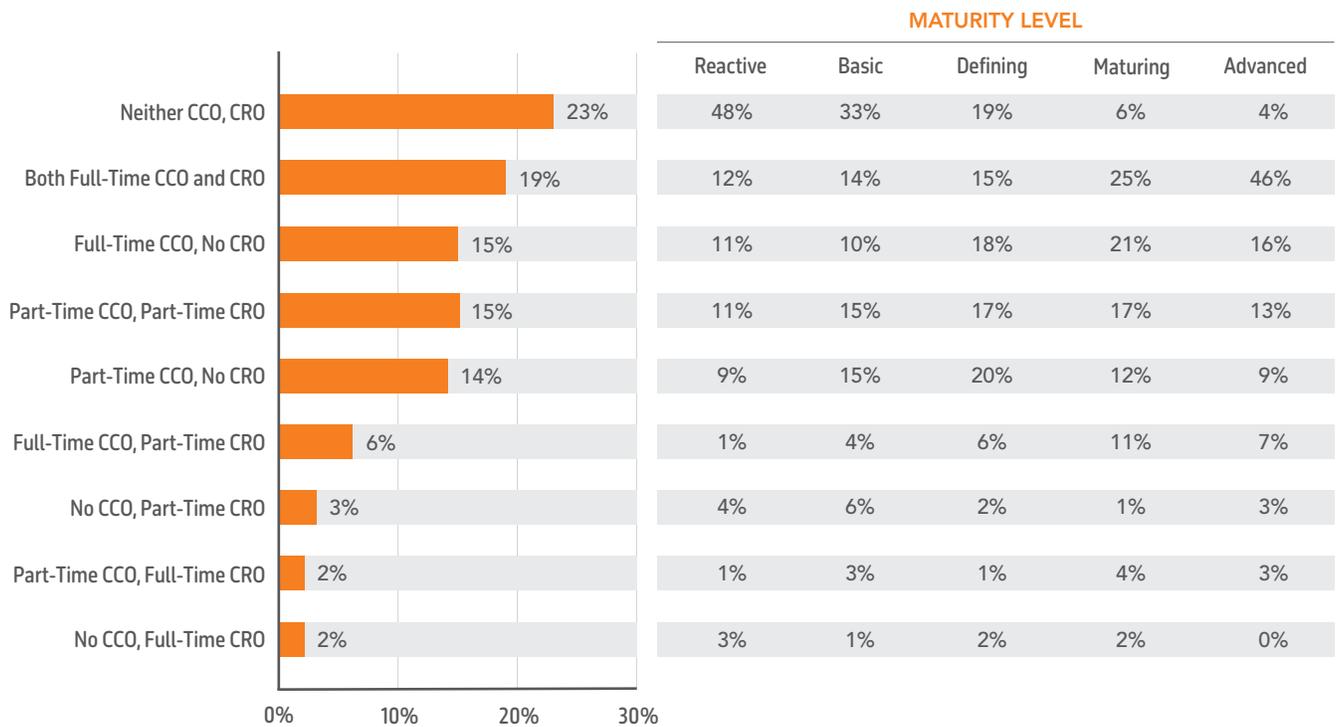
Base: All respondents. n=1,403.

Figure 5.18: Risk Areas Currently Managed by R&C Program

Which of the following risk areas are currently managed by your R&C program? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Compliance Risk	88%	64%	84%	94%	98%	99%
IT Risk (Cybersecurity / Data Privacy)	57%	46%	55%	58%	63%	68%
Operational Risk	53%	34%	49%	55%	63%	63%
Reputational Risk	46%	22%	35%	48%	64%	73%
Third-Party Risk	45%	23%	34%	44%	62%	74%
Financial Risk	42%	29%	40%	40%	48%	58%
Other	4%	8%	5%	3%	1%	3%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%
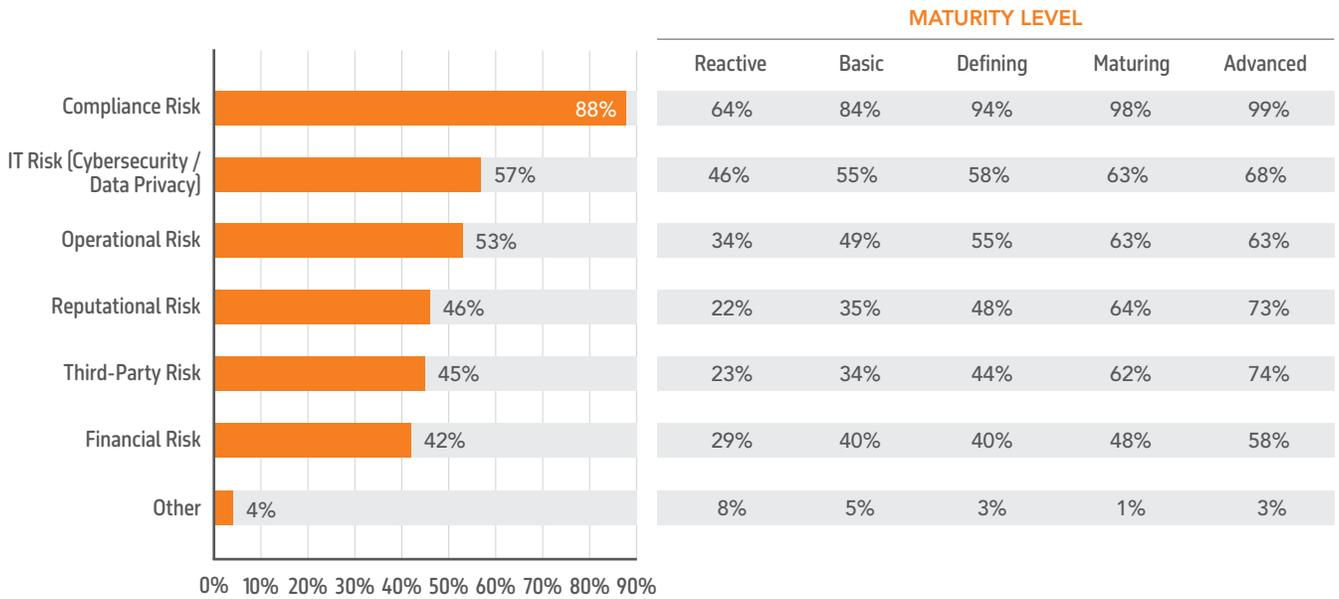
Base: All respondents. n=1,403.

Figure 5.19: Level of R&C Integration

How integrated are your organization's R&C functions?

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
We Have Integrated Processes and Technologies Across Most or All of Our Enterprise	16%	10%	9%	13%	23%	46%
We Have Standardized Some Processes and Technologies, but Not All	36%	22%	27%	44%	44%	41%
We Have Integrated Processes, but Have Yet to Integrate Our Technology Solutions	15%	13%	18%	16%	15%	9%
We Have Not Yet Integrated Our Processes and Technologies, but Plan to Do So	20%	28%	29%	16%	13%	3%
We Do Not Plan on Integrating Our R&C Functions at This Time	13%	27%	18%	11%	6%	1%

0% 10% 20% 30% 40%

Base: All respondents. n=1,403.

Figure 5.20: Role Responsible for Managing Risk Integration Strategy

Who in your organization is responsible for managing your risk integration strategy?

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Chief Executive Officer	7%	9%	10%	5%	5%	8%
Chief Risk Officer	15%	7%	10%	13%	23%	29%
Chief Compliance Officer	23%	13%	17%	28%	28%	30%
Chief Finance Officer	6%	7%	9%	7%	3%	2%
Chief Audit Executive	3%	2%	2%	3%	4%	4%
Management Level	13%	22%	15%	11%	11%	3%
Other	7%	17%	16%	12%	6%	3%
No One - We Don't Currently Have a Risk Integration Strategy	12%	7%	6%	7%	9%	6%
Don't Know	14%	16%	14%	14%	11%	14%
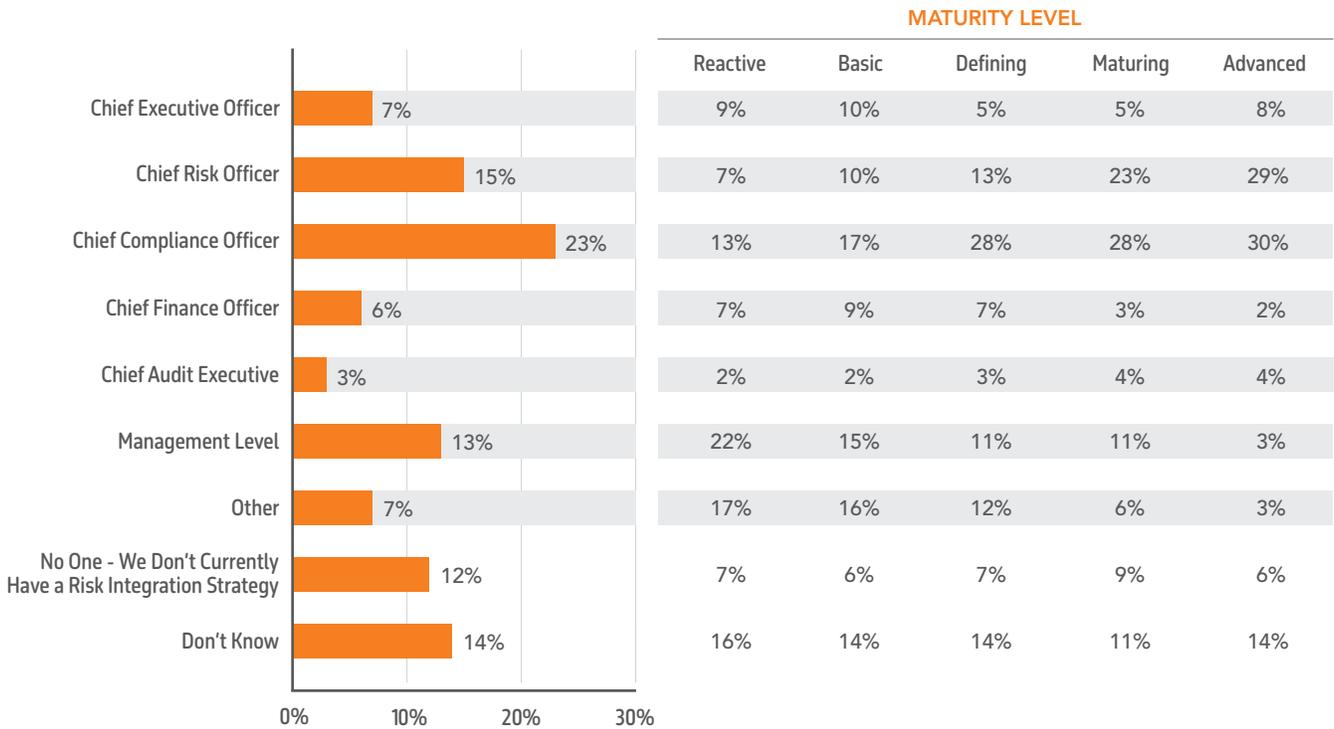
Base: All respondents. n=1,403.

Figure 5.21: Distributing Code of Conduct

If you have a Code of Conduct, how is it provided to your employees and other stakeholders? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
We Include It in New Hire Documentation	89%	75%	87%	92%	92%	97%
All Employees Must Attest to It	75%	52%	63%	78%	89%	94%
We Train Our Employees on It	67%	36%	50%	72%	86%	91%
We Share It Periodically	50%	28%	40%	53%	61%	68%
Our Board Must Attest to It	39%	16%	23%	40%	56%	63%
We Share It to All of Our Third Parties	26%	9%	17%	24%	38%	52%
All Third Parties Must Attest to It	17%	8%	8%	14%	27%	39%
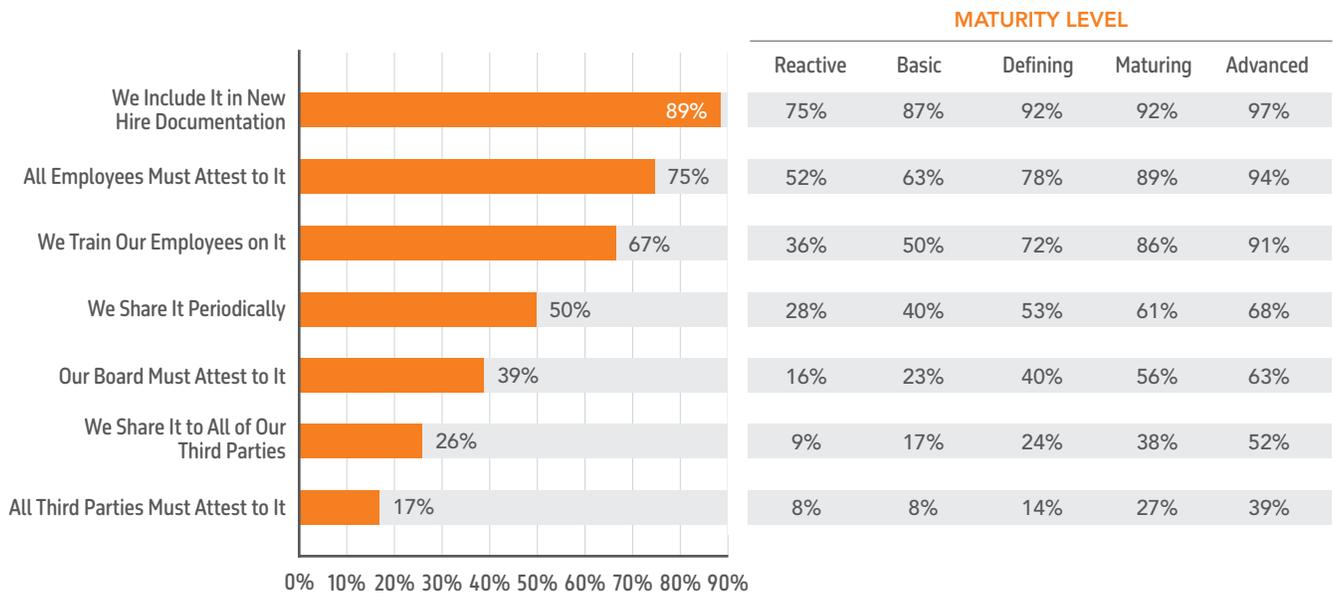
Base: Respondents who indicated their organization has a code of conduct. n=1,237.

Figure 5.22: Primary Reason for Extended Case Closure Times

What has the biggest impact on the time it takes to investigate and close a report in your organization? Please select one.
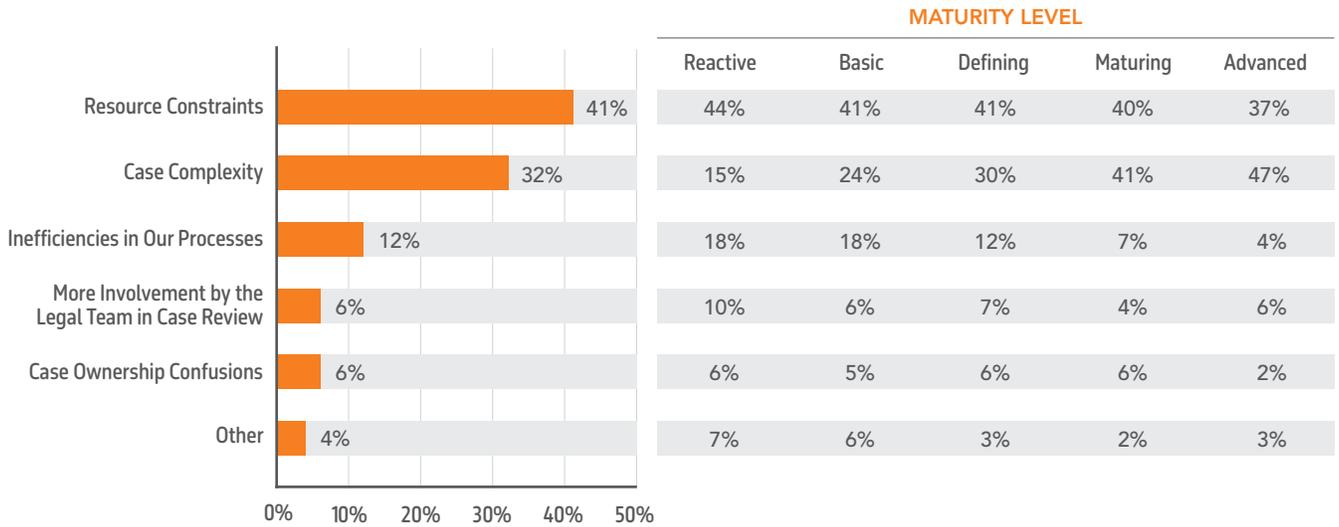
		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Resource Constraints	41%	44%	41%	41%	40%	37%
Case Complexity	32%	15%	24%	30%	41%	47%
Inefficiencies in Our Processes	12%	18%	18%	12%	7%	4%
More Involvement by the Legal Team in Case Review	6%	10%	6%	7%	4%	6%
Case Ownership Confusions	6%	6%	5%	6%	6%	2%
Other	4%	7%	6%	3%	2%	3%

Base: Respondents knowledgeable about Hotline & Incident Management in their organizations. n=918.

Figure 5.23: Retaliation Prevention and Detection Priority

Where does retaliation prevention and detection fall on your list of E&C program priorities for the next year? Please select one.
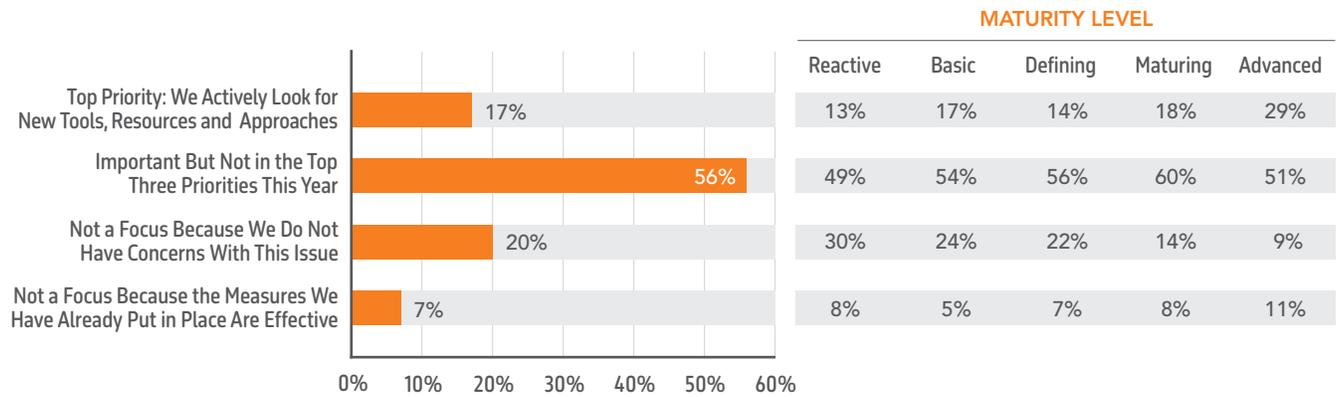
		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Top Priority: We Actively Look for New Tools, Resources and Approaches	17%	13%	17%	14%	18%	29%
Important But Not in the Top Three Priorities This Year	56%	49%	54%	56%	60%	51%
Not a Focus Because We Do Not Have Concerns With This Issue	20%	30%	24%	22%	14%	9%
Not a Focus Because the Measures We Have Already Put in Place Are Effective	7%	8%	5%	7%	8%	11%

Base: Respondents knowledgeable about Hotline & Incident Management in their organizations. n=917.

Figure 5.24: Impact of Incident Management Program

How has your incident management program impacted your organization? Please select one response.
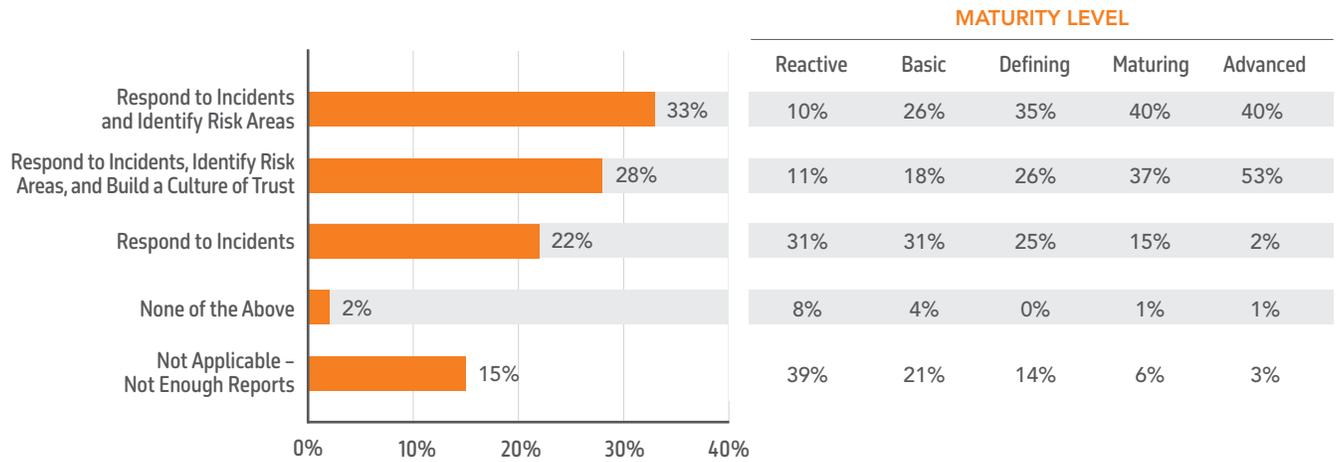
		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Respond to Incidents and Identify Risk Areas	33%	10%	26%	35%	40%	40%
Respond to Incidents, Identify Risk Areas, and Build a Culture of Trust	28%	11%	18%	26%	37%	53%
Respond to Incidents	22%	31%	31%	25%	15%	2%
None of the Above	2%	8%	4%	0%	1%	1%
Not Applicable – Not Enough Reports	15%	39%	21%	14%	6%	3%

Base: Respondents knowledgeable about Hotline & Incident management in their organizations. n=917.

Figure 5.25: Closing Investigations

At what point(s) does your organization consider an investigation "closed"? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
When the Reporter Has Been Notified and Corrective Actions Have Been Administered	48%	32%	41%	47%	54%	61%
After Corrective Actions Have Been Administered	46%	32%	47%	47%	48%	45%
When It Is Deemed Substantiated or Unsubstantiated	35%	17%	28%	37%	43%	43%
After It Is Investigated	25%	38%	30%	21%	24%	19%
If There Is Insufficient Information and No New Information Is Provided Over a Set Period	17%	10%	13%	18%	20%	24%
When It Is Handed Off to the Investigative Team	3%	4%	4%	3%	3%	1%

Base: Respondents knowledgeable about Hotline & Incident Management in their organizations. n=917.

Figure 5.26: Involving External Investigators

At what point(s) does your organization involve an external investigator? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
When the Allegation Is a Serious Matter that Could Result in Litigation	72%	65%	69%	73%	75%	78%
If the Accused Is Senior Staff, Executive or a Board Member	44%	27%	39%	43%	55%	45%
The Organization Doesn't Have Resources with Sufficient Knowledge or Time Available	33%	35%	31%	38%	30%	30%
If the Accused Parties Are Widespread or Difficult to Identify	17%	8%	18%	17%	20%	15%
If the Accused Has Faced Prior Action Around the Incident Topic	2%	1%	2%	1%	3%	4%

Base: Respondents knowledgeable about Hotline & Incident Management in their organizations. n=917.

Figure 5.27: Records Management

Does your organization keep detailed records on policies in accordance with your Records Management policy? Select one only.
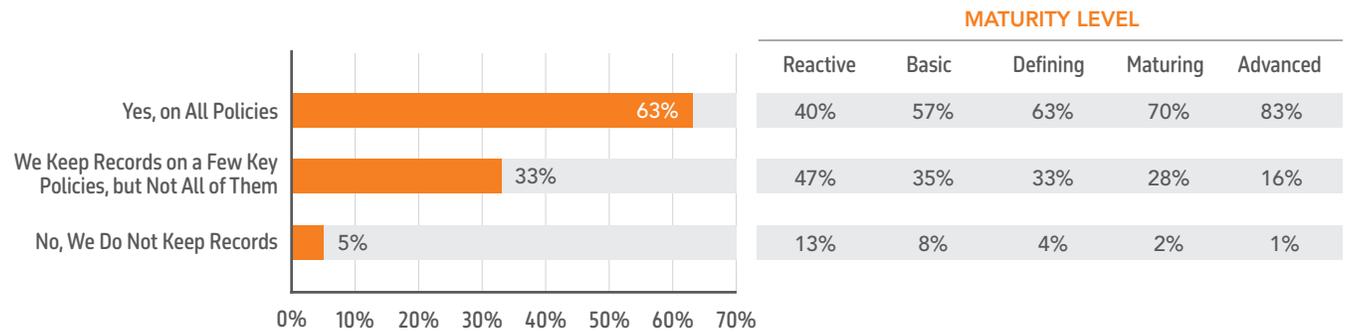
		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Yes, on All Policies	63%	40%	57%	63%	70%	83%
We Keep Records on a Few Key Policies, but Not All of Them	33%	47%	35%	33%	28%	16%
No, We Do Not Keep Records	5%	13%	8%	4%	2%	1%

Base: Respondents knowledgeable about Policy & Procedure Management in their organizations. n=1,118.

Figure 5.28: Policy Review Frequency

How often does your organization review your policies to ensure they are current with applicable laws and regulations? Select one only.
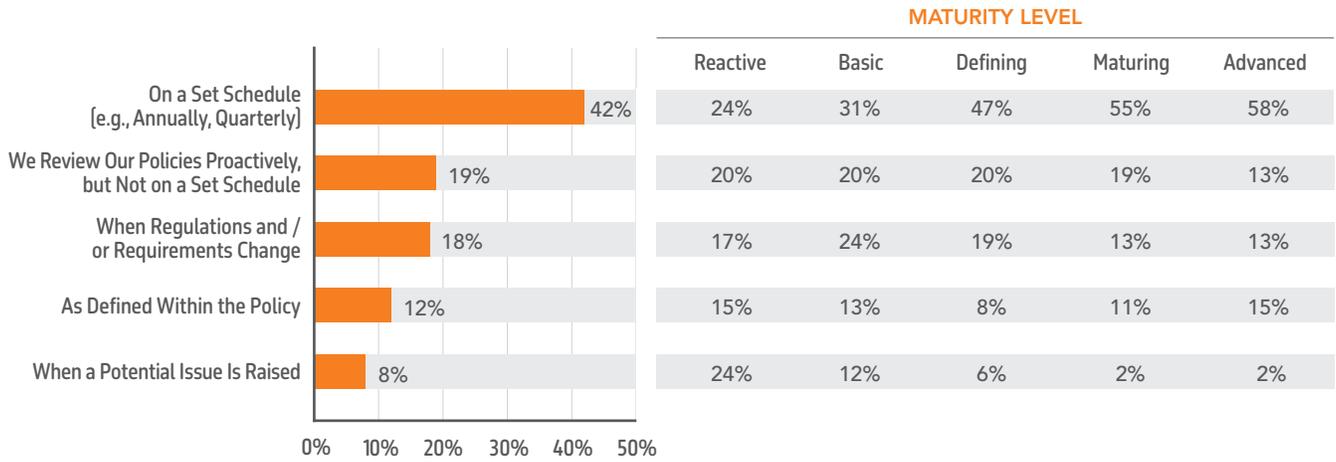
	Bar	MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
On a Set Schedule (e.g., Annually, Quarterly)	42%	24%	31%	47%	55%	58%
We Review Our Policies Proactively, but Not on a Set Schedule	19%	20%	20%	20%	19%	13%
When Regulations and / or Requirements Change	18%	17%	24%	19%	13%	13%
As Defined Within the Policy	12%	15%	13%	8%	11%	15%
When a Potential Issue Is Raised	8%	24%	12%	6%	2%	2%

Base: Respondents knowledgeable about Policy & Procedure Management in their organizations. n=1,118.

Figure 5.29: Top Policy Management Challenges

What are your organization's top policy management challenges? Please select your top 3 challenges.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Training Employees on Policies	47%	44%	49%	50%	49%	33%
Aligning Policies with Changing Regulations	37%	31%	38%	37%	36%	43%
Providing Easy Access to Current Policies and Procedures	28%	31%	26%	31%	27%	25%
Managing Version Control and Policy Redundancy	25%	18%	24%	27%	29%	31%
Creating and Updating Documents Easily	25%	27%	24%	24%	25%	20%
Managing Records	17%	24%	20%	15%	12%	11%
Distributing Policies Quickly	15%	16%	15%	16%	13%	16%
Connecting Policies to an Incident Management System	14%	18%	15%	13%	15%	14%
Communicating Policies to Third Parties	14%	11%	11%	14%	18%	15%
Tracking Completions with an Audit Trail	13%	18%	15%	12%	9%	13%
Gathering Attestation	12%	10%	13%	13%	13%	8%
Customizing Policies Across Languages and Regions	11%	8%	10%	10%	13%	22%
Managing and Updating Translated Versions	9%	6%	7%	11%	12%	8%
Addressing Environment, Health and Safety Issues	8%	11%	10%	7%	7%	8%

0% 10% 20% 30% 40% 50%

Base: Respondents knowledgeable about Policy & Procedure Management in their organizations. n=1,118.

Figure 5.30: Measuring Policy Program Effectiveness

Which metrics do you use to measure the effectiveness of your policy management program? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Reduction in Policy-Driven Compliance Failures	24%	15%	20%	27%	29%	34%
Employee Accessibility to Search and Find Policies Quickly	23%	16%	15%	25%	30%	40%
Policy Contribution to Improved Organizational / Employee Culture	22%	13%	18%	24%	26%	33%
Improved Efficiencies in Completing Policy Management Tasks	22%	15%	17%	22%	28%	38%
Completion Rates for Attestations	22%	9%	15%	22%	34%	39%
Employee Quiz Results	20%	14%	16%	19%	27%	25%
Reduction in Legal and Regulatory Fines	17%	10%	15%	17%	18%	27%
Reduction in Audit Preparation Time	11%	6%	11%	11%	12%	16%
Reduction in Hard Costs (Printing Documents, Storing Binders)	9%	6%	8%	9%	8%	23%
We Do Not Use Any Metrics	41%	56%	48%	38%	31%	24%

Base: Respondents knowledgeable about Policy & Procedure Management in their organization. n=1,118.

Figure 5.31: R&C Training Topics

On which of the following R&C topics will your organization provide training in the next 2-3 years? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Data Privacy and CI Protection	74%	46%	67%	77%	87%	89%
Cybersecurity	69%	50%	60%	71%	81%	81%
Sexual Harassment	67%	53%	60%	69%	77%	76%
Workplace Harassment	67%	43%	55%	72%	80%	81%
Conflicts of Interest	65%	32%	51%	72%	82%	82%
Discrimination	60%	34%	49%	64%	76%	75%
Diversity and Inclusion	54%	33%	40%	58%	67%	75%
Workplace Bullying and Violence	51%	31%	44%	52%	64%	67%
Speaking Up and Fear of Retaliation	51%	12%	36%	52%	77%	73%
Bribery and Corruption	49%	27%	38%	52%	64%	67%
Financial Integrity and Fraud	49%	20%	36%	54%	65%	73%
Use of Social Media	47%	25%	38%	46%	63%	71%
Environmental Health and Safety	38%	19%	34%	37%	47%	51%
Misuse of Corporate Assets	37%	19%	24%	37%	53%	61%
Employee Relations	34%	20%	28%	36%	43%	47%
Corporate Responsibility	27%	12%	19%	23%	40%	51%
Wage and Hour Rules and Regulations	24%	15%	23%	21%	29%	38%
Human Trafficking	15%	7%	10%	14%	22%	28%
Other	3%	5%	1%	3%	4%	4%
Don't Know	6%	17%	6%	6%	2%	5%

Base: Respondents who indicated being knowledgeable about Risk & Compliance Training. n=1,023.

Figure 5.32: Top Considerations for R&C Training Plan Creation

Which of the following do you consider in the process of creating your R&C training plan? Select the top 3 considerations.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Training Topics	39%	35%	39%	41%	38%	40%
Learners' Exposure to Particular Risks (i.e., Bribery, OSHA, HIPAA, etc.)	28%	16%	27%	28%	35%	32%
Course Duration / Depth of Content	24%	21%	23%	26%	23%	27%
Training Mode (Live or Online)	23%	21%	26%	23%	18%	25%
Prior Compliance Incidents	23%	9%	22%	25%	28%	19%
Learner Level (Board, Managers, Third Parties, etc.)	20%	14%	21%	21%	21%	16%
Timing of Training (Month / Quarter / Year)	20%	21%	19%	21%	19%	16%
Frequency of Training on a Given Topic	20%	15%	16%	21%	23%	27%
Learner Function by Department (i.e., Legal, Finance, IT, etc.)	19%	22%	15%	19%	24%	15%
Access to Technology for Online Training	16%	16%	15%	18%	16%	19%
Results from Training Effectiveness Measures	13%	17%	15%	12%	13%	11%
Variety of Course Formats	12%	13%	15%	9%	8%	19%
Levels of Interactivity	12%	11%	12%	10%	12%	13%
Audience Local Language	10%	12%	10%	12%	8%	5%
Learner Location / Worksite	8%	9%	8%	6%	7%	12%

Base: Respondents who indicated being knowledgeable about Risk & Compliance Training. n=1,023.

Figure 5.33: E&C Training Impact on Organizations

In which of the following ways has your E&C training program improved / greatly improved your organization? Select all that apply.
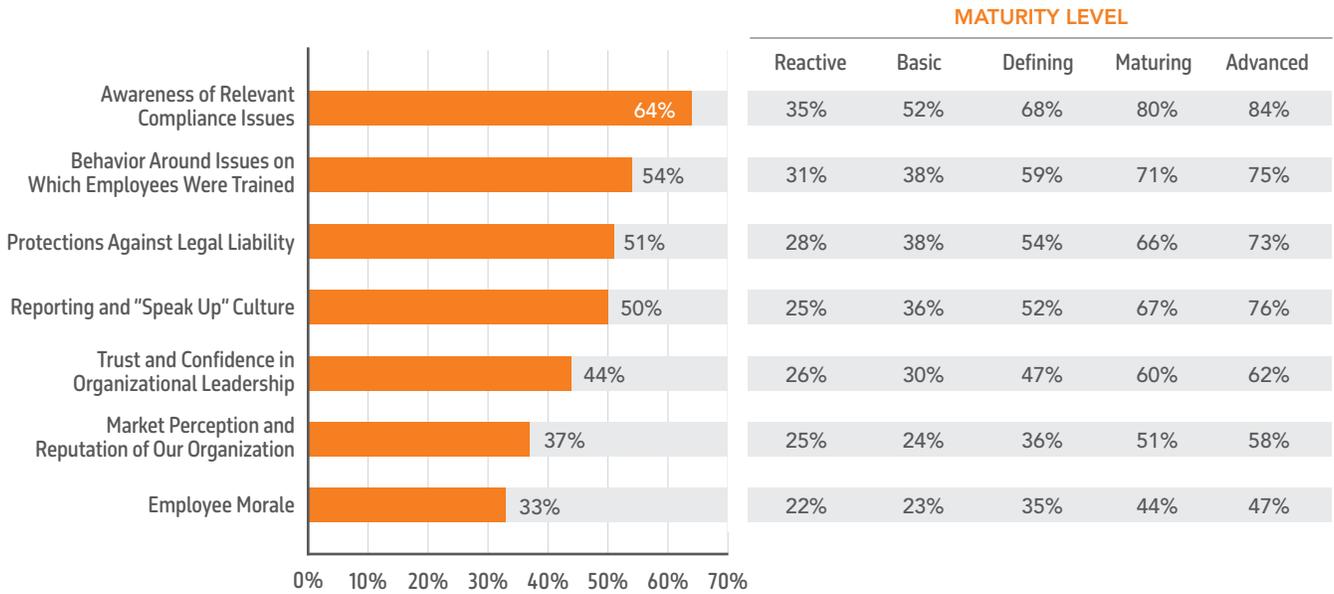
		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Awareness of Relevant Compliance Issues	64%	35%	52%	68%	80%	84%
Behavior Around Issues on Which Employees Were Trained	54%	31%	38%	59%	71%	75%
Protections Against Legal Liability	51%	28%	38%	54%	66%	73%
Reporting and "Speak Up" Culture	50%	25%	36%	52%	67%	76%
Trust and Confidence in Organizational Leadership	44%	26%	30%	47%	60%	62%
Market Perception and Reputation of Our Organization	37%	25%	24%	36%	51%	58%
Employee Morale	33%	22%	23%	35%	44%	47%

Base: Respondents who indicated being knowledgeable about Risk & Compliance Training. n=1,023.

Figure 5.34: Number of Hours of E&C Training by Audience

Which of the following audiences receives one or more E&C training hours each year?
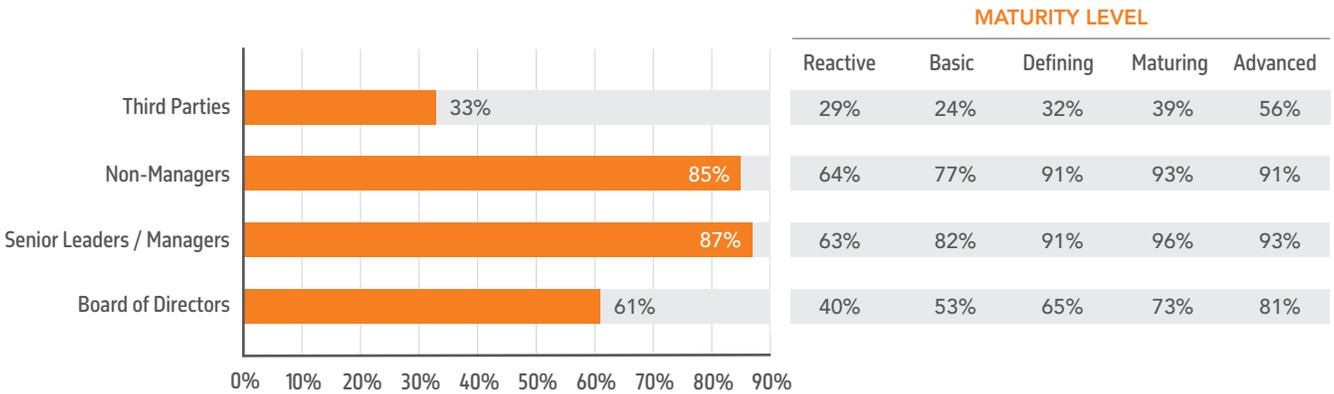
		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Third Parties	33%	29%	24%	32%	39%	56%
Non-Managers	85%	64%	77%	91%	93%	91%
Senior Leaders / Managers	87%	63%	82%	91%	96%	93%
Board of Directors	61%	40%	53%	65%	73%	81%

Base: Respondents who indicated being knowledgeable about Risk & Compliance Training. n=1,023.

Figure 5.35: E&C Training Components

Which of the following elements are part of your E&C training program? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Training Based on Identified Risk Areas	68%	39%	58%	70%	82%	88%
Online Learning Courses	68%	44%	61%	72%	77%	78%
Organizational Risk Assessments	62%	37%	51%	62%	77%	88%
Live Training Courses	53%	27%	42%	57%	67%	73%
Supplementary Training for Supervisory Employees	44%	15%	32%	46%	62%	65%
Tailored Training for High-Risk Employees	42%	20%	27%	46%	56%	69%
Training for Board Members	33%	11%	22%	32%	52%	58%
Training Offered in Multiple Forms / Languages	32%	9%	24%	30%	46%	58%
Effectiveness Measures (Testing, Gap Analysis, etc.)	26%	9%	19%	23%	38%	51%
Micro Learning (3-7 Minute Courses)	23%	14%	18%	23%	24%	47%
None of the Above	3%	12%	5%	1%	0%	1%

0% 10% 20% 30% 40% 50% 60% 70%

Base: Respondents who indicated being knowledgeable about Risk & Compliance Training. n=1,023.

Figure 5.36: Organizational Approach to TPRM

Which best describes your organization's approach to third parties? Select only one.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
During the Onboarding Process, We Apply Risk Management to Each Third-Party Based on Its Unique Risk Factors	26%	19%	20%	28%	29%	38%
We Stratify Risk and Apply Different Levels of Due Diligence Based on that Risk Throughout the Engagement	26%	10%	20%	20%	35%	48%
We Apply the Same Approach to All Third Parties Regardless of Risk Level	23%	27%	27%	26%	19%	10%
We Apply Risk Management to High-Risk Third Parties Only	13%	10%	13%	16%	14%	4%
We Don't Do Anything Currently	12%	34%	20%	10%	2%	0%

0% 10% 20% 30%

Base: Respondents knowledgeable about 3P in their organizations. n=586.

Figure 5.37: TPRM Risk Management Practices

What are your current third-party risk management practices? Select all that apply.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Screen Our Third Parties for Defined Risk Factors (Adverse Media, Government Relationships, Sanctions Lists)	62%	37%	52%	59%	75%	85%
Perform Enhanced Due Diligence on Individual Third Parties Based on Their Risk Level	47%	25%	28%	49%	66%	67%
Send Questionnaires and Collect Records from Third Parties Prior to Engagement	47%	34%	31%	46%	64%	58%
A Third-Party Onboarding Process that Captures Key Organizational Risk Factors	42%	17%	28%	42%	59%	60%
Allocate Varying Degrees of Resources to Managing and Mitigating Third-Party Risk Based on Their Level of Risk	37%	19%	29%	36%	45%	58%
Continuously Monitor High-Risk Third Parties for Changes in Risk Status	36%	19%	20%	39%	49%	50%
A Decentralized and / or Manual Data Collection System	30%	32%	33%	32%	29%	15%
Deliver Compliance Training, Incentives and Certifications to Third Parties	22%	15%	12%	21%	31%	37%
Automate and Track All Aspects of Third-Party Risk Management Throughout Engagement	17%	12%	7%	14%	27%	35%

Base: Respondents knowledgeable about 3P in their organizations. n=586.

Figure 5.38: TPRM Due Diligence Effectiveness

Rate your agreement with the following statement: Our third-party due diligence program significantly reduces our legal, financial and reputational risks.

		MATURITY LEVEL				
		Reactive	Basic	Defining	Maturing	Advanced
Strongly Agree	17%	14%	10%	16%	23%	29%
Somewhat Agree	37%	24%	36%	41%	38%	40%
Neither Agree nor Disagree	24%	32%	34%	21%	15%	19%
Somewhat Disagree	13%	15%	14%	14%	15%	2%
Strongly Disagree	8%	15%	5%	7%	8%	10%
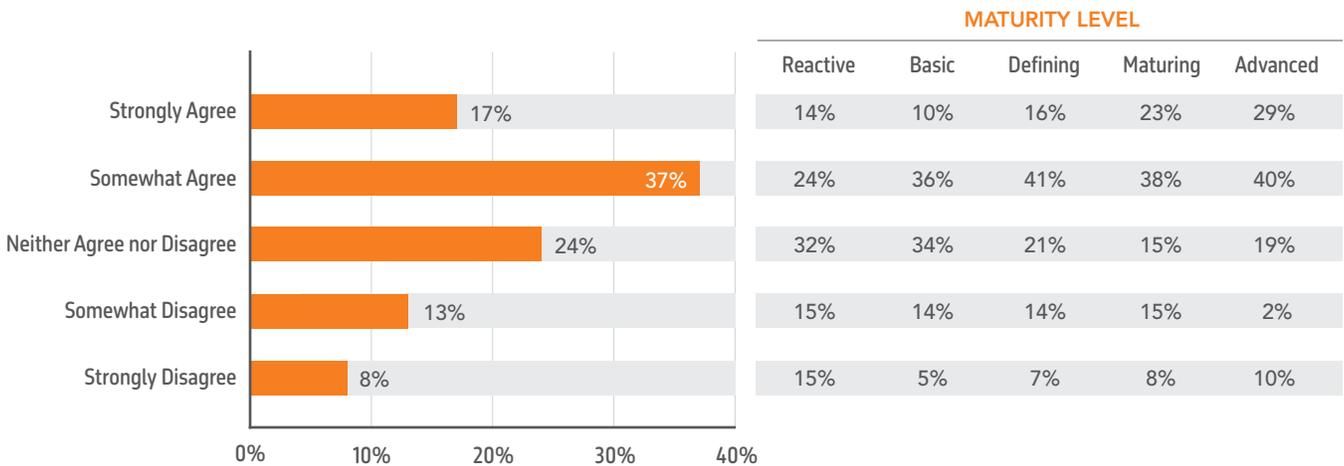
Base: Respondents knowledgeable about 3P in their organizations. n=586.

About the Authors

Carrie Penman

Chief Risk & Compliance Officer, NAVEX Global

As one of the earliest ethics officers, Carrie Penman has been with NAVEX Global since 2003 after serving four years as deputy director of the Ethics and Compliance Officer Association (ECOA) now ECI. A scientist by training, she developed and directed the first corporate-wide global ethics program at Westinghouse Electric Corporation from 1994 – 1999. As Chief Compliance Officer for NAVEX Global, she oversees the company's internal ethics and compliance activities employing many of the best practices that NAVEX Global recommends to its customers.

Carrie has conducted numerous training programs for client Boards of Directors and executive teams, as well as culture, program and risk assessment projects globally. She has also served as a corporate monitor and independent consultant for companies with government settlement agreements.

Carrie is the author of numerous compliance-related articles and commentary and is regularly featured or quoted as a compliance expert in the press. Carrie was featured in the Wall Street Journal's Risk and Compliance Journal and on the cover of Compliance Week magazine. Carrie is a recognized expert in the area of hotline reporting and is the author of NAVEX Global's annual Hotline Benchmark Report which evaluates data from over one million hotline reports annually.

Carrie is currently an Executive Fellow at the Bentley University Center for Business Ethics. She previously served on the ECOA Board of Directors and its Executive Committee and served on the Advisory Board for the Duquesne University, Beard Center for Leadership in Ethics.

Carrie is a regular speaker at leading ethics and compliance conferences and events. She is a 19-year member of the faculty of the Managing Ethics in Organizations course that is co-sponsored by ECI and the Center for Business Ethics at Bentley University.

In 2017, Carrie received the Ethics & Compliance Initiative (ECI) Carol R. Marshall Award for Innovation in Corporate Ethics for an extensive career contributing to the advancement of the ethics and compliance field worldwide and was a finalist in the Women in Compliance Lifetime Achievement Award for 2018.

Mary Bennett

President, Right Compliance Consulting, LLC

Mary Bennett is a former Vice President of Advisory Services, NAVEX Global. She joined the company in 1999 when it was a one-consultant company and helped to grow its advisory practice into a group that has served 25% of the Fortune 200 in 40 countries worldwide.

She left NAVEX Global and created her own firm, Right Compliance Consulting LLC, in 2017. As President of her own company, Mary works across all industries and all sizes of organizations to create and facilitate award-winning training programs; conduct culture and program assessments; develop compliance communications and education plans; and help clients develop best practice programs from the ground up.

Throughout her career, Mary has been invited to share her expertise at many conferences including The Conference Board, Health Care Compliance Association, Society of Corporate Compliance and Ethics, Ethics and Compliance Initiative, and Consero Forums for both legal and compliance professionals on topics such as basic business ethics management, taking compliance education to the next level, ethics risk assessment, compliance program and culture evaluation.

During her tenure at NAVEX Global, Bennett pioneered innovative ethics training and assessment methods. She has many recognized communications, customized video work and training programs to her credit.

Prior to working as a consultant, Mary served as Vice President of the Compliance and Integrity Group at Caremark. In that role, she implemented the requirements of one of the first healthcare CIAs, grew the helpline function and developed a helpline computer management system. She created and implemented best practice training programs for over 800 healthcare facilities across the country, wrote compliance and communication plans and implemented human resource tools to embed ethics into the reward systems.

Mary is a registered pharmacist by training and has over thirty years of management, education, and clinical experience. She has published and consulted nationally and internationally in the areas of compliance, medications and disease states.

When not consulting, Mary has participated in a community organization which is devoted to bringing character education into area schools.

Ed Petry, Ph.D.

Senior Advisor, NAVEX Global

Ed joined NAVEX Global in 2005 after fifteen years with the Ethics and Compliance Officer Association (ECOA) – now ECI, including ten years as its Executive Director and member of its Board. Ed served for three years on the Advisory Panel to the U.S. Sentencing Commission, on the Ethics Oversight Committee for the U.S. Olympics, was an invited contributor to the New York Stock Exchange's Review of its Listing Requirements, served for six years as a Program Director for the Conference Board, and has had various affiliations with the Aspen Institute, the Center for Business Ethics, the Ethics Resource Center and the Society for Corporate Compliance and Ethics.

Earlier in his career he was a tenured associate professor of philosophy at Bentley University. He edited and/or co-authored six books on business ethics, and authored dozens of articles and several major national surveys including the *U.S. Sentencing Commission's National Survey of Ethics & Compliance in Organizations, Sources & Consequences of Workplace Pressure,* and *Technology & Ethics in the Workplace.*

Ed has been a featured and/or keynote speaker at national and international forums including: the Chautauqua Institute, the U.S. Office of Government Ethics, the Conference Board (eight times), the European Business Ethics Institute, the Business Ethics Research Group (Tokyo) and universities throughout North America and Europe. He has been quoted or appeared on the topic of business ethics in journals, newspapers and media outlets including: *The Wall Street Journal, The Economist, CNN, USA Today (4 times, twice as the featured front page headline story), NBC's Today Show, Fox Sunday News, National Public Radio's Marketplace, The New York Times, Christian Science Monitor, Working Woman, CFO Magazine, The National Law Journal, Federal Ethics Report, Sports Illustrated, Financial World, The Financial Times* (London), *La Tribune* (Paris) and *Wprost* (Warsaw).

Ed's work over 35 years helped establish today's ethics & compliance best practices as well as the standards by which they are measured.

Andrew Burt

Research Scientist, NAVEX Global

Andrew Burt is a writer and researcher for NAVEX Global, where he collaborates with risk and compliance experts to develop content offering information, education, and best practices on industry issues and trends. He is also responsible for the data collection and analysis that underlies the annual definitive benchmark reports. After obtaining his MPA from Indiana University, Andrew managed communications for the University of Oregon's Global Education Oregon initiative, where he directed messaging for over 20 educational programs worldwide. More recently, he served as a writer and research historian for the Reuben G. Soderstrom Foundation for Organized Labor Studies, and was co-author of the award-winning biographical series *Forty Gavels*.

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