



NAVEX GLOBAL®
The Ethics and Compliance Experts

NAVEX Global's 2015 Europe, Middle East, Africa and Asia Pacific State of Compliance Programmes Benchmark Report

Peer Data and Analysis to Enhance Your Global Ethics and Compliance Programme

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TABLE OF CONTENTS

INTRODUCTION	3
EXECUTIVE SUMMARY	4
SURVEY RESPONDENT PROFILE	5
KEY FINDINGS:	
What's Driving the Investment in Compliance? Key Risk Areas & Challenges	7
Top Programme Priorities	8
Top Programme Challenges	9
Issues Receiving the Most Attention	10
Top Programme Implementation Concerns	11
Risks Facing Frontline Supervisors	12
Compliance Programme Measurement & Reporting	13
Programme Effectiveness & Measurement	14
Compliance Reporting & Board Engagement	15
Outlook for Ethics and Compliance Programmes	16
Budget Forecast	17
E&C Software Tools: Current and Planned	18
CONCLUSION	19
KEY TAKEAWAYS	19
THOUGHT LEADERSHIP RESOURCES	20
ABOUT THE AUTHOR	21
ABOUT NAVEX GLOBAL	21

INTRODUCTION

NAVEX Global partnered with an independent research agency to investigate how companies headquartered across Europe, Middle East and Africa (EMEA) and Asia Pacific (APAC) develop and execute their ethics and compliance programmes.

The purpose of the survey was to provide the industry with data on an overlooked area of research: benchmarking the top priorities and challenges faced by ethics and compliance professionals headquartered in EMEA and APAC.

The findings discussed represent responses from 247 key decision-makers and individuals responsible for ethics and compliance (E&C) programmes. See respondent profile in the next section for additional details.

This report provides insights on such questions as:

- What are the top programme priorities and challenges for survey participants?
- What are the risk areas receiving the most attention from key stakeholders?
- What are the top worries that respondents have for their organisation's supervisors?
- How do key decision-makers and leaders perceive the effectiveness of their ethics and compliance programmes?
- What software components are being used in programme implementation and management?
- How are organisations prioritising their budget over the next 12 months?

How To Use This Report

As global regulations and demands for transparency increase, strong ethics and compliance programmes have become more important than ever to mitigate risk and create a culture of ethics and integrity. Understanding what peers are doing is essential in helping you evaluate your programme in a broader context. Regulators and other stakeholders frequently use this type of comparative information in determining whether an organisation has made a good faith effort to avoid compliance and reputational failures. This report is intended to help you identify areas where your programme may need to grow or evolve and to provide some of the frequently requested data points for your Boards of Directors and senior leaders.

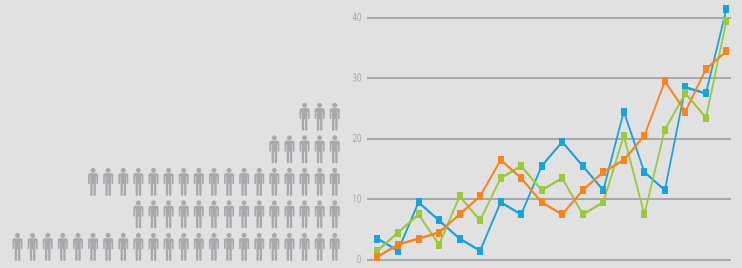
Benchmarking your compliance programme is key to understanding programme performance and identifying areas for improvements. Benchmarking also enables you to make better decisions about protecting your organisation from legal, financial, regulatory and reputational risk, and ultimately create a corporate culture that inspires ethical behaviour.

Survey data revealed the top objectives, pain points and programme strategies for ethics and compliance professionals across many industries, company sizes and geographies. The following key themes emerged:

- Building a strong organisational culture is the top objective for compliance programmes: Respondents identified their top objective as “evolving and deepening a culture of integrity, ethics, and respect,” signalling a maturity of philosophy about the value and business case for strong ethics and compliance programmes.
- Managing policy lifecycle and impact are the biggest concerns when implementing a compliance programme: When asked to select their top three most worrying topics related to implementing a compliance programme, managing the lifecycle and ensuring the impact and quality of policies and procedures tops the list.
- Organisations worry about the pressure on frontline managers: Frontline managers receive pressure from all directions; from leadership looking for productivity and results, and from employees who expect them to have all the answers. Respondents identified this pressure as their highest concern for supervisors in their organisations.
- Many Boards of Directors are not receiving regular compliance reports: A substantial number of respondents (40%) indicated that they are either not on a regular reporting cadence with their board of directors, or are unsure. Best-practice frameworks and regulatory bodies require a clear oversight role for boards. E&C professionals need to develop and provide the Key Performance Indicators (KPIs), such as policy attestation rates, whistleblowing hotline data and training outcomes, required to actively engage with their boards.
- Budgets are not increasing, so organisations need to maximise the impact of available resources: The majority of respondents indicated that their budgets will remain the same or will be less in the coming year. E&C professionals will continue to be challenged to find innovative ways to maximise the resources they have and to demonstrate to management that an effective compliance programme is crucial to their organisation’s reputation, culture and bottom line.

SURVEY RESPONDENT PROFILE

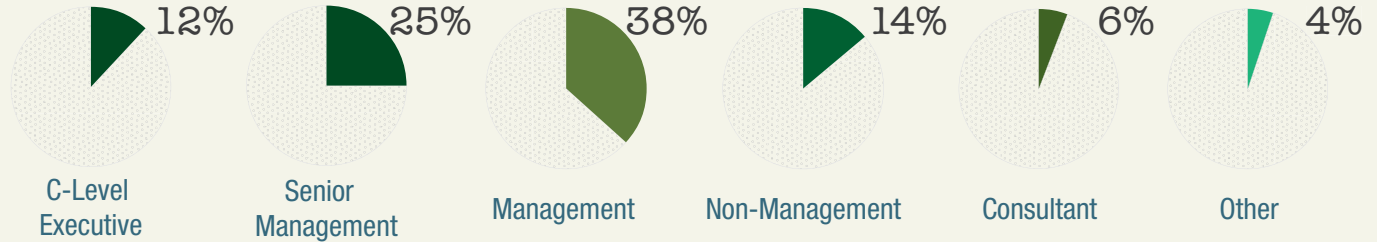
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Job Function



Job Level



Ethics & Compliance Decision-Maker Status



Company Size

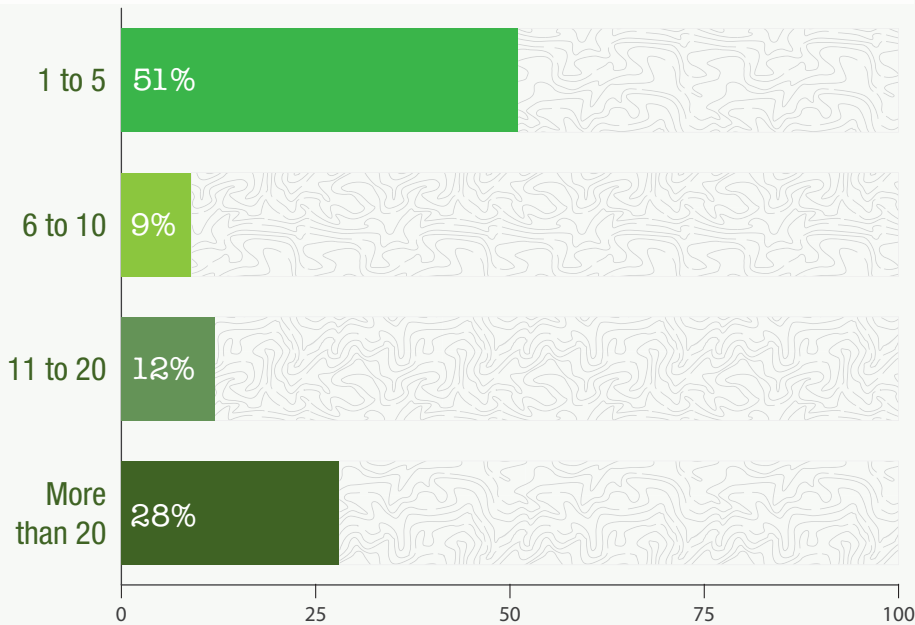


SURVEY RESPONDENT PROFILE (CONTINUED)

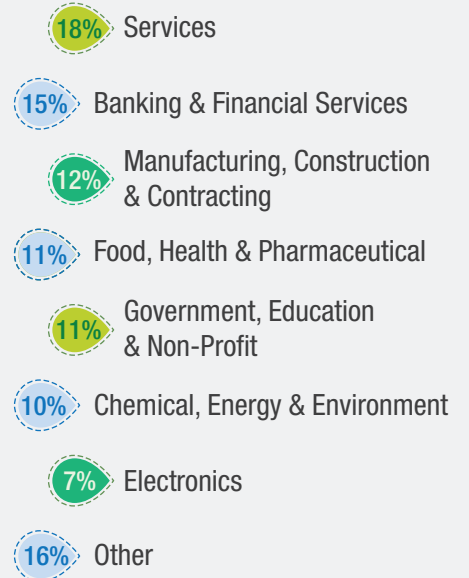
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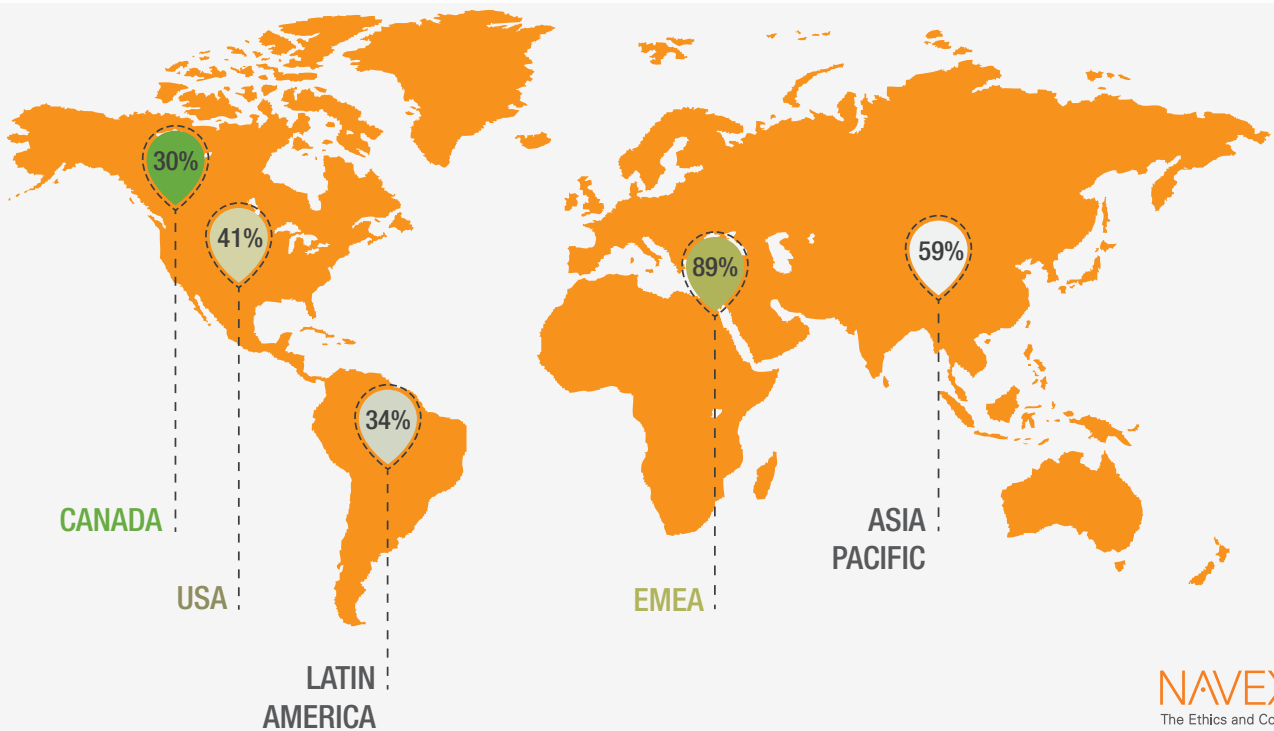
Number of Countries in Which Employees Are Located



Number of Respondents by Industry



Regions Where Organisation Does Business





WHAT'S DRIVING THE INVESTMENT IN COMPLIANCE?
KEY RISK AREAS & CHALLENGES



KEY FINDINGS

What's Driving the Investment in Compliance? Key Risk Areas & Challenges

Top Programme Priorities

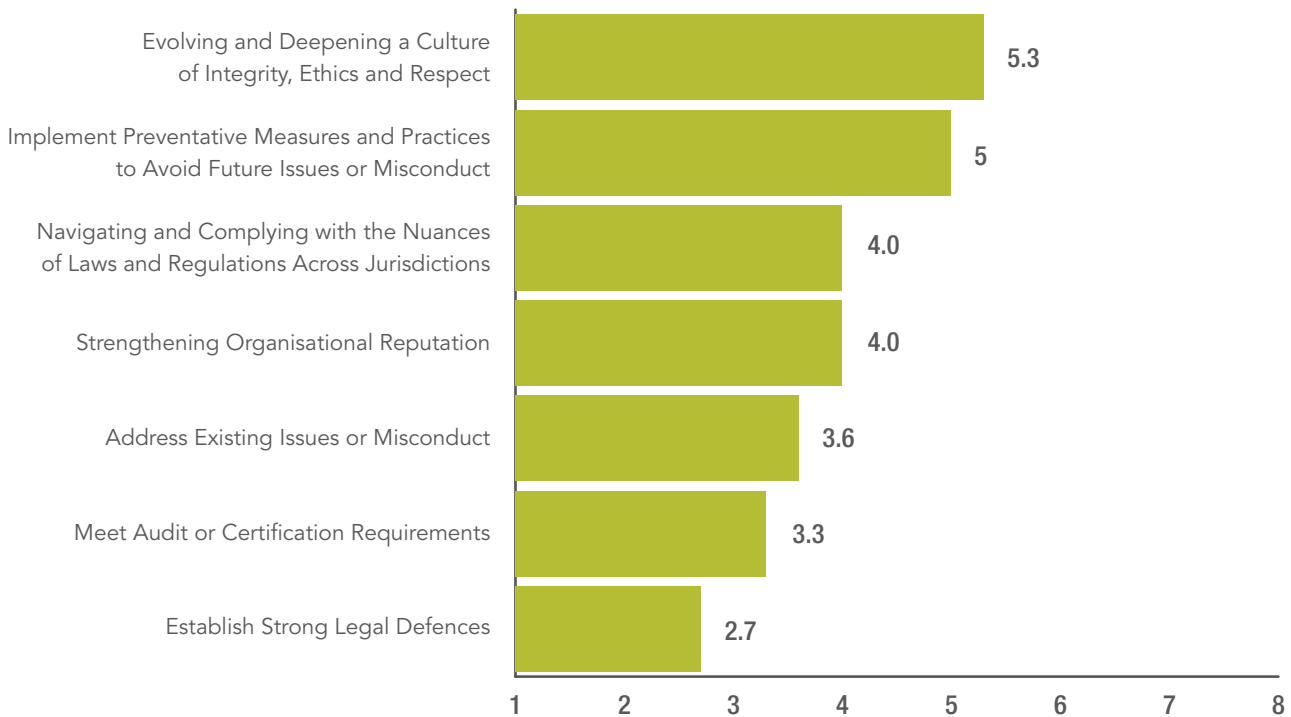
FINDINGS: Respondents reported that evolving and deepening a culture of integrity, ethics and respect is the most important programme objective over the next 12 months. This was followed by implementing preventative measures and practices to avoid future issues or misconduct and strengthening the organisation's reputation. Lower priorities included meeting audit or certification requirements and establishing strong legal defences.

ANALYSIS:

- ▶ The top priorities are indicative of a maturity of philosophy about the value and business case for a strong ethics and compliance programme. It has been well-documented that culture will prevail over rules, policies and compliance. Driving for a strong programme focused on evolving culture and prevention brings benefits far beyond compliance, including improvements in employee and customer satisfaction.
- ▶ Respondents placed a lower priority on meeting audit or certification requirements and establishing strong legal defences. These are important components of a compliance programme, but prioritising these objectives over culture and prevention would typically describe a "check-the-box" approach which has a higher risk of compliance failure.

Ethics & Compliance Programme Objectives

Respondents were asked to rank their ethics and compliance programme objectives from 1 (least important) to 8 (most important).



Top Programme Challenges

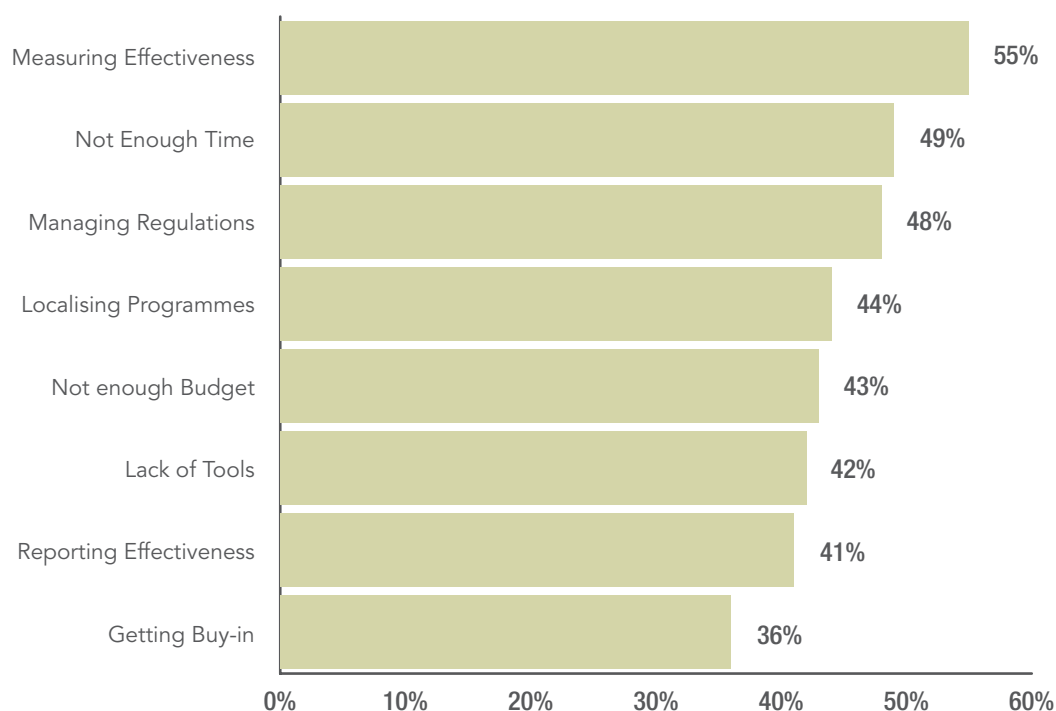
FINDINGS: When asked about the greatest programme challenges, measuring programme effectiveness was at the top of the list. More than half of respondents (55%) gave this a high rating. This was followed closely by lack of time (49%) and managing regulations across different jurisdictions (48%).

ANALYSIS:

- ▶ It is not surprising that measuring programme effectiveness was cited as the biggest programme challenge, since this is a complex undertaking. Organisations struggle to define the right combination of key indicators of culture and compliance to demonstrate the programme is working.
- ▶ The key challenges of time availability and managing regulations speak to the need for programmes to be properly resourced. A robust risk assessment process can help to identify and better manage resource allocation and to prioritise jurisdictional issues. Successful programmes regularly review resources against the organisation's risk profile to ensure appropriate management and mitigation actions.
- ▶ Survey write-in responses to challenges included concerns about implementing standardised programmes across locations and being seen as a "troublemaker" for bringing up issues. The wide variety of responses serve as a reminder that every organisation has its own culture and challenges to be factored into the development and implementation of an effective ethics and compliance programme.

Top Ethics & Compliance Programme Obstacles

Respondents were asked to rank all challenges from 1 (least challenging) to 5 (most challenging) with results shown for scores of 4 and 5.



KEY FINDINGS

What's Driving the Investment in Compliance? Key Risk Areas & Challenges

Issues Receiving the Most Attention

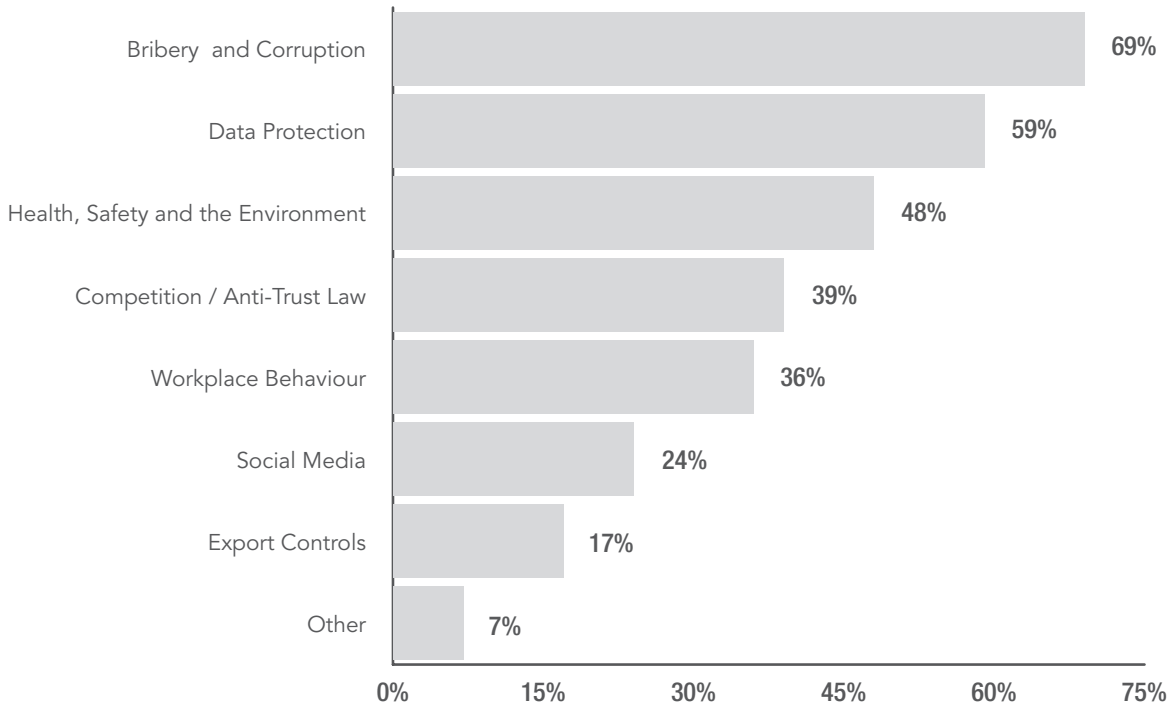
FINDINGS: We asked respondents which three areas received the most attention from stakeholders. A majority of respondents (69%) indicated that bribery and corruption received the most attention. This significantly outranked other leading areas of interest, such as data protection (59%) and health, safety, and environment (48%).

ANALYSIS:

- ▶ Respondents indicated that bribery and corruption is the top risk area receiving attention in their organisations. An OECD convention focuses on this issue and in the UK, the Bribery Act has served to focus even greater attention. Bribery and corruption enforcement has expanded globally with government agencies now working together to share data cross-borders.
- ▶ Data protection, health and safety, and competition law are additional issues where regulatory agencies are aggressively pursuing cases against companies.
- ▶ These results again highlight the need for organisations to have a thorough risk identification and management process in order to effectively deploy limited programme resources.

Risk Areas Receiving Most Attention

Respondents were asked to select their top three risks.



Top Programme Implementation Concerns

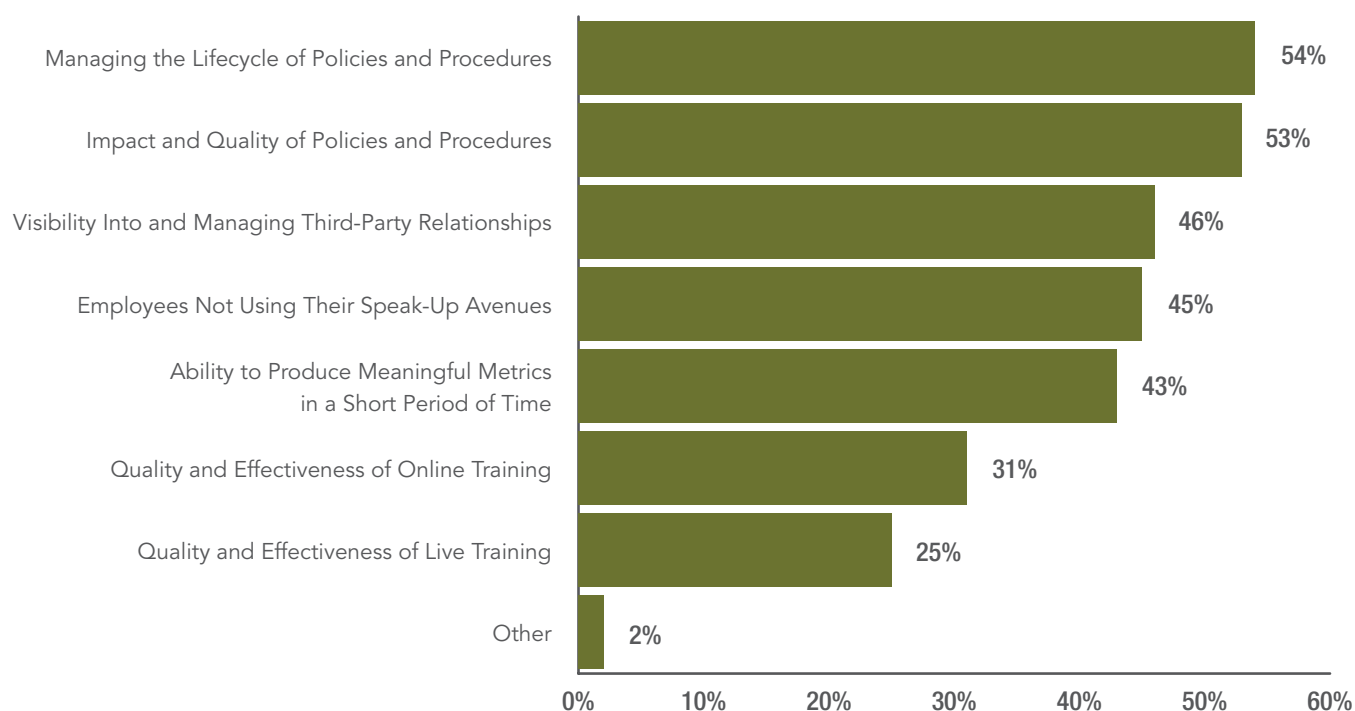
FINDINGS: Respondents were asked to identify the three most concerning aspects of programme implementation. They reported being most worried about managing the lifecycle of policies and procedures (54%) followed closely by concerns about the impact and quality of policies and procedures (53%). Visibility into and managing third-party relationships (46%) came in third. In contrast, training was the least worrying topic.

ANALYSIS:

- ▶ Organisations of all sizes experience the struggles of policy management. And while some may be surprised to see this concern at the top of the list, clear, up-to-date, well-communicated, risk-based policies are the backbone of an effective compliance programme.
- ▶ According to research conducted by NAVEX Global for its [2015 Ethics & Compliance Policy Management Benchmark Report](#), even organisations managing thousands of policies have limited funding and staff dedicated to policy management.
- ▶ Visibility into, and management of, third parties completed the list of the top three implementation concerns in this survey. Third parties could place an organisation at a higher risk of bribery and corruption depending on the geographical areas of operation, and also could be a weak link in data protection practices—the top two areas of stakeholder attention noted earlier in this report.

Most Worrying E&C Implementation Topics

Respondents were asked to select their top three implementation concerns.



KEY FINDINGS

What's Driving the Investment in Compliance? Key Risk Areas & Challenges

Risks Facing Frontline Supervisors

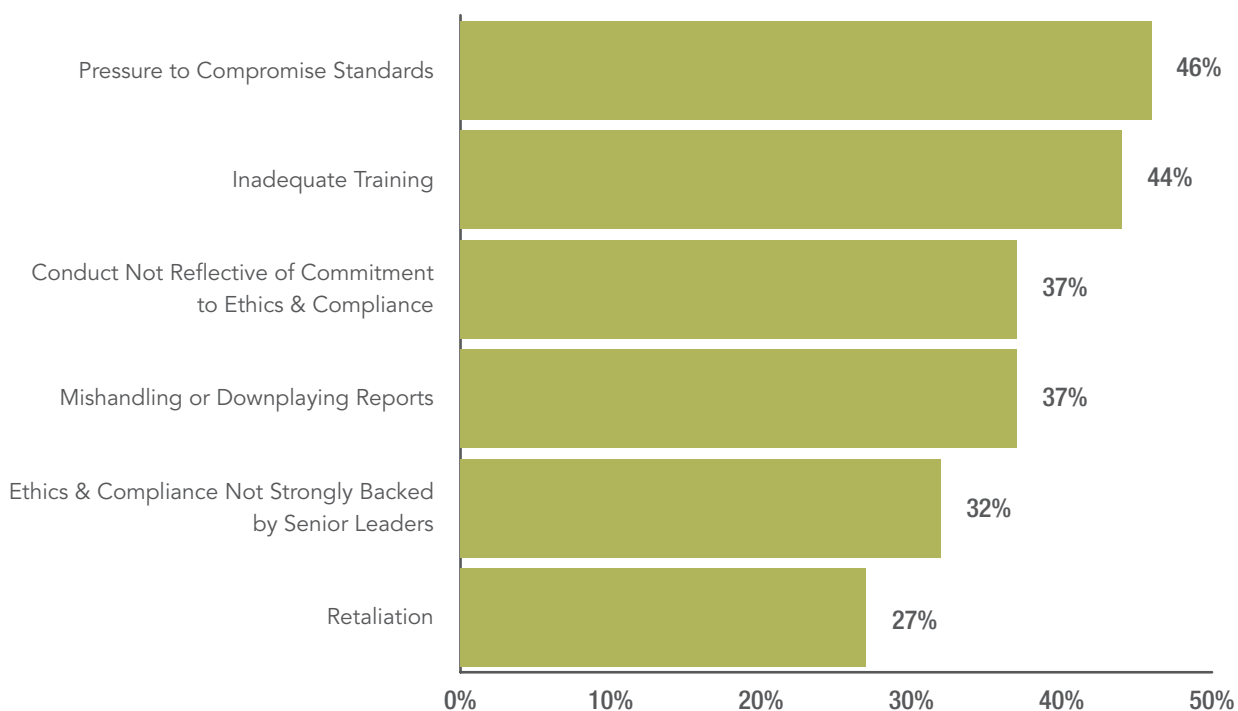
FINDINGS: Frontline supervisors are the culture carriers of every organisation yet they often receive the least attention in the areas of training and support. Nearly half of respondents (46%) indicated the risk most likely to confront supervisors in their organisations was “feeling or exerting pressure to compromise standards to achieve business results.” The second-most prominent concern was “inadequate training on avoiding missteps,” rated as a high-level concern by 44% of respondents.

ANALYSIS:

- ▶ Employees look to their immediate manager or supervisor as the first line of reporting and defence to address a problem or report potential wrongdoing. In addition, most E&C programmes refer employees who have a question or concern to their manager or supervisor first before using other available avenues such as the organisation’s whistleblower hotline.
- ▶ Individuals at this level of management are often referred to as “culture carriers.” Despite these critical roles and responsibilities, this group often lacks training and confidence on how to manage pressures, communicate clear expectations, and respond appropriately to employee concerns.
- ▶ A positive finding, additional to the results shown, is the confidence expressed by many respondents (45%) that managers and supervisors will not engage in retaliation against an employee. While the organisation’s leadership may be confident on this matter, it is important to test the beliefs of the employee base to ensure they are consistent.

Levels of Concern About the Risks Facing Supervisors

Respondents were asked to rate the risks facing their supervisors from 1 (not a concern) to 5 (major concern) with results shown for scores of 4 and 5.





COMPLIANCE PROGRAMME
MEASUREMENT & REPORTING



KEY FINDINGS

Compliance Programme Measurement & Reporting

Programme Effectiveness & Measurement

FINDINGS:

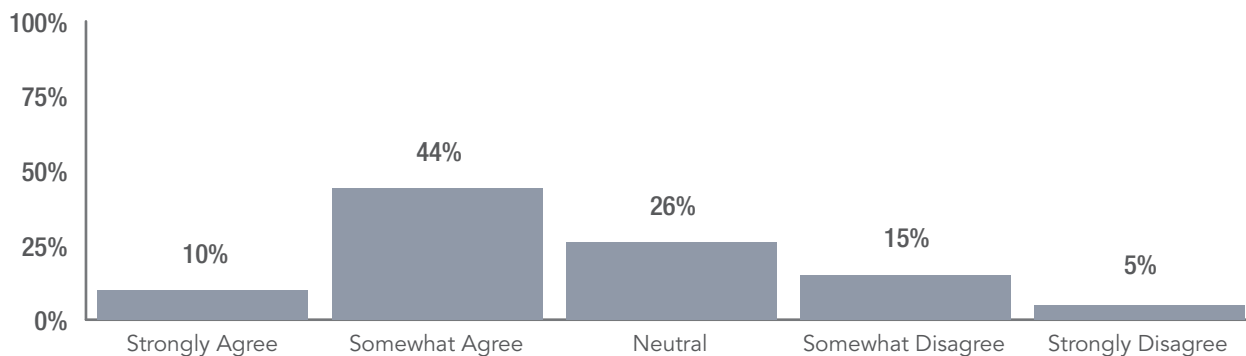
- ▶ More than half of respondents (54%) indicated some level of agreement that their ethics and compliance programme was strong and effective and had all the components necessary to safeguard employees and the company's reputation. However, a substantial minority (46%) indicated reservations about the effectiveness of these programmes. In addition, only 10% of respondents strongly believed that "Our programme is strong, effective and has all of the components necessary to safeguard our people, reputation and bottom line."
- ▶ Close to half of respondents (45%) indicated that they were able to measure at least some aspects of the effectiveness of their compliance programmes. One quarter (25%) indicated an inability to do so, and 30% were neutral about their ability to conduct effective measurement.

ANALYSIS:

- ▶ E&C officers will often say that while their organisation has many elements of an effective programme, there is always more work to be done. Based on our assessment work, we agree and further note that with constant changes in the business and regulatory risk environment, regular risk-based programme reviews are needed.
- ▶ The biggest challenge identified by respondents is actually measuring programme effectiveness. Our experience has shown that a number of factors can be used to provide insights but there is not one easy formula and that the applicable metrics vary by industry, size of the organisation, geography and each organisation's specific risk profile.

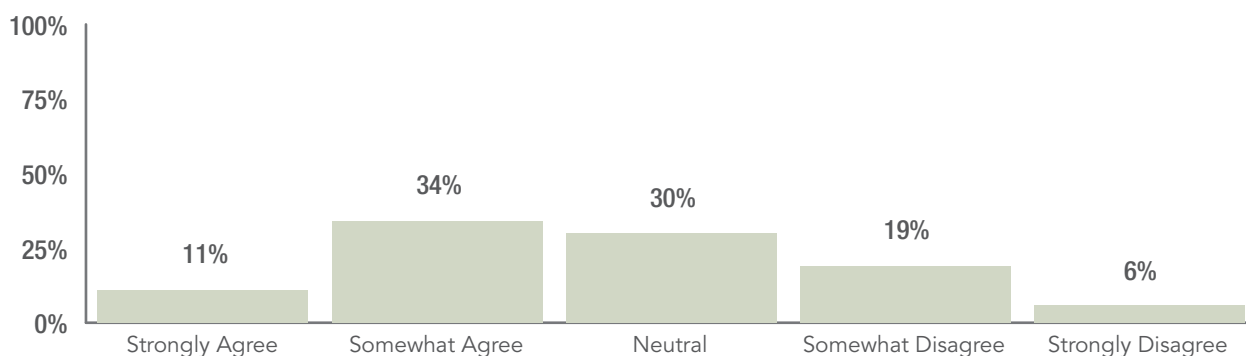
Compliance Programme Effectiveness

Respondents were asked to rate their level of agreement with the statement, "Our compliance programme is strong, effective and has all the components necessary to safeguard our people, reputation and bottom line."



Ability to Measure the Effectiveness of Ethics & Compliance Programmes

Respondents rated their level of agreement with the statement, "I am able to measure the effectiveness of my compliance programme"



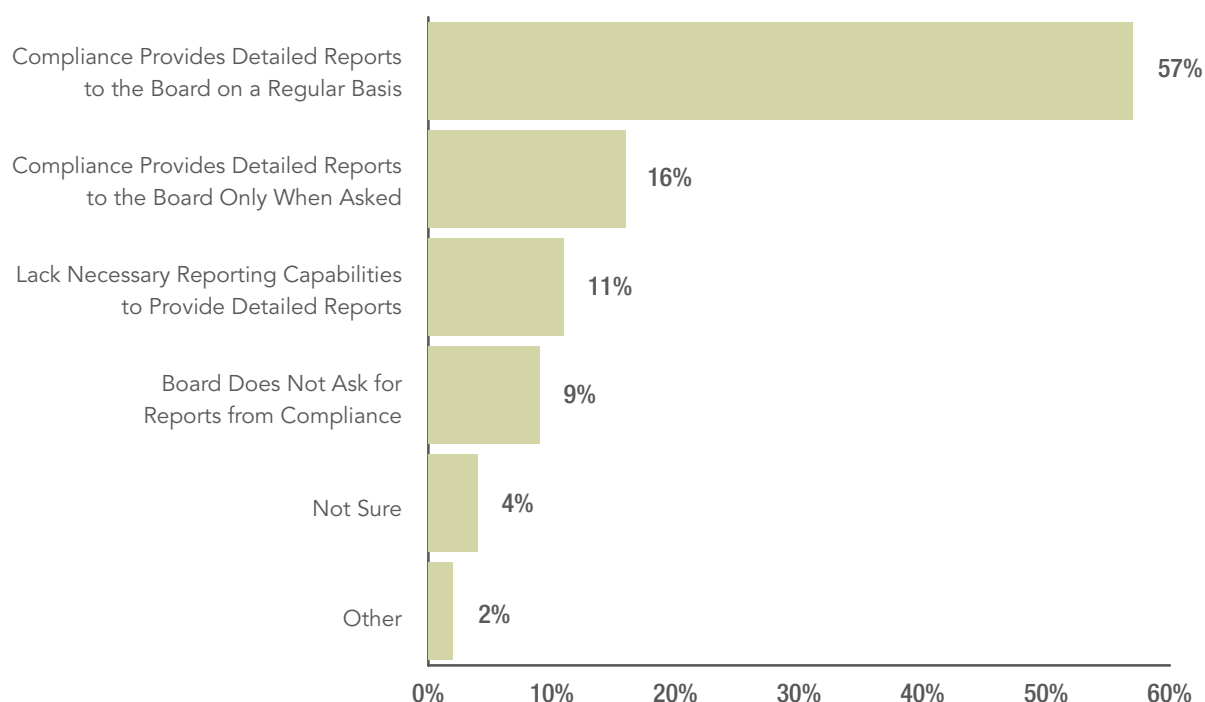
Compliance Reporting & Board Engagement

FINDINGS: More than half of respondents (57%) indicated that their compliance team regularly provided detailed reports to the board and 16% only provided reports when asked. In addition, 11% indicated that they did not have the necessary reporting capabilities to provide detailed reports to their board. As importantly, only 9% of respondents did not receive any compliance requests from their board.

ANALYSIS:

- ▶ Data overall indicated board engagement varies significantly, with 40% of respondents indicating that they are either not on a regular reporting cadence with their boards, or are unsure.
- ▶ Best-practice frameworks and various international regulatory bodies define a clear oversight role for the board of directors. To meet these standards, boards should request and receive regular updates on risks, issues raised and programme effectiveness. Boards that are not actively engaged in E&C are creating risk for the organisation and potentially for themselves personally.
- ▶ Looking at a geographic cut of the data, organisations headquartered in the Middle East and Africa were much less likely to provide detailed reports to their boards on a regular basis. This is likely because they cited more than any other region that they lacked the reporting capabilities needed to provide detailed reports.

How Compliance Programmes Report to the Board





OUTLOOK FOR ETHICS AND
COMPLIANCE PROGRAMMES



KEY FINDINGS

Outlook for E&C Programmes

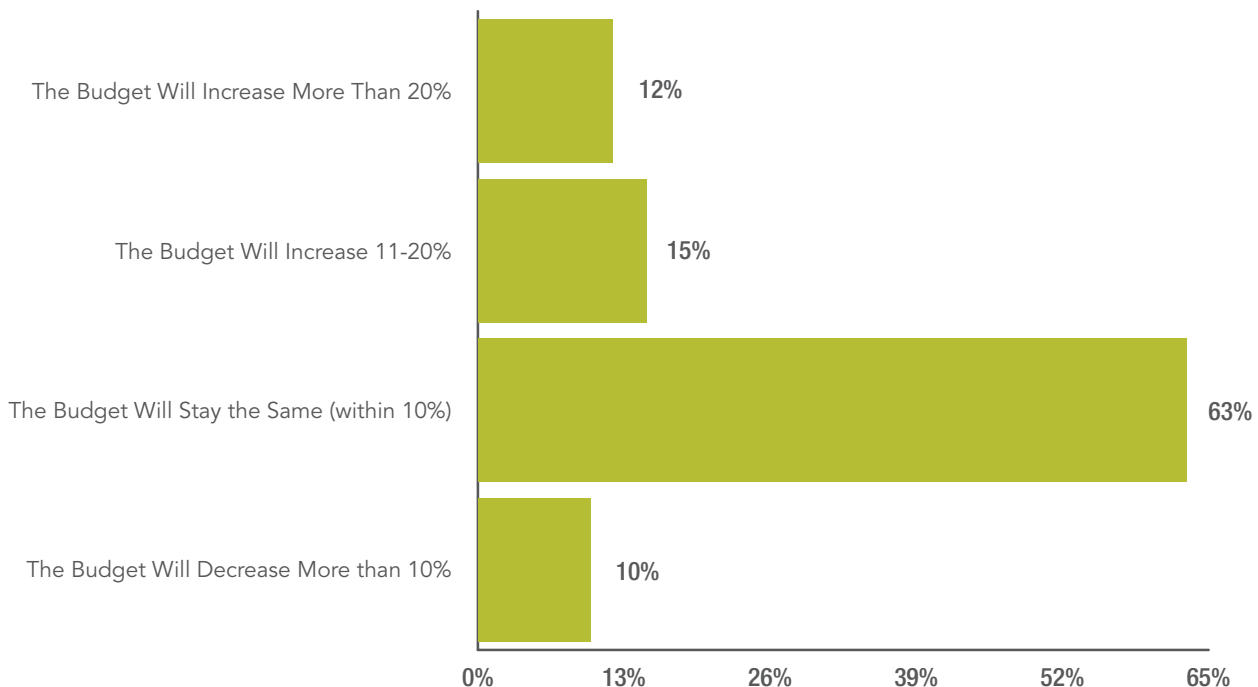
Budget Forecast

FINDINGS: When asked about budget expectations, only 27% of respondents indicated that their E&C budget would increase this year by more than 10%. The vast majority of respondents said the budget would stay the same, and 10% indicated an expected decrease.

ANALYSIS:

- ▶ With 73% of the respondents indicating that their budgets will remain the same or decrease, it is important to note that E&C professionals continue to be challenged to find innovative ways to maximise the resources they have and continue to build an organisational culture that helps reduce risk.
- ▶ With limited budgets, E&C officers should look at partnering with other departments in the organisation to help pay for important tools and initiatives in order to make the most of organisational resources while improving programme outcomes.

E&C Budget Forecast



E&C Software Tools: Current and Planned

FINDINGS:

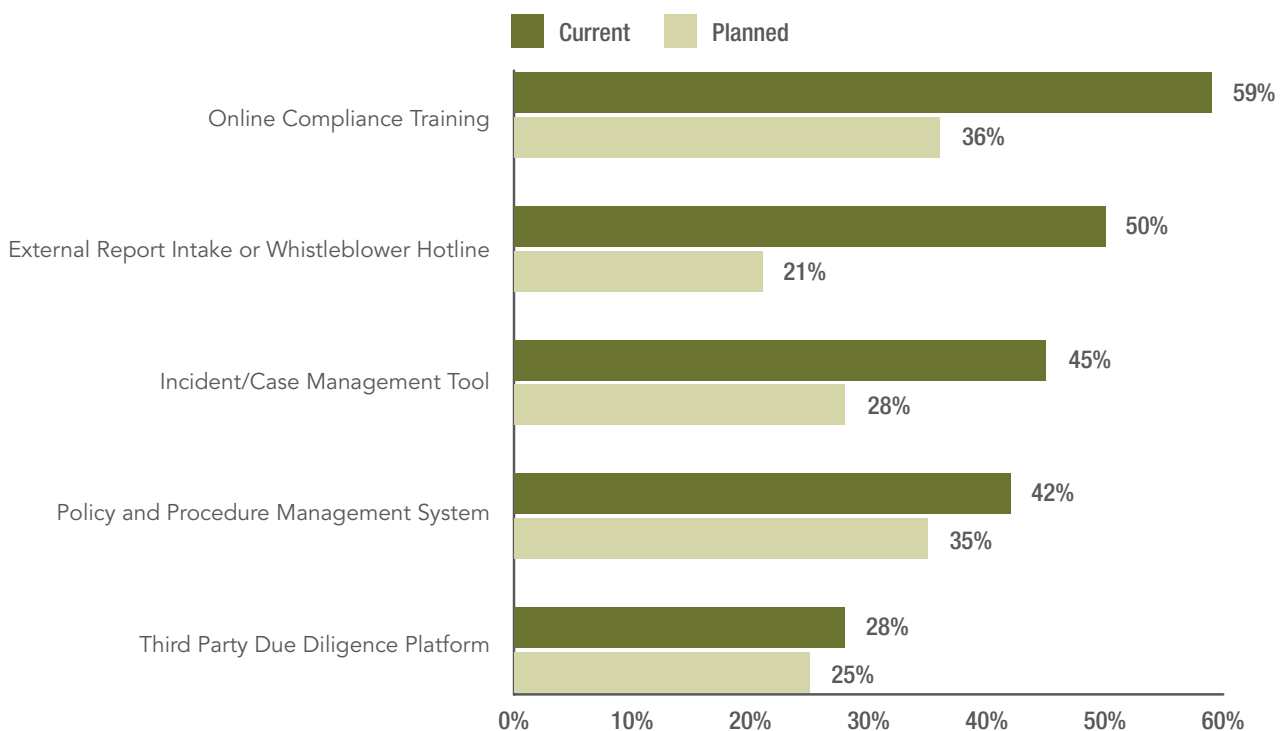
- ▶ The most prevalent ethics and compliance programme software in use by respondents was online compliance training (59%). Externally managed whistleblower helplines (50%), incident management tools (45%) and policy and procedure management systems (42%) followed behind. A third-party due diligence platform was in use by just 28% of survey respondents.
- ▶ Looking to the future, more than a third of respondents anticipated implementation of online compliance training and policy/procedure management systems over the next 12 months.

ANALYSIS:

- ▶ These findings indicate a moderate level of software adoption to support E&C programmes.
- ▶ Noting the limited changes in available budgets, streamlining E&C programme processes will be key, and E&C tools are a key driver of efficient processes and better programme ROI.
- ▶ The data also suggests that the majority of E&C software investment has been focused on managing internal risk. We encourage organisations to also review how they manage risks from external sources such as supply chain and data security.

E&C Software Tools: Current and Planned

Respondents were asked to identify the Ethics and Compliance tools that were already in place at their organisations and those tools that their organisations had plans to implement this year.



CONCLUSION

The results of this survey indicate a high level of awareness of ethics and compliance programme benefits in EMEA and APAC. The top objectives of creating a culture of integrity, ethics and respect, and preventing wrongdoing from occurring in the first place, are important to the vast majority of organisations surveyed here.

Based on the survey findings, the primary goal for ethics and compliance programmes in EMEA and APAC is to move beyond “check the box” and toward creating meaningful risk mitigation and cultural change. Ethics and compliance professionals will need to continue to find new ways to maximise budgets to build and evolve an holistic compliance programme that fosters a culture of ethics and integrity while protecting the organisation from financial, reputational and legal risk.

KEY TAKEAWAYS

- **Take a Risk-Based Approach:** Programme components and implementation strategies can be complex and will vary significantly by company and by region. The development of these programmes should be driven by the organisation’s risk profile, which can be identified by conducting a comprehensive ethics, compliance and reputational risk assessment.
- **Put Meaningful Programme Measurements in Place:** Consider a variety of metrics to determine the effectiveness of the programme as there is no one metric or indication that will provide complete insights. A combination of useful metrics could include Whistleblower Hotline benchmarks, feedback on training sessions, leadership feedback, employee surveys and focus group data, exit interview feedback, and legal actions.
- **Train Middle Managers and Supervisors:** First and second level managers are culture carriers—the strongest link senior management has to employees. These managers need to be trained on communicating organisational expectations to employees—and trained on how to respond when issues arise. Investing in these managers will pay dividends in terms of creating a strong culture of integrity and compliance.
- **Engage Leadership and Your Board of Directors:** Both best-practice frameworks and regulatory bodies around the world have defined a clear oversight role for the board of directors. Neglecting this duty could mean putting the organisation, and board members themselves, at risk. A regular reporting cadence—with high-quality data put into context—will help keep the Board and leadership engaged.
- **Do More With Less:** Make good use of systems and processes that will improve the efficiency and accuracy of their programmes. There is still opportunity for further automation in many areas of respondents’ E&C programmes.

NAVEX Global's Integrated Ethics & Compliance Ecosystem

Manage complex E&C tasks more efficiently. Measure programme results more accurately. Connect the dots across your programme to get meaningful insights to continuously improve. NAVEX Global's integrated suite of proven E&C tools, content and services equips organisations to identify and contain compliance risks and threats. Whether you need one solution or our full suite, we're ready to help protect your people, reputation and bottom line.

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Tools & Thought Leadership

NAVEX Global also offers many valuable resources relating to improving ethics & compliance programmes in EMEA & APAC. Visit our resource center at www.navexglobal.com/resources to find these tools and more:

— WHITEPAPER:

- ▶ [The Future of U.K. Enforcement of Financial Crimes: Four Clues for 2015 and Beyond](#)

— RESEARCH REPORTS:

- ▶ [2015 NAVEX Global Ethics & Compliance Third-Party Risk Management Benchmark Report](#)
- ▶ [2015 NAVEX Global Ethics & Compliance Hotline Benchmark Report](#)
- ▶ [2015 NAVEX Global Ethics & Compliance Policy Management Benchmark Report](#)
- ▶ [2015 NAVEX Global Ethics & Compliance Training Management Benchmark Report](#)

— EBOOKS:

- ▶ [Bribery & Anti-Corruption Compliance in the UK & Europe](#)
- ▶ [Definitive Guide to Policy Management](#)

— ON-DEMAND WEBINARS:

- ▶ [Navigating the Complex Challenges of Cross-Border Investigations: Four Things You Need to Know](#)
- ▶ [Ethics & Compliance Trends Across EU & Beyond: Advancing the Trust Agenda and Maintaining Programme Momentum](#)

— BLOG POSTS:

- ▶ [First DPA in the U.K. Signals Britain is Serious About Bribery & Corruption](#)
- ▶ [Insights from the E.U.—Creating and Sustaining a Strong Organisational Culture](#)
- ▶ [Whistleblowers Gone Global – International Implications of the Dodd-Frank Whistleblower Programmes](#)

ABOUT THE AUTHOR



Carrie Penman, Chief Compliance Officer and Senior Vice President, Advisory Services, NAVEX Global

Carrie Penman is NAVEX Global's chief compliance officer and senior vice president of the Advisory Services team. She has been with the firm since 2003 after four years as deputy director of the Ethics and Compliance Officer Association (ECO). Carrie was one of the earliest ethics officers in America—a scientist who developed and directed the first corporate-wide global ethics programme at Westinghouse Electric Corporation. Since joining the Advisory Services team, she has conducted numerous programme and culture assessment projects for its clients and regularly works with and trains company boards of directors and executive teams. She also serves as a corporate monitor and independent consultant for companies with government agreements.

ABOUT NAVEX GLOBAL

NAVEX Global's comprehensive suite of ethics and compliance software, content and services helps protect your people, reputation and bottom line. The trusted global expert to 95 percent of the FORTUNE 100 and over 12,500 clients overall, our solutions are informed by the largest ethics and compliance community in the world. More information can be found at www.navexglobal.com.

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The Ethics and Compliance Experts

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